

**Western Economic  
Diversification Canada**

**2004 - 2005**

**Departmental Performance Report**

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Stephen Owen  
Minister of Western Economic Diversification  
and  
Minister of State (Sport)

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## **SECTION I – OVERVIEW**

## **Minister's Message**

The department of Western Economic Diversification Canada (WD) exists due to the unique character of the West and its strategic importance as an essential partner in Canada's prosperity.

WD's mandate links directly to key priorities of the Government of Canada. Whether contributing to sustainable economic growth, an innovative and knowledge-based economy, a vibrant social economy, a clean and healthy environment, or linking the West to the world with the Pacific Gateway initiative, WD is at the forefront of economic development in Western Canada. WD plays a leadership and collaborative role in a number of major federal initiatives, including Building a Productive and Sustainable Economy, the New Deal for Cities, the Social Economy, and Canada's Place in the World.

WD works to improve the West's long-term economic competitiveness and quality of life of its citizens through a wide range of initiatives targeted around three inter-related strategic priorities – Sustainable Communities, Innovation and Entrepreneurship. Together, these three priorities create a foundation that supports the ongoing success of the West.

Over the past several years, Sustainable Communities has emerged as the underlying theme of many WD activities. Our work in this area acknowledges that economic development occurs within a broader context of social and environmental realities. If we ignore this broader context, then factors such as pollution, urban decline, and marginalized communities, will hinder economic growth.

Western Canada is becoming a world leader in building communities that combine sustainable economic prosperity with a high quality of life. The Vancouver Agreement is a new model for governments to work together, along with business and community groups, to maximize economic and social benefits to the community. The agreement, which received the top United Nations Public Service Award in the category Improving Transparency, Accountability and Responsiveness in June 2005, will be renewed for a second five-year term.

In 2004-2005, WD worked to extend this model to other urban centres in the West, signing an agreement in Winnipeg and laying the groundwork for new Urban Development Agreements in Regina, Saskatoon and Victoria. Each of these agreements addresses locally identified priorities, such as revitalizing core neighbourhoods, enhancing social and economic inclusion of urban Aboriginal populations, and expanding competitiveness through innovation and technology. WD's tripartite model of Urban Development Agreements has received strong support and is being considered for adoption as a key element of the national New Deal for Cities initiative.

Under Innovation, WD contributes to a knowledge-based economy in the West through targeted investments in the western innovation network. Our contributions have leveraged additional investments, thereby strengthening research capabilities and improving links between industry, government and the research community.

Over the past year, WD supported many initiatives that are advancing the West's expertise in areas such as environmental technologies, alternative energy, health technologies and infectious disease. Each of these holds tremendous potential, not only for a strengthened economic base and higher-paying jobs for western Canadians, but also for an improved quality of life for all Canadians and our neighbours around the world.

In the area of Entrepreneurship, WD continues to support the Community Futures Development Corporations, Canada Business Service Centres, Women's Enterprise Initiative and Francophone Economic Development Organizations as the prime source of information, advice and financing to help the West's small- and medium-sized enterprises (SMEs) flourish. In June 2004, the Canada Business Service Centres received the United Nations Public Service Award for Improvement of Public Service Results. This well-deserved international honour recognizes the impact that WD partners have had on the success of the small business sector in our country.

In 2004-2005, WD also expanded its role in international commerce because this is critically important to the economic well-being of Western Canada and the country as a whole. Exports of Canadian goods and services were valued at almost \$500 billion in 2004, representing almost 40% of the country's GDP and a quarter of all Canadian jobs. As a share of GDP, foreign direct investment in Canada is the second highest in the G7, while Canadian investments abroad are the third largest in the G7. Strengthening relationships with our largest trading partner, the United States, and with the rapidly growing economies of China and Japan will create new and exciting opportunities for the West's innovative small business sector. WD is working closely with International Trade Canada, other federal partners and the western provinces to support these relationships and increase international commerce between Canada's West and these important trade partners. WD and Transport Canada, working closely with the Province of BC and other provinces, are co-leading federal efforts to develop and implement a national Pacific Gateway initiative to develop the infrastructure needed to improve the transportation services between Western Canada and Asia. The ultimate outcomes of this strategy will be environmental benefits, because of the increased rail usage, expanded trade and investment opportunities, and other socio-economic and cultural links between Canada and the countries of the Asia-Pacific region.

In addition to the department's three strategic priorities, WD plays a strong role in policy, advocacy and coordination. Through research and policy development, the department builds knowledge and understanding of western issues and their impact on western competitiveness and quality of life. WD ensures that the needs and concerns of westerners are taken into account in national policies and programs. The department collaborates with private and public sector partners, including other federal departments across the West to address issues of immediate or long-term importance.

This Departmental Performance Report contains specific examples of how WD's programs and initiatives are creating more sustainable communities, improving innovation and enhancing entrepreneurship across Western Canada. These examples illustrate the West's growing success, which is not as a result of independent action, but of the cooperative efforts of all levels of government, universities and research institutes, businesses, not-for profit organizations and individual Canadians working in their communities to build a better future.

Western Economic Diversification Canada is committed to working in partnership with western Canadians to build a stronger West, and a stronger Canada.

The Honourable Stephen Owen  
Minister of Western Economic Diversification  
and Minister of State (Sport)

## **Management Representation Statement**

I submit for tabling in Parliament, the 2004-2005 Departmental Performance Report (DPR) for Western Economic Diversification Canada.

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

- it adheres to the specific reporting requirements;
- it uses an approved Business Lines structure;
- it presents consistent, comprehensive, balanced and accurate information;
- it provides a basis of accountability for the results pursued or achieved with the resources and authorities entrusted to it; and,
- it reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

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Oryssia J. Lennie  
Deputy Minister  
Western Economic Diversification Canada



## Summary Information

**Department's Raison d'être** – Western Economic Diversification Canada (WD) was established in 1987 to help lessen the West's (British Columbia, Alberta, Saskatchewan and Manitoba) economic dependence on natural resources. Under the *Western Economic Diversification Act, 1988*, the department is mandated to “promote the development and diversification of the economy of Western Canada and to advance the interests of Western Canada in national economic policy, program and project development and implementation.” To do this, WD organizes its programs and services to achieve the following strategic outcomes<sup>1</sup>:

- economically viable communities in Western Canada with a high quality of life (Sustainable Communities);
- a competitive and expanded business sector in Western Canada (Entrepreneurship); and,
- a strengthened western Canadian innovation system (Innovation).

These strategic outcomes are all supported by WD's policy, advocacy and coordination activities that are designed to result in effective strategies, policies and programs addressing the economic development needs, opportunities, and aspirations of Western Canada.

WD's strategic investments in all of these areas are working to fulfill WD's vision of a **stronger West in a stronger Canada**.

### Total Financial Resources for the department (\$ Thousands)

Planned Spending	Total Authorities	Actual Spending
\$390,806	\$394,736	\$312,131

**Note on Variance:** Actual spending is lower than planned spending, primarily due to the transfer of contractual commitments under the Infrastructure Canada Program to future years.

### Total Human Resources for the department (Full Time Equivalents – (FTEs))

Planned	Actual	Difference
380	374	(6)

<sup>1</sup> During the 2004-2005 fiscal year, WD re-aligned its strategic outcomes to conform to Treasury Board of Canada Secretariat's (TBS) new reporting requirements under the Management Resources and Results Structure (MRRS) and the Program Activity Architecture (PAA). The changes were not major, and in fact recognized the significant role that WD's policy, advocacy and coordination activities play in contributing towards WD's success. This performance report describes progress made towards Innovation, Entrepreneurship and Sustainable Communities strategic outcomes planned results that were described in WD's *2004-2005 Report on Plans and Priorities*.

## Summary of Performance in Relationship to Departmental Strategic Outcomes, Priorities and Commitments

Individual project results often take a number of years to materialize after WD approves the project, and the department is continuing to work on a performance measurement strategy that will effectively and efficiently demonstrate the results of WD initiatives. The diversity of projects undertaken by WD adds to the challenge of “rolling up” results and makes WD’s performance story a difficult one to tell. The following chart provides an illustration of the level of grants and contributions activity for each expected result, as well as giving an example of results achieved.

<b>Strategic Outcome – Innovation: A strengthened western Canadian innovation system</b>	
<b>Planned spending (thousands)</b> \$73,747	<b>Actual Spending (thousands)</b> \$72,951
<b>2004-2005 Priorities/Commitments/Expected Results</b>	<b>Current Status/Results Achieved</b>
<p>Priorities/Commitments: WD will support initiatives that contribute to an organization’s ability to develop, transfer, commercialize or adopt innovative technologies.</p> <p>Expected Result: Enhanced technology commercialization and adoption</p>	<p>In 2004-2005, WD approved projects totalling \$53 million that will contribute to a strengthened western Canadian innovation system.</p> <p>About 39%, or \$20.7 million, of these projects are intended to result in enhanced technology commercialization and adoption.</p> <p>One example is the \$2.5 million WD provided to the Alberta Cancer Diagnostic Consortium (ACDC). Through the ACDC, engineers, geneticists, physicians and medical researchers are pooling their leading-edge discoveries in micro/nanotechnology and medicine to produce a miniaturized diagnostic device for cancer. Their research has already demonstrated significant practical and commercial potential.</p>
<p>Priorities/Commitments: WD will provide support to innovation infrastructure (physical), and to initiatives that build capacity and linkages among innovation players.</p> <p>Expected Results: Improved knowledge infrastructure and capacity</p>	<p>WD’s investments in knowledge infrastructure strengthen geographic centres and build capacity across the region.</p> <p>For example, WD’s support of more than \$90 million in the life sciences cluster in Manitoba over a 14-year period was recently reviewed by an external consultant, who noted that WD’s investments have contributed to world class research capabilities in human health, investments in knowledge</p>

	<p>infrastructure, increased employment of highly qualified people in key institutions and life sciences companies, formation of spin off companies to commercialize the technologies developed, and increased international collaborations.</p> <p>During 2004-2005, approximately 47% of WD's project approvals under Innovation, or about \$25 million, are expected to result in improved knowledge infrastructure and capacity.</p>
<p>Priorities/Commitments: WD will support the development and implementation of community innovation strategies, which may include skill-building initiatives, enhanced linkages between communities and research institutions, and technology transfer.</p> <p>Expected Results: More innovative communities</p>	<p>During 2004-2005, WD supported community innovation, both at the community level (rural or urban) or through communities of interest that are geographically dispersed, but brought together through common priorities.</p> <p>For example, in British Columbia, WD support for the Okanagan Partnership has led to a competitiveness strategy for the region and a series of action plans designed to strengthen seven industry clusters (aviation, life sciences, tourism, wine and beverage, value-added agriculture, and knowledge services).</p> <p>In Saskatchewan, WD has been highly supportive of the Saskatchewan Forest Centre, which is working in collaboration with a number of partners to develop an internationally competitive and environmentally sustainable forest industry in Saskatchewan.</p> <p>WD approvals during 2004-2005 expected to result in more innovative communities, amounted to approximately \$7.4 million, or 14% of WD's total innovation approvals during the year.</p>
<p>Priorities/Commitments: Under WD's leadership, a Senior Officials Forum on Innovation and a Deputy Ministers' Economic Development Forum is convened to address priorities.</p> <p>Expected Results: Enhanced coordination and alignment of innovation priorities and strategies</p>	<p>WD leads, supports and participates in innovation forums in each of the western provinces, which provides an opportunity for information sharing, joint education and establishment of, and acting on, priorities for the West. Current priorities include the environmental technologies and life sciences sectors, as well as the horizontal priority of</p>

between federal, provincial and other innovation players	technology commercialization and adoption.
<b>Strategic Outcome – Entrepreneurship: A competitive and expanded business sector in Western Canada</b>	
<b>Planned spending (thousands)</b> \$53,719	<b>Actual Spending (thousands)</b> \$49,162
<b>2004-2005 Priorities/Commitments/Expected Results</b>	<b>Current Status/Results Achieved</b>
<p>Priorities/Commitments: WD will support initiatives that increase capacity, productivity and viability of SMEs by increasing the skills, knowledge and competencies of entrepreneurs.</p> <p>Expected Results: Improved business management capabilities of small- and medium-sized enterprises</p>	<p>WD addresses the needs of SMEs primarily by supporting the operations of members of the Western Canada Business Service Network (WCBSN) who provide direct assistance to these SMEs. Collectively, during 2004-2005, the Community Futures Development Corporations (CFDCs), Women’s Enterprise Initiatives (WEIs), Francophone Economic Development Organizations (FEDOs) and Canada Business Service Centres (CBSCs) responded to more than 573,000 general business information enquiries, offered in-depth business assistance to more than 138,000 clients, and provided training to more than 43,000 clients.</p> <p>In addition, the department supported a wide variety of projects designed to improve business productivity and competitiveness in areas such as lean manufacturing practices, technology and management training, and academic and industry internships and exchanges.</p>
<p>Priorities/Commitments: WD will work with financial institutions, members of the WCBSN and other organizations to increase the amount of capital available for borrowing by SMEs in targeted areas where it has been identified there is a financing gap.</p> <p>Expected Results: Improved access to financing for SMEs</p>	<p>During 2004-2005, WD approved projects totalling \$9.5 million that will ultimately lead to improved access to financing for SMEs. WD investments in previous years to establish loan funds for CFDCs, WEIs and one FEDO allowed SMEs in the West to access \$52 million in loans from these organizations, leveraging an additional \$71.3 million from other sources. In addition, through WD’s Loan Investment Fund Program, businesses were able to access an additional \$13.3 million in loans with financial institutions, such as banks and credit unions.</p>
<p>Priorities/Commitments: WD will work to increase investment by supporting investment promotion and research in foreign direct</p>	<p>In 2004-2005, the department supported a broad range of trade and investment projects designed to enhance the development of new</p>

<p>investment, investment initiatives in priority areas, major international events, and by strengthening working relationships with provincial and federal stakeholders. WD will also work to increase export activity by supporting trade promotion and research, SME export readiness, trade missions and international events. WD will strengthen working relationships with provincial and federal stakeholders and utilize Western Canada's multicultural diversity.</p> <p>Expected Results: Improved investment in Western Canada and increased participation in international markets</p>	<p>international markets for western companies and the attraction of foreign direct investment into the West. Project approvals in support of this priority totalled more than \$6.5 million in 2004-2005.</p> <p>WD is also one of the eight federal departments/agencies that support the US Enhanced Representation Initiative. As part of this initiative, in October 2004 WD organized the Western Canada Technologies Capabilities Study Tour to enhance trade commissioners' from Canadian Posts in the western United States understanding of western Canadian technology capabilities and priorities. Follow-up initiatives are expected to result in opportunities for research collaboration or venture financing for western Canadian technology companies.</p>
<p><b>Strategic Outcome – Sustainable Communities: Increased economic activity that improves the competitiveness and the quality of life in western Canadian communities</b></p>	
<p><b>Planned spending (thousands)</b> \$263,340</p>	<p><b>Actual Spending (thousands)</b> \$190,018</p>
<p><b>2004-2005 Priorities/Commitments/Expected Results</b></p>	<p><b>Current Status/Results achieved</b></p>
<p>Priorities/Commitments: WD will work with other governments to implement the four recently signed Western Economic Partnership Agreements (WEPAs) and the Urban Development Agreements (UDAs) in Vancouver and Winnipeg. Additional tripartite UDAs will be negotiated in other western cities.</p> <p>Expected Results: Greater collaboration and integration among governments and communities</p>	<p>During 2004-2005, each of the WEPAs was well into its implementation phase, with targets established to achieve both provincial and federal priorities. By March 31, 2005, a total of 79 projects, worth over \$84 million, were approved jointly by WD and the respective provincial government.</p> <p>Urban development agreements were in place in Vancouver and Winnipeg, and discussions were underway to conclude similar agreements in other cities in the West. UDAs for Regina and Saskatoon were announced in March 2005, and a Memorandum of Understanding was signed to develop the Victoria Urban Development Agreement.</p>
<p>Priorities/Commitments: WD will work with communities to identify and attract new sources of business investment and new business opportunities. WD will also assist communities to adjust to severe impacts from changing economic circumstances.</p>	<p>During 2004-2005, WD continued to implement the Canada/Saskatchewan Northern Development Agreement (NDA); 19 projects worth about \$7 million were approved under the NDA during the year. Strategic investments totalling \$50 million</p>

<p>Expected Results: Increased economic opportunity and investment within Western Canada's communities</p>	<p>under the Government of Canada Softwood Industry Community Adjustment Initiative (SICEAI) in British Columbia have now been made and targeted to a wide range of economic activities, including capacity building, innovative uses for value-added wood, and new opportunities in manufacturing, technology, film, sport, tourism and local economic infrastructure developments.</p>
<p>Priorities/Commitments: WD will work with partners to implement the Urban Aboriginal Strategy (UAS) by developing innovative solutions to address local priorities, and to invest in programs and services that promote Aboriginal economic development.</p> <p>Expected Results: Increased participation of Aboriginal people in the economy</p>	<p>During the fiscal year, WD provided more than \$18.6 million in support of 161 projects designed to increase participation of Aboriginal people in the economy.</p> <p>In addition, WD led the implementation of the UAS in British Columbia, Alberta and Manitoba, and approved project funding of \$6.5 million for 40 UAS projects.</p>
<p>Priorities/Commitments: WD will assist communities to assess their strengths, weaknesses, opportunities and potential for new economic activity and enhanced investment.</p> <p>Expected Results: Enhanced capacity of western Canadian communities to implement strategies that promote sustainable development</p>	<p>The department undertook community consultations during the fiscal year in the areas of social economy and social enterprise development to obtain a greater understanding and provide the basis for developing programs to implement the Social Economy initiative announced in Federal Budget 2004.</p> <p>During the fiscal year, WD approved community planning projects of more than \$11 million. A further \$44 million in projects related to community development were approved.</p>
<p>Priorities/Commitments: WD will work with other governments, and the private sector, to implement national infrastructure programs – Infrastructure Canada Program, Canada Strategic Infrastructure Fund and the Municipal Rural Infrastructure Fund.</p> <p>Expected Results: Programs that accelerate investments in public infrastructure that support an improved quality of life for western Canadians</p>	<p>As of March 31, 2005, Infrastructure Canada Funding of \$557.1 million was nearly all committed in the West, and 56% of the approved projects were complete.</p> <p>WD was also involved in the delivery of funds for large-scale infrastructure projects under the Canada Strategic Infrastructure Fund (CSIF).</p> <p>Agreements to deliver the Municipal Rural Infrastructure Fund (MRIF) had been signed in Manitoba and Saskatchewan by March 31, 2005. Negotiations in Alberta and British Columbia are ongoing.</p>

## Overall Departmental Performance

During 2004-2005, the department, by working in collaboration with all levels of government, universities and research institutes, not-for-profit organizations, and the private sector, made significant progress in working towards achievement of its strategic outcomes. For example:

- In support of the departmental mandate to “promote the development and diversification of the economy of Western Canada and to advance the interests of Western Canada in national economic policy, program and project development”, the role and achievements of regional development agencies, such as WD, were recognized in Federal Budget 2005, through a permanent increase to the department’s annual reference levels.
- WD works to strengthen the western Canadian innovation system, and in particular, by enhancing technology adoption and commercialization. For instance, initiatives include:
  - ➔ WD’s investments in the Calgary-based Network for Emerging Wireless Technologies (NEWT) are allowing NEWT to enhance the commercialization of wireless devices and applications in areas such as health care, agriculture, education and commerce. NEWT’s expertise is positioning Western Canada as a leader in the information and technology communications sector, which is growing at four times the rate of the overall economy.
  - ➔ In January 2005, WD delivered a report on the western environmental technologies sector to Prime Minister Paul Martin. The report contains concrete, actionable policy initiatives for the Government of Canada to promote the development and adoption of environmental technologies, and enhance the West’s growing strengths in the field.
- Under the Entrepreneurship strategic outcome, to achieve a competitive and expanded business sector in Western Canada:
  - ➔ WD’s partners in the Western Canada Business Service Network provided more than \$52 million in loans to SMEs in the West, leveraging an additional \$71.3 million from other sources. In addition, through WD’s Loan Investment Fund Program, businesses were able to access an additional \$13.3 million in loans with financial institutions such as chartered banks and credit unions.
  - ➔ The Commissioner of Official Languages’ audit of the Community Futures Development Corporation and the Community Business Development Corporations commended WD on the service that Francophone Economic Development Corporations provide to Official Language Minority Communities.

- By increasing economic activity that improves the competitiveness and the quality of life in western Canadian communities:
  - During the first five years of the Vancouver Agreement, significant contributions to social and economic initiatives that are helping to revitalize the city's Downtown Eastside were recognized with the receipt of three prestigious awards - the United Nations Public Service award, Association of Professional Executives of the Public Service of Canada (APEX), and Institute of Public Administration of Canada (IPAC).
  - In 2004, WD signed a new five-year urban development agreement with the City of Winnipeg and the Province of Manitoba. The Winnipeg Partnership Agreement is building on the success of previous tri-partite agreements that have invested \$271 million in Manitoba's capital city, and leveraged \$726 million in additional public and private investment. This new agreement will continue to enhance Aboriginal participation in economic and community life, build sustainable neighbourhoods, revitalize the downtown area and expand Winnipeg's competitiveness through innovation and technology.
  - WD is supporting capital legacy, celebration and learning projects that will have lasting economic, social and cultural benefits for community development as part of its delivery of \$92 million in funding for the Alberta (60%) and Saskatchewan (40%) centennials.
  - The department will deliver \$278 million in the West under the Municipal Rural Infrastructure Fund (MRIF). Agreements have been signed in Manitoba and Saskatchewan, and negotiations in Alberta and British Columbia are ongoing.
- During the past fiscal year, WD has made significant progress in strengthening and integrating its planning and policy capacity throughout the department. For example, all regions and corporate units prepare annual business plans, which are linked to the department's Report on Plans and Priorities. In addition, the department is now widely distributing and disseminating its research projects.
- The department has made significant progress in strengthening its due diligence on project approvals, by the creation of an enhanced on-line Project Assessment Tool.

Although the department has made significant achievements during the past year, there are some areas that still require ongoing work, such as:

- Continuing efforts to better measure the impact of WD's investments.
- Strengthening WD's relationship with, and amongst, members of the Western Canada Business Service Network, including Community Futures Development Corporations, Women's Enterprise Initiative Centres, Francophone Economic Development Corporations, and Canada Business Service Centres.
- Improving the public communication of WD's programs and decision-making processes, including an improved web site.



## Understanding the West

To facilitate a better understanding of Western Canada, WD provides funding to support and disseminate research. A better understanding of the West results in regional and national policies that take into account western interests. Examples of research initiatives supported by WD in 2004-2005 include: *Under Construction: Western Canada and the Global Economy*<sup>2</sup> prepared by the Canada West Foundation, *Western Canada's Small Business Markets: A Survey of Selling*, prepared by the Western Centre for Economic Research, and *Western Canada's Cost Advantage, The Best Place to do Business*, prepared by KPMG. These initiatives are helping to create a much better understanding of the economy and society of Western Canada, and the challenges Western Canada faces in sustaining a high quality of life for residents of the region. The reports in their entirety, along with several WD studies that examine province-specific issues can be found at: [http://www.wd.gc.ca/rpts/research/default\\_e.asp](http://www.wd.gc.ca/rpts/research/default_e.asp).

Although the West has a bountiful resource base, a highly educated population, often breathtaking natural beauty, vibrant and diverse communities, and an entrepreneurial culture, there is also no mistaking the magnitude of the challenge in sustaining and growing the economic prosperity of the region. The *Building the New West* Project served to enrich the public policy debate on the future of the West. Many of the policy issues explored in the project have implications for local communities, provincial governments, and national policy makers.

## Economic Performance of the Western Provinces in 2004

Canadian economic performance in 2004 could be accurately described as “the West and the rest.” British Columbia, Alberta, Saskatchewan, and Manitoba recorded the four-highest provincial rates of real economic growth. These provinces all benefited from high prices in oil and other natural resources, and were able to withstand the rising Canadian dollar, the ongoing softwood lumber dispute, border closures to Canadian cattle and beef, and hog tariffs.

Although the four western provinces experienced significant economic growth last year, there remains a continuing need for western provinces to diversify away from their dependence on natural resources by moving into more innovative and value-added industries. The following table highlights this fact; for example, while manufacturing accounts for over 20% of real GDP in Quebec and Ontario, it accounts for about half of that level in the West. International exports, while quite high in the West, are still primarily energy related. While the energy sector experienced solid growth in 2004, any sudden change in energy prices could result in a significant downward impact on the economic performance of the western provinces.

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<sup>2</sup> The Canada West Foundation's report entitled *Under Construction: Western Canada and the Global Economy* presents a summary of the findings generated by three years of research, consultations, surveys and conferences that explored issues fundamental to the future prosperity of the region. The project, entitled *Building the New West*, produced 32 separate reports on policy issues relevant to WD and its mandate to diversify the western economy.

<b>Comparison of Key Factors - 2004 (Unless otherwise noted)<sup>3</sup></b>										
	<b>NL</b>	<b>PE</b>	<b>NS</b>	<b>NB</b>	<b>QC</b>	<b>ON</b>	<b>MB</b>	<b>SK</b>	<b>AB</b>	<b>BC</b>
Population (000s)	518	138	937	751	7,527	12,347	1,168	995	3,190	4,183
Real GDP Growth %	-0.5	1.2	1.5	1.4	2.4	2.8	3.0	3.9	4.7	3.9
Compound Real GDP Growth % Annual Average from 1999-2004	7.1	2.8	3.4	3.3	3.4	3.9	2.8	2.1	4.1	3.8
Relative Real GDP Per Capita (Canada =100)	84	70	77	80	89	108	85	94	119	94
Manufacturing Output as a % of Real GDP (2004)	6.6	12.4	9.8	15.2	21.3	21.1	12.5	8.6	10.3	12.2
Exports as a % of GDP	55	56	49	73	56	69	62	69	59	46
Labour Productivity (Real GDP/hr) Growth %	-3.1	2.9	0.9	1.3	-0.4	-0.2	1.5	1.7	0.5	-0.8
Relative Labour Productivity (Canada=100)	101	69	84	84	96	105	86	94	103	98
Relative Labour Productivity Growth (Canada=100) 1999-2004	116	96	103	102	100	99	100	102	96	98
Unemployment Rate	15.6	11.3	8.8	9.8	8.5	6.8	5.3	5.3	4.6	7.2

On the surface, the labour market in the western provinces appears to be relatively healthy with unemployment rates generally at lower levels than in the other provinces. But the unemployment rates do not reflect the numerous Aboriginal people who do not declare themselves as part of the workforce – therefore the true rate of unemployment is considerably higher. As well, part of the western labour force tends to be migratory, and when jobs in resource industries and construction dry up, workers may return to their home provinces in other parts of the country.

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<sup>3</sup> Data for this chart are derived from: Post-census estimates for April 1, 2004 from Statistics Canada's *Quarterly Demographic Statistics*, the Conference Board of Canada's *Spring Outlook 2005*, and Statistic's Canada's *Provincial and Territorial Economic Accounts Review* preliminary estimates 2004.

## **British Columbia**

In 2004, British Columbia recorded a provincial-best with a 3.9% increase in real GDP. A major driver of this growth was strong commodity prices in natural gas, base metals, lumber and coal. Despite the ongoing softwood lumber dispute with the United States, higher prices helped the value of lumber exports from BC increase from \$5.4 billion in 2003 to \$6.9 billion in 2004, the first increase since 2000. However, this success was not experienced in all regions. Even with the launch of market-based lumber pricing for the coastal region, producers there continued to suffer in comparison to their Interior counterparts. Changes to the provincial regulatory environment have led to increased private investment and production in the mining sector. Residential construction reached a record level due to employment growth and low interest rates. Although the weak US dollar could not prevent the tourism industry from a post Severe Acute Respiratory Syndrome (SARS) recovery, it did combine with measures in California and incentives in other provinces to hurt BC's film and TV production industry. Nevertheless, provincial employment grew by 2.3% in 2004, and the unemployment rate fell to 7.2%. In light of this performance, it is not surprising that the province experienced its highest net level of interprovincial migration in nearly a decade.

## **Alberta**

Alberta recorded an increase in real GDP of 4.7% in 2004, the highest amongst the provinces. Although there were many bright spots for the provincial economy, its growth was driven primarily by an energy sector experiencing strong demand and high prices. Average rigs drilling reached a record level, and oilsands investment grew by almost \$1 billion. Manufacturing shipments rose by nearly 15% on the strength of exceptional performances in the machinery, chemicals, fabricated metals and wood products. The strong Canadian dollar could not prevent the value of Alberta's international exports from increasing by 17%, although much of this increase was driven by prices rather than volume. The fastest personal income growth in the country led to retail sales growth of 11%, also the best in Canada. Income, employment, and migration gains also kept residential construction near its 2002 record level. Despite the lowest cattle and calf receipts since 1996, Alberta's net farm income levels rebounded from 2003 as a result of higher crop receipts and record support payments. However, farmers still fared worse than in drought-riddled 2002. In 2004, Alberta's unemployment rate fell to a national-best of 4.6%, and employment grew by 2.4%. Most job creation was in the construction, oil, gas and mining and retail trade sectors. Alberta's net inter-provincial migration led the country for the eighth consecutive year.

## **Saskatchewan**

In 2004, Saskatchewan recorded an increase in real GDP of 3.9%, tied with British Columbia for second-strongest in the country. Behind this strength were high oil prices, a strong demand for natural resources, increased housing construction, and growth in exports and manufacturing shipments. Led by gains in production of radio and broadcasting equipment and wood products, manufacturing output grew by 12%, the fastest in the country. Potash sales reached a second straight annual record due to increases in both volume and price. Residential construction was strong, but investment in non-residential structures, machinery and equipment declined. Further, personal spending increased at the second-slowest rate in the country, and business investment fell. Saskatchewan's net farm income recovered the least amongst western provinces, despite growth in crop and animal production. Although an early frost in the fall reduced crop quality, stronger grain shipments provided healthy gains to the rail transportation and farm product warehousing sectors. Employment in Saskatchewan increased by 1%, while the unemployment rate fell slightly to 5.3%.

## **Manitoba**

Manitoba's real GDP growth rate of 3.0% was its strongest since 2000. Residential construction continued to grow as increasingly people moved from apartments to new homes. A decrease in investments in non-residential construction was outweighed by strong gains in machinery and equipment investment. Manufacturing posted solid gains as shipments in processed food, wood products and fabricated metals compensated for declines in electrical equipment shipments. Mining, wholesale trade, and retail trade all posted healthy gains as well. The value of nickel production increased 35%, but this increase was due largely to higher prices. Additionally, strong prices and volumes in copper, zinc and gold combined contributed to a 36% increase in the value of Manitoba's mineral production. On the trade front, foreign non-US merchandise exports increased by 22%, while exports to the US increased by 3%. Hog producers were able to overcome US duties and post a 20% improvement in receipts. These improvements teamed with strong output in dairy, eggs, and poultry to compensate for the continued slide in cattle and calf receipts in the wake of a closed US border to live cattle. However, improved livestock receipts were not enough to prevent agricultural production from falling. Late seeding, a wet spring and summer, and an October killing frost reduced the quality of many crops. This same wet weather and above-normal snowfall in the southern and eastern watersheds in the 2003-2004 winter provided strong utility sales. Although provincial out-migration continues, 2004 saw the fewest people leave since 1983. These departures were outpaced by a large rise in international immigrants coming to the province, more than half of whom were part of the Manitoba Provincial Nominee Program. Employment grew at a moderate rate of 1%, while the province's unemployment rate rose slightly, to 5.3%.

## **Operating Environment**

WD's mandate allows it to take a flexible and innovative approach to working with a wide network of partners in order to make strategic investments in promoting economic development and diversification in the West.

Since 1995, WD has directed its core resources towards working in collaboration with many partners including all levels of government, universities, financial institutions, the not-for-profit sector, and the private sector. Key partners in the not-for-profit sector include members of the Western Canada Business Service Network (WCBSN), which is comprised of over 100 points of service including the Community Futures Development Corporations, Women's Enterprise Initiative (WEI) Centres, Francophone Economic Development Organizations (FEDOs) and Canada Business Service Centres (CBSCs).

The department actively engages westerners in consultations to identify needs and priorities, and to develop the kinds of partnerships required to respond to horizontal and complex issues that cannot be managed unilaterally. This collaborative approach, along with a targeted research agenda, is an integral part of WD's efforts to ensure that western Canadian views are effectively represented at the national level.

By working with others, and by offering relevant programs and services, WD has been able to help support the establishment and growth of small- and medium-sized enterprises, the growth of knowledge-based industries, and the economic inclusion of traditionally economically disadvantaged groups, such as women, disabled, youth, Aboriginal people, and francophone entrepreneurs in the West.

## **WD's Programs**

WD has a broad suite of programs available, including those that the department delivers on behalf of other federal departments, allowing it to respond quickly to evolving regional and national priorities. These programs are described in more detail in Appendix A.

## Alignment With Government of Canada Priorities

WD's strategic outcomes and priorities are aligned with federal priorities as described in the *Speech from the Throne*, as well as the Government of Canada outcomes found in *Canada's Performance*, the annual report to Parliament that provides a results-based perspective from which to review federal programs, services and policies that contribute to the quality of life of Canadians. The 2005 Whole of Government outcome framework is divided into three themes, each of which contains a number of outcomes, as illustrated in the following chart:

ECONOMIC	CANADA'S SOCIAL FOUNDATIONS	CANADA'S PLACE IN THE WORLD
<p><b>GOVERNMENT OF CANADA OUTCOMES</b></p> <ol style="list-style-type: none"> <li>1. Sustainable economic growth</li> <li>2. An innovative and knowledge-based economy</li> <li>3. Income security and employment for Canadians</li> <li>4. A fair and secure marketplace</li> <li>5. A clean and healthy environment</li> </ol>	<p><b>GOVERNMENT OF CANADA OUTCOMES</b></p> <ol style="list-style-type: none"> <li>6. Healthy Canadians with access to quality health care</li> <li>7. Inclusive society that promotes linguistic duality and diversity</li> <li>8. A vibrant Canadian culture and heritage</li> <li>9. Safe and secure communities</li> </ol>	<p><b>GOVERNMENT OF CANADA OUTCOMES</b></p> <ol style="list-style-type: none"> <li>10. A strong and mutually beneficial North American partnership</li> <li>11. A safe and secure world</li> <li>12. A prosperous global economy that benefits Canadians and the world</li> <li>13. Increased development worldwide with a high quality of life</li> </ol>

Following are some examples of how WD's activities in 2004-2005 aligned with Government of Canada priorities:

### Sustainable economic growth

In support of the government's commitment to Sustainable Economic Growth, WD negotiated and implemented multi-party arrangements, such as urban development agreements and the Western Economic Partnership Agreements that promote economic growth, community development, adjustment, and sustainability. WD has a unique ability to work with its network to provide a flexible response to community needs by providing local solutions to local problems.

WD also plays a role in the delivery of funds for large-scale infrastructure projects through the Canada Strategic Infrastructure Fund (CSIF) and will deliver \$278 million in the West under the Municipal Rural Infrastructure Fund (MRIF). Agreements have been signed with Manitoba and Saskatchewan, and negotiations with Alberta and British Columbia are ongoing.

## **An innovative and knowledge-based economy**

Innovation and the growth of knowledge-based industries represent a major opportunity for diversifying the economies of Western Canada. In 2004-2005 WD worked to increase investment and support for the commercialization of new technologies and processes developed in Western Canada in areas such as the life sciences, environmental technologies, and other sectors where the West has demonstrated research and development (R&D) and commercial strengths.

## **Income security and employment for Canadians**

The ability to adequately support oneself financially can be a challenge even when the economy is performing well. In 2004-05, WD invested in a number of projects that will enable individuals to obtain the skills being sought by employers. For example, in Saskatchewan, WD is working with Northlands College to help a number of Aboriginal people participate in training programs that will enable them to take advantage of the job opportunities in Northern Saskatchewan.

Through the [Entrepreneurs with Disabilities Program](#), the [Urban Entrepreneurs with Disabilities Initiative](#), and through the Advice and Business Loans for Entrepreneurs with Disabilities (ABLED) Funds with VanCity and Coast Capital Credit Unions in BC, WD is working to help persons with disabilities establish and grow their businesses.

## **A clean and healthy environment**

Canada's decision to sign the Kyoto Accord and the federal government's Climate Change Agenda presents new challenges and opportunities for many western Canadian industries. WD will play a key role in Western Canada to ensure a collaborative and cooperative approach to the identification and implementation of economic opportunities afforded by the Climate Change Agenda.

WD continues to support a broad range of initiatives in the environmental technologies sector that enhance technology adoption and adaptation for the sector. For example, WD supported a Canadian Environmental Technology Advancement Corporation West (CETAC-West) initiative to conduct energy efficient audits of gas plants to reduce greenhouse gas emissions.

## **A prosperous global economy that benefits Canadians and the world**

The strong Canadian dollar and strong global competition for markets, investment capital, and skilled labour presents significant challenges for Canadian SMEs to increase productivity and presence in key markets. WD will continue to support Western Canada's claim to its share of global opportunities and to target markets and investment development initiatives.

## **WD's Strategic Outcomes**

WD's activities are concentrated in three distinct but interrelated areas leading to Strategic Outcomes commonly described as Innovation, Entrepreneurship and Sustainable Communities. The following is an illustration of how planned results under each of WD's Strategic Outcomes contribute to WD's vision of a stronger West in a stronger Canada.



# A STRONGER WEST, A STRONGER CANADA

## INNOVATION

A strengthened western Canadian innovation system

## ENTREPRENEURSHIP

A competitive and expanded business sector in Western Canada

## SUSTAINABLE

### COMMUNITIES

Increased economic activity that improves the competitiveness of Canada's cities and the quality of life in urban, rural, northern and Aboriginal communities across Western Canada

## PLANNED RESULTS

- 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

- Improved business management capabilities of small- and medium-sized enterprises (SMEs)
- Improved access to financing for SMEs
- Increased investment in Western Canada
- Increased participation in international markets

- 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

### PROGRAMS THAT CONTRIBUTE TO ACHIEVING PLANNED RESULTS\*:

#### Western Diversification Program:

- Western Economic Partnership Agreements
- Urban Development Agreements
- Canada-Saskatchewan Northern Development Agreement
- Conference Support Program
- Canada Foundation for Innovation Support Program
- International Trade Personnel Program
- First Jobs in Science & Technology Program

#### WD Loan Investment Fund Program

\* Appendix A provides further descriptions of the programs

#### Community Futures Program

- Women's Enterprise Initiative
- Service Delivery Network Program
- Innovation and Community Investment Program
- Infrastructure Canada Program
- Softwood Industry Community Economic Adjustment Initiative
- Red River Flood Protection Program
- Urban Aboriginal Strategy

## **SECTION II - ANALYSIS OF PERFORMANCE BY STRATEGIC OUTCOME**

## Innovation

### Total Financial Resources (\$ Thousands)

Planned Spending	Total Authorities	Actual Spending
\$73,747	\$75,205	\$72,951

### Strategic Outcome:

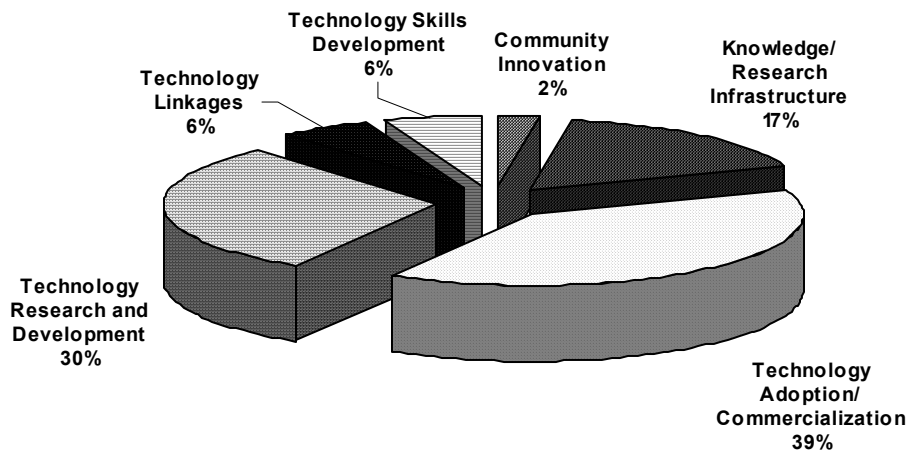
#### A strengthened western Canadian innovation system

WD's approach to innovation emphasizes strengthening the western innovation system. Since innovation occurs at a regional level, this approach has been flexible and responsive to local conditions and opportunities. As other federal departments have focused investments in research and development, WD has directed its investments to creating economic value through technology commercialization, investments in Highly Qualified Personnel (HQP), supporting technology clusters and building cross regional capacity. WD's efforts with the Canada West Health Innovation Council have led to national recognition of the priority of health innovation. WD's innovation related project approvals during 2004-2005 reflected these priorities by focusing on technology commercialization and pre-commercial research and development and knowledge infrastructure, as demonstrated in the following graph. These investments build the capacity for organizations to gain economic benefit from investments in research and development (R&D).

### WD Innovation Approvals by Activity 2004/05

**TOTAL = \$53.0 Million**

Source: InfoQuest Database, June 2005



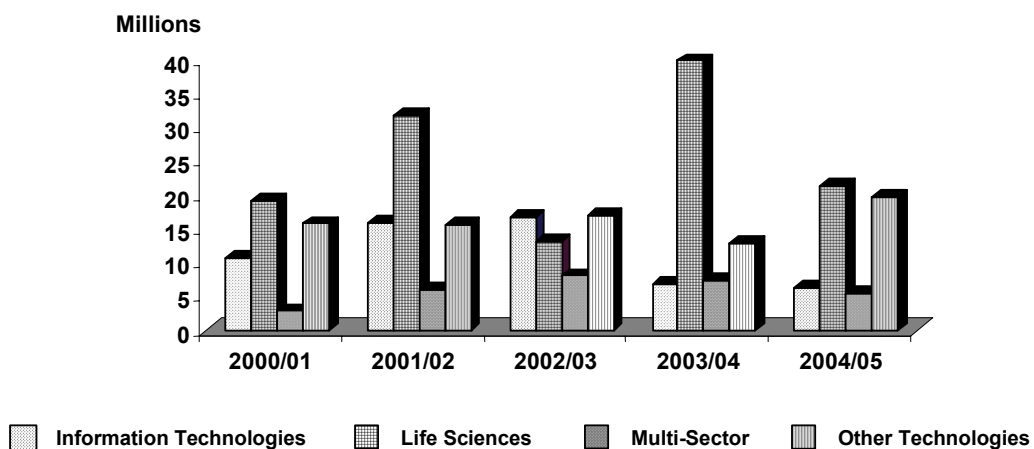
WD has many partners in innovation and its contribution has averaged 30% of project costs, with the balance coming from provincial, federal and other funders such as universities and associations. WD also works with other organizations to build cross-regional capacity and linkages on initiatives that require a modest financial investment. For example, Wellness West, a western network focusing on growing the functional foods and nutraceuticals industry in the West, is a partnership including WD, National Research Council (NRC), Agriculture and Agri-food Canada, provincial governments and industry. Notable achievements to date by Wellness West include the creation of the Technology Infrastructure Database as well as a Commercialization Roadmap; both of these initiatives are targeted at industry to increase a company's chance of success, ability to manage risk, reduce costs, and improve decision making.

WD's priority sectors include life sciences, information and communications technology (ICT) and environmental technologies. This emphasis reflects the West's life sciences strengths in health innovation, genomics and proteomics, medical devices and imaging, vaccines, and combating infectious diseases. ICT strengths include wireless and new media. The environmental technologies sector is broad and covers a number of areas including climate change technologies and alternative fuels. WD's investments in these sectors are often early-stage and pre-position cluster development and growth. The following graph demonstrates WD investment trends by sectors:

**WD Innovation Approvals by Sector, 2000/01 - 2004/05**

**TOTAL = \$292.7 Million**

*Source: InfoQuest Database, June 2005*



Note: Environmental technologies project approvals are included in the "Other Technologies" category. Multi-sectors includes project approvals where more than one sector is supported, for example, WD supports the WestLink Innovation Network, which provides services to more than one sector, i.e., ICT, life sciences, medical devices, software, etc.

## Results – Planned and Actual:

### Planned Result 1: Enhanced technology commercialization and adoption

**Plans and Priorities:** WD will support initiatives that contribute to an organization's ability to develop, transfer, commercialize or adopt innovative technologies.

#### Actual Results:

WD has made investments in several organizations that facilitate technology transfer, including a new approach in Edmonton called TEC (Technology, Entrepreneur and Company development) Edmonton. This organization is a collaborative initiative between the University of Alberta and the Edmonton Economic Development Corporation and was established to foster technology commercialization and the creation of spin-off companies. The Greater Edmonton Competitiveness Strategy, which was supported by WD, has led to TEC Edmonton's Deal Generator, an initiative that connects innovation with investment. By the end of 2004, three Alberta companies closed deals that will provide them with more than \$8.6 million in venture financing in 2004.

WD has placed a priority on supporting cutting edge research and technology commercialization in the life sciences sector. Over the past four years, WD has provided contributions totalling \$15 million for 55 projects to support the development of a growing and internationally competitive life sciences

cluster in British Columbia, particularly in the biomedical, bioproducts and value-added agriculture areas. Recipients have included Genome BC, the BC Cancer Agency and related Genome Sciences Centre, BC Biotechnology Association, a number of academic institutions (e.g., the University of Northern British Columbia, Okanagan University College, and the Wine Research Centre at the University of British Columbia), and several organizations serving the disabled communities (e.g.,

Manitoba's **Composites Innovation Centre** (CIC) helps companies develop new composite products and turn research into commercially viable applications. As of early 2005, the CIC has been involved with 27 projects from many of the major manufacturing sectors of Manitoba. These have created seven new, highly skilled jobs and engaged one postgraduate student to do hands on, pre-commercial composite research. The projects have resulted in the creation of two new technological processes and assisted in the commercialization of technology in a Manitoba company. CIC has undertaken two rural focus projects and has leveraged industry funds of over \$500,000. CIC is enmeshed in the highly complex innovation system for composites in the province, and contributes to knowledge infrastructure, basic and applied research, job creation, and the development of highly skilled personnel. Since 2003, WD has approved contributions of approximately \$4.5 million to CIC.

Neil Squire Society, Down Syndrome Research Foundation, and Tetra Society). These investments have resulted in enhanced knowledge infrastructure and capacity, accelerated

technology commercialization and adoption, increased access to highly skilled personnel, and enhanced linkages among innovation system players in the life sciences community in BC.

In the area of Information and Communication Technologies, WD contributed \$450,000 to the creation of a business development support system (the Accelerator) for new media content and

In 2003, WD, along with the Alberta, British Columbia and Saskatchewan provincial governments and the private sector, contributed to a major **Petroleum Technology Alliance Canada (PTAC)** project to pull together people interested in finding and testing new technologies to reduce air emissions. The PTAC Technology for Emission Reduction and Energy (TEREE) Steering Committee was mandated to facilitate the increased adoption of sustainable, eco-efficient greenhouse gas reducing technologies in the hydrocarbon energy industry.

Results to date have been highly encouraging and range from projects such as re-designing firetube heaters to reduce fuel usage to detecting hydrocarbon emissions using laser systems. The initiative has also been successful in building capacity within industry and government to work towards common objectives.

technology companies at the Banff New Media Institute. The Banff Accelerator Collaborative Model is a framework to encourage small new media companies to partner, bundle technologies, and work non-competitively on larger scale and more complex projects. It also provides creative counselling, production planning, legal support and training in areas such as marketing, budgeting and financing, with the ultimate goal of increased commercialization of new media technology. This new tool will also help develop clusters of small businesses and create alliances to bid on larger and more complex projects.

In the area of environmental technologies (ET), WD supported a broad range of initiatives to enhance technology adoption and adaptation for the ET sector. These include a Canadian Environmental Technology Advancement Corporation West (CETAC-West) led initiative to conduct energy efficiency audits of gas plants to reduce greenhouse gas emissions and a Petroleum Technology Alliance Canada (PTAC) program to facilitate technology commercialization in Canada's upstream oil and gas industry. WD also supported the Alberta Energy Research institute (AERI) in developing CO2 sequestration technologies and has supported the Western Canada Fuel Cell Initiative in a developmental program to commercialize impure hydrogen fuel cell technologies. In BC, WD supported a successful multi-stakeholder project to accelerate the production and usage of biodiesel as an alternative fuel for vehicle fleets in the province.

*“In particular, the assistance provided by WD has been key in:*

- *developing and demonstrating new technology;*
- *strengthening research capabilities;*
- *strengthening linkages;*
- *increasing access to skilled workers;*
- *increasing awareness; and,*
- *developing regulations and standards.”*

*- extract from Assessment of WD Support to the Western Canadian Fuel Cell Cluster 2001-2004, Ference Weicker & Company*

According to Fuel Cells Canada, the global market of fuel cell technology will grow to \$46 billion by 2011. In the Greater Vancouver area, there is an emerging fuel cell cluster. WD's commitment of \$12 million to support fuel cell demonstration projects, research infrastructure projects, and Fuel Cells Canada leveraged an additional \$19.5 million from other organizations including industry, provincial governments, and other federal government departments.

Although it is premature to assess the ultimate impact of WD's investments, Ference Weicker & Company, in its *Assessment of WD Support to the Western Canadian Fuel Cell Cluster 2001-2004*, found WD contributions are building the foundation for the future growth of the fuel cell cluster. WD support has enabled industry players to advance their commercialization process by extending their own research capabilities and understanding, testing and demonstrating new products, processes and concepts, integrating new technologies, and conducting tests that they would not otherwise have been able to perform. WD's support to research infrastructure at the Institute for Fuel Cell Innovation, the University of Victoria's Institute for Integrated Energy Systems, and the Clean Energy Research Centre at University of British Columbia (UBC) has led to linkages and research networks, attracted faculty and graduate students for research projects, and expanded the scope of research. Cluster players have an increased awareness of opportunities, contributed to developing regulations and standards and encouraged new investments in R&D.

## **Planned Result 2: Improved knowledge infrastructure and capacity**

**Plans and Priorities: WD will provide support to innovation infrastructure (physical), and to initiatives that build capacity and linkages among innovation players.**

Knowledge infrastructure enables leading edge research and development, attraction of Highly Qualified Personnel (HQP), and forms the foundation of technology clusters. WD's investments in knowledge infrastructure strengthen a geographic centre and build capacity across the region.

### **Actual Results:**

#### Life Sciences

In June 2005, the consulting firm, SDS Strategic Directions and Solutions undertook a review of WD's contribution to the life sciences cluster in Manitoba. The cluster, which focuses primarily on human health, is characterized by expertise in pharmaceuticals, biopharmaceuticals, biomedical and biodiagnostics, cardiovascular technologies, cancer, medical imaging, infectious diseases, immunology and biosafety, and functional foods and nutraceuticals. From 1990 to 2004, WD committed a total of \$90.7 million to the life sciences cluster in Manitoba. These funds were directed at knowledge infrastructure, research and development, and technology commercialization. These investments represented an average of 22% of project costs, thus demonstrating the high level of cooperation amongst partners in Manitoba.

WD's investments have led to world class research capabilities in human health, investments in

With support from WD, the **Institute for Biodiagnosics**, (IBD), is now the most advanced facility in Canada for studying and developing non-invasive medical devices for prevention and earlier treatment of diseases; it has established four spin-off companies with sales of \$12 million, satellite centres in Calgary and Halifax, and has collaborations with more than 200 firms around the world.

knowledge infrastructure, increased employment of HQP in key institutions and life sciences companies, formation of spin-off companies to commercialize the technologies developed, and increased international collaborations. As well, WD's investments have formed the foundation for the development of this cluster and have contributed to the attraction of new players such as the Richardson Centre for Functional Foods and Nutraceuticals, and the International

Centre for Infectious Diseases (ICID) in Manitoba. WD contributed to the planning and establishment of ICID, which will link commercialization opportunities flowing from Canada's National Microbiology Lab and elsewhere to the marketplace.

This initiative is complementary to the Vaccine and Infectious Disease Organization (VIDO) located at the University of Saskatchewan. VIDO was created in 1975 with a mandate to develop vaccines for the protection of livestock against serious and economically devastating diseases, and to ensure the technology reached the producer. WD's contribution of \$7 million towards facilities, research equipment, and lab supplies has assisted VIDO to undertake world-class research. VIDO now has more than 125 employees and researchers occupying 100,000 square feet, including modern virology, immunology, bacteriology and biochemistry labs and a 160-acre research station. VIDO is known for its research into new vaccination strategies for improving protection and ease of delivery of vaccines for both human and animal diseases and continues to be competitive nationally and internationally, with more than 65 US patents awarded, and more than 30 pending. Many of the vaccines developed by VIDO are the first in the world for their type, and have resulted in millions of dollars of saving for the cattle, swine and poultry industries.<sup>4</sup>

In the Information and Telecommunications sector, WD-funded TRILabs is Canada's largest ICT research consortium, and a partnership of industry, academia, and government. Since 1996, WD has provided \$20 million in operating support, leveraging more than \$68M in funding from the three prairie provinces, industry, and universities.

WD's ongoing support for **TRILabs**, Canada's largest information and telecommunications sector research consortium, has contributed to the organization's success. Since inception, (1986 to the present), TRILabs has 161 patents issued or pending, and has created 881 technologies of which 547 were evaluated by members, who have the first opportunity to decide whether they wish to pursue commercialization. Two hundred and eighty technologies were commercialized or adopted into a member's processes. Members report achieving millions of dollars in operational cost savings. Over this period, 773 students were trained, with most hired by industry.

<sup>4</sup> <http://www.vido.org/services/record.php>



In British Columbia, WD has partnered with the provincial government and industry on a series of R&D and infrastructure initiatives to strengthen the aquaculture industry, which presents vital new economic opportunities for many struggling BC coastal communities. This included:

- establishing the BC Aquatic Health Science Centre, which will address a critical lack of capacity in aquatic health sciences in British Columbia. Stakeholders see this centre as a key contributor to the advancement of the aquaculture industry (for both shellfish and finfish) on the West coast. It is also a potential resource for the wild fisheries in the future. WD provided \$1.2 million toward a total project cost of \$5.5 million; and,
- support of \$280,000 for two projects to help establish a Centre for Shellfish Research at Malaspina University College in Nanaimo. The Province of BC matched WD's contribution. The centre is working with representatives of the shellfish industry and other post-secondary learning institutions and research facilities to advance the development of the BC shellfish sector.

WD's advocacy and support for the Canadian Light Source (CLS) synchrotron in Saskatoon has resulted in the establishment of a major scientific research facility. An independent study estimated that CLS could attract \$35 million annually in commercial research and development spending from universities, the private sector, and abroad. The initial six beamlines (Phase 1) are now operational or nearly operational and a strategic plan for business development has been created. While CLS focuses on public-private partnerships and their availability to industrial researchers, there is a projected potential for up to 25% industrial use, which exceeds the usual share of approximately 10% industrial use for similar facilities. WD funding of \$27 million toward CLS capital funding of \$173 million brought together a diverse group of funders including federal, provincial, university and industry partners.

### **Planned Result 3: More Innovative Communities**

**Plans and Priorities: WD will support the development and implementation of community innovation strategies, which may include skill-building initiatives, enhanced linkages between communities and research institutions, and technology transfer.**

#### **Actual Results:**

WD has supported innovation, which can occur at a community level (rural or urban), or through communities of interest that are geographically dispersed, but are brought together through a common focus or priority. In British Columbia, some examples include:

- in an urban environment, WD is actively participating in the Integrated Technology Initiative (ITI), a collaborative process involving the private sector as lead, academia, research and other organizations, and the provincial government to build stronger technology clusters in British Columbia (specifically, life sciences, wireless, new media, information technology, fuel cells/power technology, environmental technologies, and ocean technologies); and,

- in a rural setting, WD has provided financial support for the Okanagan Partnership, which has led to a collaborative process involving industry, post-secondary institutions, business development organizations, and all three levels of government to develop a competitiveness strategy for the Okanagan Region of British Columbia. The process has resulted in the development and implementation of an overall strategy and series of action plans to strengthen seven industry clusters (aviation, life sciences, tourism, wine and beverage, value-added agriculture, and knowledge services) and for a number of horizontal ‘flagship’ initiatives (e.g., skills pipeline, regional airport strategy, regional water strategy).

WD takes a similar approach in Saskatchewan, supporting both urban and rural innovation growth. The Saskatchewan Advanced Technologies Association (SATA) fosters the growth of advanced technology in Saskatchewan by building a network of support through advocacy, education, promotion, and communications. WD committed \$145,000 to SATA to develop a state of the industry report, and conduct lean training and marketing seminars.

Recognizing the importance of developing an internationally competitive and environmentally sustainable forest industry in Saskatchewan, WD has supported the Saskatchewan Forest Centre (SFC), located in Prince Albert. The SFC collaborates on training, market research, and private sector involvement in the forestry and agro-forestry industries. Projects have included value-added processing of hybrid poplar for solid wood products, furniture and finish opportunities. WD committed \$3 million over five years towards the SFC’s operations and technology-transfer activities.

WD also supports numerous conferences in the West, which bring together stakeholders from industry, the research community, government, venture capital, and others to network and address innovation priorities. In 2004-2005, WD provided \$272,500 to 38 innovation-related conferences covering such diverse topics as nanotechnology, ICT, aerospace, advanced manufacturing, and health industries.

**Planned Result 4: Enhanced coordination and alignment of innovation priorities and strategies between federal, provincial and other innovation players**

**Plans and Priorities: Under WD's leadership, a Senior Officials Forum on Innovation and a Deputy Ministers' Economic Development Forum is convened to address priorities.**

**Actual Results:**

Since Western Canada is characterized by a large geographic area with a relatively dispersed population, it is important that both sectoral and horizontal innovation priorities are addressed through multi-jurisdictional forums. The key mechanism in the West is the Senior Officials Forum on Innovation, which has members from all western provinces, WD, the National Research Council and Industry Canada. This forum provides an opportunity for information sharing, joint education and establishing and acting on priorities for the West. Current priorities include the sectors of life sciences including health innovation, and environmental technologies, and the horizontal priority of technology commercialization and adoption. Deputy Ministers have placed an increased focus on the connections between innovation and international trade and investment opportunities arising from the US Enhanced Representation Initiative (ERI).

WD leads, supports and participates in innovation forums in all jurisdictions, such as the Saskatchewan Innovation Forum, a provincial and multi-jurisdictional organization that brings together key innovation groups. In BC, WD participates in cluster planning forums. In Alberta, WD participates in a variety of teams, boards, and advisory committees informing on innovation in the province, including the Edmonton Economic Development Corporation biotechnology, nanotechnology, ICT and advanced manufacturing cluster teams, and the Alberta Science and Technology Leadership Foundation Board. In Manitoba, WD actively participates in a life sciences cluster development strategy group, other innovation forums, as well as tri-level innovation cluster planning under the Winnipeg Partnership Agreement. Through the federal/provincial Western Economic Partnership Agreements (WEPA) in each province, innovation priorities are established and implemented.

## Entrepreneurship

### Total Financial Resources (\$ Thousands)

Planned Spending	Total Authorities	Actual Spending
\$53,719	\$50,494	\$49,162

### Strategic Outcome:

#### A competitive and expanded business sector in Western Canada

Small business (defined as one with fewer than 50 employees, including those who are self-employed with no paid help) is the economic engine of Western Canada. According to the Western Centre for Economic Research (2001), the number of small businesses per capita in Western Canada is 40% higher than in the rest of Canada. As the source of nearly 80% of new jobs, entrepreneurs are a major source of economic growth in the business service, health and social service, food and beverage, transportation and high tech sectors in Western Canada.

Over three-quarters of manufacturers and exporters are small- and medium-sized enterprises. Manufacturing in the West contributes to over 12% of combined GDP, directly employs more than 500,000 people and accounts for more than \$86 billion in exports sent from the West.

Recognizing the importance of community based delivery of services and support to SME development, WD provides funding to third party organizations such as industry associations and those making up the Western Canada Business Service Network (WCBSN) - CFDCs, WEIs, FEDOs and CBSCs, which in turn deliver business services and support to entrepreneurs.

The results of WD's funding accrue to entrepreneurs who have no direct relationship with the department. This distance, along with the fact that results may take several years to materialize, poses a challenge to WD in determining the outcomes of its strategies and funding. The department is developing a performance measurement strategy to measure the results of entrepreneurship activities by looking at both output measures annually, and outcome measures over time. Access to services will be measured annually with results from those services measured periodically using indicators such as client satisfaction, increase in sales, jobs created and maintained, and resources leveraged.

## Results – Planned and Actual:

### Planned Result 1: Improved business management capabilities of SMEs

**Plans and Priorities: WD will support initiatives that increase capacity, productivity and viability of SMEs by increasing the skills, knowledge and competencies of entrepreneurs.**

#### Actual Results:

WD addresses the needs of SMEs and entrepreneurs through a variety of service delivery mechanisms and partnerships. These include more than 100 offices of the WCBSN consisting of the CFDCs, WEIs, FEDOs and CBSCs. Community volunteers, who understand local issues and recognize opportunities, are a key factor in the success of the WCBSN.

WD has undertaken a number of other initiatives in conjunction with business and other organizations to introduce SMEs and R&D organizations to new innovations or business practices having the potential to improve their productivity and competitiveness. These include lean manufacturing practices (identification of new trends, the development of innovative strategies, and the implementation of new processes), technology and management training, and academic and industry internships and exchanges.

During 2004-2005, the CFDCs, WEIs, and FEDOs engaged 2,550 community-based **volunteers**, including board members, who provided over 119,000 volunteer hours.

### WCBSN Service Results for 2004-2005<sup>5</sup>

#### Community Futures Development Corporations (CFDCs)

Community Futures is a national community economic development program that helps people take action on local community needs. WD has funded the CFDCs since 1995 to enable them to provide local strategic economic planning services, business counselling and loans to small business in rural communities. In 2004-2005 WD provided core funding support of \$22.6 million to the 90 CFDCs in the West enabling them to provide 367,745 general information services, 129,636 in-depth business advice sessions, and 36,529 training services. This includes 34,413 total business services to Aboriginal clients.

An impact study carried out in 2002 by Ference Weicker & Company found that clients surveyed about CFDC business services attribute much of their success to the assistance they received from the CFDC. On average, the clients estimated that there was only a 33% chance they would

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<sup>5</sup> Loan fund activity by CFDCs, WEIs, and FEDOs is captured later on in this document, under Planned Result 2: Increased access to financing for SMEs.

have been able to develop their business to the extent they did without the assistance of the CFDC. Forty three percent of the clients surveyed indicated that there was no chance at all that their business would have developed in the absence of the services provided by the CFDC. Overall, the clients surveyed attributed 59% of their business revenues to the services they received from the CFDC. The impact study estimated that as a result of the services provided by CFDCs each year that businesses receiving this support generated up to \$1.4 billion in revenues from 1995 to 2001. Highlights from the impact study may be viewed at <http://www.communityfutures.ca/provincial/bc/pdf/impact-study.pdf>.

### **Women's Enterprise Initiative (WEIs)**

Despite the fact that women lead more than 300,000 western Canadian businesses and are starting small businesses at twice the rate of their male counterparts, they continue to face unique challenges. The WEI works to remove barriers by providing customized services to help women entrepreneurs succeed. Operating from head offices located in Kelowna, Calgary, Saskatoon and Winnipeg, WEIs improve access to financing, education and training, business advice, loan aftercare, information, networking and mentoring for women entrepreneurs across the province. Information on each of the provincial organizations can be found at [http://www.wd.gc.ca/pos/wei/xindex\\_e.asp](http://www.wd.gc.ca/pos/wei/xindex_e.asp).

A 2002 impact study by Equinox Management Consultants Ltd. found a direct association between WEI advisory assistance and business development. In addition, the study found that WEI involvement appeared to be associated with considerable job formation and retention. They estimated that the WEI services and programs played a role in the creation of an estimated 3,111 additional full-time jobs and another 9,889 part-time jobs in addition to the retention of 6,704 full-time jobs and 18,999 part-time jobs. Clients almost uniformly rated WEI staff as knowledgeable and sensitive to their needs. The skills developed as a result of the assistance provided by the WEI were also found to help women entrepreneurs address the credibility problems with which they often contend.

The initiative was evaluated in 2004 and findings support the continuation of the initiative as women entrepreneurs continue to face barriers related to business start-up and growth. As well, the Women's Enterprise Initiative organizations were found to provide gender sensitive and appropriate services for women entrepreneurs.

The *Prime Minister's Task Force on Women Entrepreneurs Report and Recommendations* (October 2003) cited the WEI as a model for service delivery to women entrepreneurs, with many of the Task Force recommendations reflecting current WEI activities. As a result, similar programs have been initiated across the country.

In 2004-2005, WD provided core operational support in the amount of \$3.4 million to the WEIs and they report responding to over 35,000 business information inquiries, providing over 7,100 business advisory appointments, and providing approximately 6,100 clients with training services.

## **Francophone Economic Development Organizations (FEDOs)**

The FEDO offices are located in Winnipeg, Regina, Edmonton and Vancouver. WD enables these four provincial organizations to provide enhanced services to francophone entrepreneurs, including training, business and community economic development, access to capital, information services, marketing advice, networking and mentoring. FEDOs enhance the vitality of French language communities in Western Canada and strengthen economic opportunities for francophone business. Information on each of these organizations can be found at [http://www.wd.gc.ca/pos/fedo/default\\_e.asp](http://www.wd.gc.ca/pos/fedo/default_e.asp)

In 2004-2005, an evaluation of the FEDOs found that they are meeting the needs of francophone entrepreneurs, small businesses, and Official Language Minority Communities (OLMCs). In addition, between May and September of 2004, the Commissioner of Official Languages conducted an audit to evaluate the services in both official languages offered by designated bilingual CFDCs and to assess how these organizations take into account the needs of OLMCs. The Commissioner noted that WD has integrated the FEDOs into its Western Canada Business Service Network to serve the francophone communities. The report also recognized that FEDOs offer excellent services in French to the OLMCs. The audit is available at [http://www.ocolclo.gc.ca/archives/sst\\_es/2005/industry\\_industrie/industry\\_industrie\\_e.htm](http://www.ocolclo.gc.ca/archives/sst_es/2005/industry_industrie/industry_industrie_e.htm). WD core operating support of \$2 million enabled the FEDOs to provide over 6,900 information services, 1,500 technical advisory services, and 975 training services during 2004-2005.

## **Canada Business Services Centres (CBSCs)**

CBSCs are managed through federal-provincial agreements that provide a single, seamless gateway to information for businesses. The four Western Canada CBSCs are located in Vancouver, Edmonton, Saskatoon and Winnipeg. Services are also available in other communities, through a network of regional CBSC and Aboriginal service sites in Western Canada. Information on each of these organizations can be found at [http://www.wd.gc.ca/pos/cbsc/xindex\\_e.asp](http://www.wd.gc.ca/pos/cbsc/xindex_e.asp).

On June 23, 2004, the Network of Canada Business Service Centres was awarded the 2004 United Nations Public Service Award in the category of "Improvement of Public Service Results" for information service for the business community.

The CBSCs maintain an extensive database of business and trade information from federal, provincial, municipal and non-government sources, which can be accessed for free in-person, by telephone or through the Internet at [www.cbsc.org](http://www.cbsc.org). The centres also provide business seminars and on-line business products such as the Interactive Business Planner.

In 2004-2005, WD's support of \$3.9 million to the four western CBSCs facilitated approximately 164,000 officer-assisted interactions (telephone, walk-in, facsimile, mail, e-mail), 14,605 self-service interactions (fax-on-demand and automated telephone services, excluding web site visits), and over 3.1 million CBSC web site visits. The western CBSCs account for over half of the number of client services provided by CBSCs nationally.

## **Planned Result 2: Improved access to financing for SMEs**

**Plans and Priorities: WD will work with financial institutions, members of the WCBSN and other organizations to increase the amount of capital available for borrowing by SMEs in targeted areas where it has been identified there is a financing gap.**

### **Actual Results:**

The Government of Canada report, *Small and Medium-sized Enterprise (SME) Financing In Canada – 2002*, states “Lenders are generally less willing to lend to new firms that lack a track record, because their firms’ cashflows are much more difficult to predict. Risk capital financing is particularly important for firms in the knowledge-based sector of the economy. Typically these firms do not have many tangible assets, particularly at the early stages in their growth, that can act as security for providers of debt.”

Data from the study shows that 23% of the over two million SMEs in Canada requested debt financing in the year 2000 and 18% of those were not approved. Further, since 35.2% of Canadian SMEs are in the western provinces, one could broadly conclude that, in the year 2000, roughly 30,000 western Canadian SMEs requesting financing were rejected. If even a small percentage of those were rejected due to lack of security or track record, rather than lack of a good business opportunity, then this indicates a significant gap in traditional financing.

WD has responded to the access to capital issue with the development of two types of SME loan programs:

1. WD Loan Investment Fund Program (LIFP) - a variety of "loan loss reserve" agreements with financial institutions (WD Loan Investment Fund Program (LIFP)); and,
2. developmental loans delivered by CFDCs, WEIs and FEDOs.



## 1. WD Loan Investment Fund Program

Kost Klip Manufacturing Ltd. is a manufacturer and distributor of point of purchase display items to individual businesses and national companies in all types of retail environments including mass merchandisers and department stores. The company, which was founded in 1969, was able to vertically integrate by establishing its own plastic extrusion facility through investments from VanCity Capital Corporation, supported by the **WD Growth Capital Program**, in 2001 and 2003.

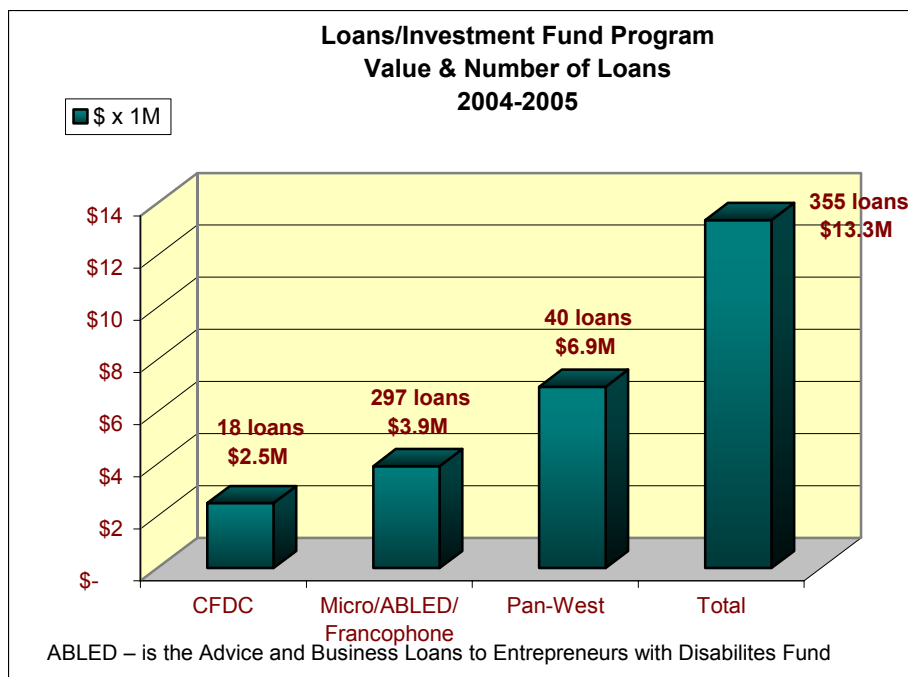
The vertical integration and resulting reduced cost points and product flexibility has enabled Kost Klip to win numerous significant large national clients including Best Buy, Save On Foods, Canadian Tire, and Kelloggs. As a result, the company's revenues have increased 250% since 2001, and staffing levels have grown from 19 to over 125 employees.

Loan loss reserve agreements with financial institutions such as banks and credit unions are all designed to provide "patient debt capital" for companies that are unable to secure regular financing due to a lack of hard assets for collateral, a lack of resources and experience in preparing a business case, the early stage of the company, and/or a lack of familiarity of capital providers with the

industry sector. The financial institutions, using their own capital, authorize and issue loans. WD contributes to a loan loss reserve, equal to between 10 and 20 % of the value of loans issued. This reserve may be used to offset a portion (up to 80%) of net losses on defaulted loans, but may not exceed WD's total contribution to the reserve.

The larger, often pan-western loan loss reserve funds offer loans up to \$1 million to SMEs (the average loan size is \$340,000). The urban micro-loan, francophone (FEDO) and Advice and Business Loans to Entrepreneurs with Disabilities Loan Fund (ABLED) funds provide loans

averaging \$14,000 to very small and start-up businesses. In addition, some loan loss reserve agreements have been negotiated to leverage additional loan capital from the private sector for CFDCs in British Columbia. Because of the leveraging of WD's contribution, the \$197 million loaned by financial institutions required a loss reserve contribution from WD of only \$30 million,



some of which will be repaid once all losses are determined.

Over the last five fiscal years, the value of financial institution financing leveraged by the program has averaged \$23.8 million per annum. These funds have varying loss reserve rates but on average are approximately 14%, which translates into annual WD loss reserve contributions of roughly \$3.3 million.

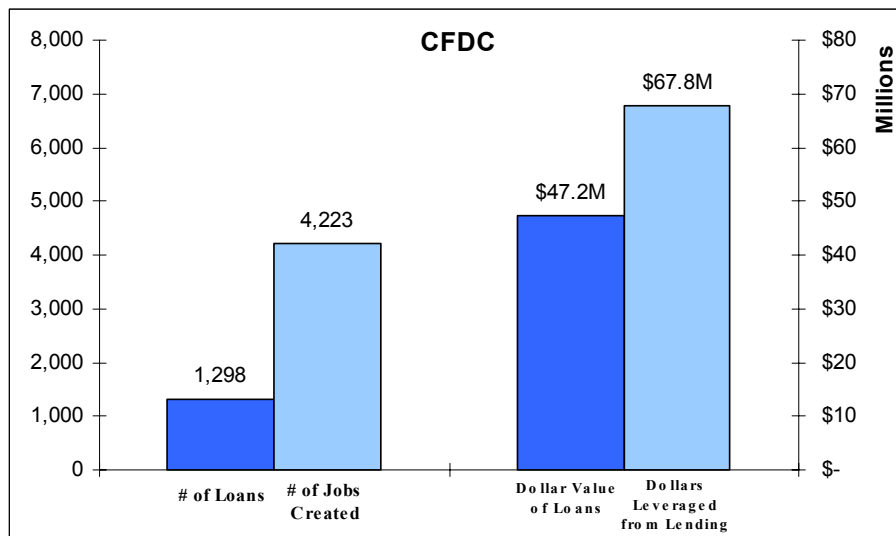
From the beginning of the **Loan Investment Fund Program** until March 2005, 2,587 loans totalling \$197 million have been approved.

Under the initial program delivery, considerable emphasis was placed on the larger, pan-western loan loss reserve agreements. After reviewing the needs assessment, program evaluation and the experience of program managers, WD will ensure that the program will be made equally available for the delivery of micro-loans for very small and start-up businesses. Also of note is that, as a result of Expenditure Review, WD will not be renewing the Agriculture Value-Added Fund and the Knowledge and Growth Fund, both agreements with federal Crown corporations.

## 2. Developmental loans delivered by CFDCs, WEIs and FEDOs

WD has also provided the WCBSN network members with funds to enable them to make repayable loans to SMEs in targeted areas (i.e. rural, and SMEs operated by women, francophone, disabled, or young entrepreneurs). WD's network partners also provide SMEs with path finding services and referrals to alternative sources of financing.

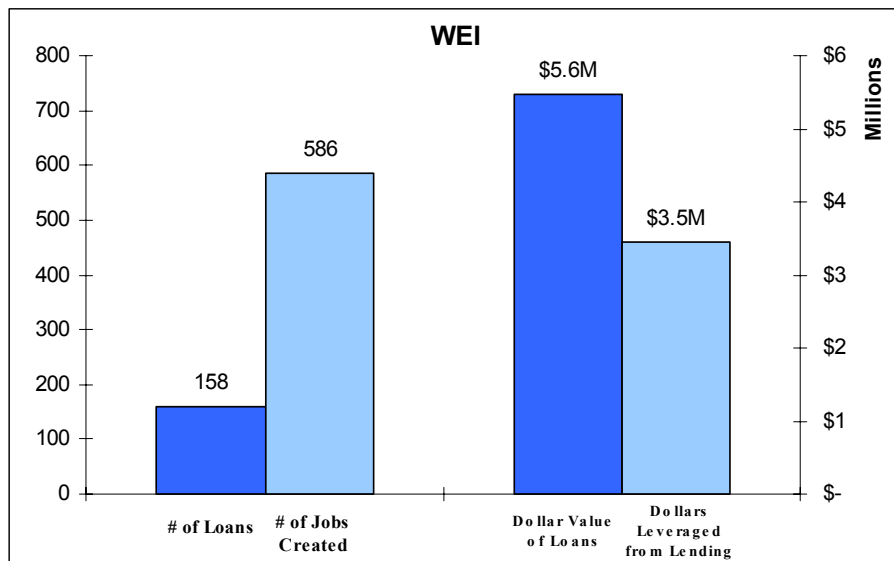
Results for 2004-2005<sup>6</sup>:



The statistics in the table to the left include: 73 loans to Entrepreneurs with Disabilities, totalling \$1.6 million, which are projected to create or maintain 182 jobs; 113 loans to youth, totalling \$2.3 million, which are projected to create or maintain 239 jobs; and 236 loans to Aboriginal clients, totalling \$7.18 million, which are expected to create or

maintain 168 jobs. In addition, CFDCs in BC and Alberta approved 157 loans through other Partnership Loan Funds, totalling \$6.958 million which are expected to create or maintain 702 jobs.

<sup>6</sup> As reported by CFDCs, WEIs and FEDOs in their quarterly reports to WD



In 2004-2005, total external financing leveraged by FEDOs working with clients to help them prepare for and obtain financing from other sources, is estimated at \$5.9 million.

Only the Manitoba FEDO, the Conseil de développement économique des municipalités bilingues du Manitoba (CDEM), currently has its own \$500,000 pool of lending capital provided by WD in 1998. Over time, CDEM has used this money to make a total of 27 loans worth \$1,147,490. Of those, two valued at \$77,000 were issued in 2004-2005.

**Planned Result 3: Increased Investment in Western Canada**

**Planned Result 4: Increased participation in international markets**

**Plans and Priorities: WD will work to increase investment by supporting investment promotion and research in foreign direct investment, investment initiatives in priority areas, major international events, and by strengthening working relationships with provincial and federal stakeholders. WD will also work to increase export activity by supporting trade promotion and research, SME export readiness, trade missions and international events. WD will strengthen working relationships with provincial and federal stakeholders and utilize Western Canada’s multicultural diversity.**

## **Actual Results:**

In 2004-2005, the Government of Canada released its International Policy Statement, a fundamental element of which addresses Canada's role and strategies related to international commerce. WD's focus on "increasing trade and export opportunities for western businesses" and "increased investment in Western Canada" fall under the umbrella of international commerce.

WD works closely with International Trade Canada, other federal partners and the western provinces to provide services to western Canadian SMEs and communities, including services in support of international commerce. During 2004-2005, the department:

- further strengthened its partnering relationships with International Trade Canada, other federal departments, the western provinces and industry organizations;
- maintained export readiness and export advisory information services to western Canadian businesses through the department's support of the WCBSN;
- participated in trade missions and investment attraction and retention initiatives supportive of western priorities, e.g., fuel cells, ocean industries, life sciences, biotechnology, health industries, information and communication technologies (ICT), nanotechnology;
- supported a broad range of trade and investment projects designed to enhance the development of new international markets for western companies and the attraction of foreign direct investment into the West; and,
- assisted western suppliers to access Government of Canada procurement opportunities and international procurement opportunities.

WD is one of eight federal partner departments/agencies that support the US Enhanced Representation Initiative (ERI), through which Canadian presence in the United States has been significantly augmented. Of the nine new and/or expanded offices in the United States, six are in the western US. WD's financial commitment to the five-year, \$118 million Enhanced Representation Initiative is \$5 million. ERI funding supports both the establishment and maintenance of the new offices as well as projects that promote Canadian trade and investment priorities. In October 2004, the first of these priority projects initiated by WD was to organize the Western Canada Technology Capabilities Study Tour. Approximately 20 trade commissioners from Canadian Posts in the western United States participated in the study tour to enhance their understanding of western technology capabilities and priorities. Follow-up initiatives to be implemented in 2005-2006 and subsequent years, are expected to result in outcomes such as opportunities for research collaborations between US and Canadian university technology commercialization offices or potential venture financing for western Canadian technology companies.

In addition, WD also provided assistance to the first ever Federal Government Procurement Conference of the Americas, held in Vancouver in November 2004. Senior procurement

executives from the United States, Canada, Mexico and a number of Latin American and South American countries met to discuss how they could better work together to ensure that the supplier community across North and South America has more transparent access to government procurement opportunities. Private sector participants also had the opportunity to meet privately with procurement executives from the countries represented.

WD contributed to increased opportunities for SMEs to trade with China through support for the “Gateway to Asia” project, which participants have indicated has resulted in new international sales of over \$6 million since its inception. Specific activities included 17 regional outreach events, a trade mission to China, sector specific workshops, and a business mission to Central Vancouver Island, which involved, among others, over 40 local Asian entrepreneurs and five local First nations representatives. WD also supported the visit of a delegation of BC business, health and cultural leaders to China in January 2005 to promote Canada-China trade.

## Sustainable Communities

### Total Financial Resources (\$ Thousands)

Planned Spending	Total Authorities	Actual Spending
\$263,340	\$269,036	\$190,018

### Strategic Outcome:

#### **Increased economic activity that improves the competitiveness of Canada’s cities and the quality of life in urban, rural, northern and Aboriginal communities across Western Canada**

A sustainable community is one that can independently manage and maximize its resources in order to develop a strong economic and social environment for its population.

WD is firmly committed to ensuring that its sustainable community activities are relevant to regional needs and at the same time targeted towards activities that have been identified as federal priorities. The department works to develop purposeful partnerships with other governments and local groups to support the growth of western Canadian communities in ways that integrate economic, environmental, social and cultural sustainability.

The sustainable communities strategic direction encompasses the following activities:

- work in urban centres through urban development agreements and other measures including the delivery of Infrastructure programs;
- coordination and support for Aboriginal economic development;

- initiatives carried out in rural and northern areas with Community Future Development Corporations, and through mechanisms such as Western Economic Partnership Agreements (WEPAs) and northern agreements and accords; and,
- the delivery of \$92 million in funding for the Alberta (60%) and Saskatchewan (60%) Centennials. The year 2005 marks the 100<sup>th</sup> anniversary of Alberta and Saskatchewan joining Confederation and WD is supporting capital legacy, celebration and learning projects that will have lasting economic, social and cultural benefits for community development.

All of these activities involve economic development, diversification and coordination initiatives which allow communities to sustain their economies and adjust to changing, and often very challenging, economic circumstances through activities and investments that build and capitalize on local capacity, improve infrastructure and foster economic and social inclusion.

## Results – Planned and Actual:



**Plans and Priorities: WD will work with other governments to implement the four recently signed Western Economic Partnership Agreements (WEPAs) and the Urban Development Agreements (UDAs) in Vancouver and Winnipeg. Additional tripartite UDAs will be negotiated in other western cities.**

### Actual Results:

Cost-shared, \$50 million, four-year WEPA Agreements were signed with all four western provinces in the third quarter of 2003-2004. The agreements target both provincial and federal priorities, including innovation, business development and sustainable communities. During 2004-2005, each agreement was well into its implementation phase. Management controls were established, administrative requirements were streamlined and initial evaluation frameworks were developed.

The agreements have increased collaboration and integration of

Through the **Vancouver Agreement (VA)**, WD has supported many non-funded activities which benefit Vancouver's poorest community, including:

- assisting in the negotiations that led to Sprint Canada moving its call center operations to the Downtown Eastside; and,
- brokering a draft agreement with VanCity Capital Corporation that will result in a three-year funding partnership for initiatives implemented under the VA Economic Revitalization Strategic Plan.

federal/provincial programming. By March 31, 2005, a total of 79 projects, worth over \$84 million were approved jointly by WD and the respective provincial government. These included support for the addition of water and waste water treatment facilities and de-salinization/reverse osmosis facilities to Vancouver's Convention Centre Expansion Project, the further development of the Composites Innovation Centre in Winnipeg, and commitment for Communities of Tomorrow (an institute involving the National Research Council, the University of Regina and the City of Regina), which supports the development, adoption, and adaptation of best practices and technology to create sustainable communities.

In 2004-2005, Urban Development Agreements were in place in [Vancouver](#) and [Winnipeg](#). Discussions were underway to conclude similar agreements in other cities in the West. In Saskatchewan, a provincial government financial commitment to UDAs in Regina and Saskatoon was announced at the end of March and new agreements will be in place in 2005-2006. In Victoria, a Memorandum of Understanding was signed to develop the Victoria Urban Development Agreement.

In Vancouver, a private sector partner, Bell Canada, has committed \$1.5 million in funding to assist in the implementation of initiatives pursuant to the VA Economic Revitalization Strategic Plan. Examples of specific results from the VA include:

- Cook Studio Café - with WD support of \$18,000, Cook Studio secured a \$5 million contract with Edgewater Casino resulting in the creation of over 100 jobs;
- Social Purchasing Portal - with WD support of \$191,400, Fast Track to Employment expanded its Social Purchasing Portal from 50 to 150 clients resulting in the creation of over 75 jobs;
- Carnegie Community Centre - with WD support of \$40,000, Carnegie staged its inaugural Heart of the City Festival resulting in 320 part-time and 12 full-time jobs; and,
- Dr. Sun Yat-Sen Garden Society of Vancouver - with WD support of \$800,000, this organization was able to complete major renovations to its international award winning gardens that significantly enhanced tourist visits to the Chinatown community.

In recognition of the work on the Vancouver Agreement, three prestigious awards were received, including the United Nations Public Service award, Association of Professional Executives of the Public Service of Canada (APEX), and Institute of Public Administration of Canada (IPAC).

The Winnipeg Partnership Agreement (WPA) was signed by the three levels of government on May 20, 2004. During this first year of implementation, WD approved a total of \$5.29 million towards its five-year, \$25 million commitment to this tri-level \$75 million agreement. More than half of the funds approved by WD were for Aboriginal projects, demonstrating both the increased Aboriginal focus of Winnipeg's latest urban agreement, and the commitment of WD towards the successful economic and social integration of urban Aboriginal people. WD also

approved significant projects in the area of innovation and technology commercialization, including new computer science labs at the University of Manitoba (for industry, researcher, and advanced student use), a genomics initiative, and commercialization space at the Asper Clinical Research Centre at St. Boniface General Hospital.

**Planned Result 2: Increased economic opportunity and investment within Western Canada's communities**

**Plans and Priorities: WD will work with communities to identify and attract new sources of business investment and new business opportunities. WD will also assist communities to adjust to severe impacts from changing economic circumstances.**

**Actual Results:**

When the Atomic Energy Commission Laboratory (AECL) announced plans in 1996 to close its Whiteshell Laboratories in Pinawa, Manitoba, WD set up the Whiteshell Community Adjustment Fund (WCAF) to assist the community in its readjustment following this closure of the region's major employer. This \$3.75 million fund is managed by the local CFDC with input from a community-based steering committee. Up until March 21, 2005, the WCAF had provided over \$2.5 million to more than 20 community-driven economic development projects, including the WB Lewis Business Centre in Pinawa, the Beausejour Industrial Park and the Lac du Bonnet Airport. The WCAF has played an important role in the Whiteshell Region's ability to generate alternative economic and employment opportunities.

The Canada/Saskatchewan Northern Development Agreement (NDA) was signed in 2002-2003 with the Province of Saskatchewan and the people of Northern Saskatchewan. The agreement with the Saskatchewan government, which includes cost-shared funding of \$20 million over five years, supports projects that increase the economic development of Northern Saskatchewan in the areas of economic infrastructure, innovation, increasing capacity, realizing employment opportunities and investment attraction. Last year, approximately 19 projects worth about \$7 million were approved under the NDA, including \$1.6 million to help 35 Northern Saskatchewan communities to better access community and health services, online education and electronic

The Hupacasath First Nation on the west coast of Vancouver Island received a repayable contribution of \$925,000 under the **Softwood Industry Community Economic Adjustment Initiative (SICEAI)** and teamed up with the City of Port Alberni in a unique joint venture to develop a micro-hydro electricity project that will generate enough power for more than 3,000 homes. The project is part of the Hupacasath First Nation's long-term strategy to create a more diverse and sustainable economy. In addition to being a source of renewable or "green" energy, the micro-hydro plant will provide 5.6 megawatts of power to the Vancouver Island power grid, provide approximately 20 construction jobs and employ an additional six to eight people as full-time technicians in the areas of resource planning, environmental monitoring, and habitat management.



commerce. The new infrastructure will provide high-speed internet for residential, commercial and institutional customers.

WD delivers the Softwood Industry Community Economic Adjustment Initiative (SICEAI) on behalf of Industry Canada. Under this program, a total of \$50 million has been committed to 145 projects across rural BC. Federal funding will lead to the creation or maintenance of up to 2,500 jobs in softwood-dependent communities. The development of new project ideas is supporting local economic diversification and will stimulate total investments of up to \$145 million.

A total of 45 community capacity building studies were supported. Sixty percent of program funding has been committed to projects in communities suffering the greatest negative impacts from tariffs, and one-third of the projects have been led by Aboriginal groups.

Strategic investments totalling \$50 million have targeted a wide range of economic activities, capitalizing on local opportunities in the areas of: community capacity building; innovative uses for value-added wood; new opportunities in manufacturing; technology; film; sport; tourism; and, local economic infrastructure developments.

### **Planned Result 3: Increased participation of Aboriginal people in the economy**

**Plans and Priorities: WD will work with partners to implement the Urban Aboriginal Strategy (UAS) by developing innovative solutions to address local priorities, and to invest in programs and services that promote Aboriginal economic development.**

#### **Actual Results:**

The primary objective of WD's Aboriginal Strategy is to enhance Aboriginal participation in the mainstream economy. The strategy is carried out through a community-based approach that focuses on partnerships with Aboriginal groups, the provincial governments, the private sector and non-profit organizations.

WD has worked with the Saskatchewan government to support **Northlands College in its efforts to provide the skills** needed by 91 Aboriginal individuals in Northern Saskatchewan to take advantage of the job opportunities in the area. WD provided \$309,770 towards \$1.2 million in total programming costs to support a number of training programs in early childhood education, practical nursing, and jobs in the oil sands sector.

In 2004-2005, WD provided more than \$18.6 million in support of 161 projects. These included support for the 2010 Aboriginal Training and Adjustment Committee to link the 2010 Olympics construction opportunities to the Aboriginal workforce; support to three regional Aboriginal Business Development Centres located in Fort Saint John, Prince George and Cranbrook; and continued support to the Alberta Aboriginal Apprenticeship Program to deliver apprenticeship programming in Fort McMurray, High Level, and Edmonton, as well as to expand into Calgary and Lethbridge.

The Federal Interlocutor for Métis and Non-Status Indians is responsible for the Urban Aboriginal Strategy, and WD leads the implementation of the program in British Columbia, Alberta and Manitoba.<sup>7</sup> The UAS is focused on improving the socio-economic conditions of Aboriginal populations in urban communities. UAS projects are being considered as part of WD's broader urban development processes, such as the Vancouver Agreement and the Winnipeg Partnership Agreement. In each of the western cities designated under the UAS, the department is working closely with provincial and municipal officials, Aboriginal representatives and other community members to develop and implement innovative projects.

During 2004-2005, WD approved project funding of \$6.5 million for 40 UAS projects. Some examples include:

- in Vancouver, the Aboriginal Community Career Employment Services Society Bladerunners program had 24 participants in its employment readiness training to improve the responsiveness of the Aboriginal youth potential in the trades and construction industry. All 24 participants accepted immediate job placements;
- WD support for an Edmonton project focussing on seven inner city schools that seeks to increase parental and community involvement in the delivery of the core curriculum in the target schools, and improve feelings of inclusiveness and cultural pride amongst Aboriginal students in the target schools. The intent is to increase the students' success in the core curriculum and, ultimately, to remove barriers to high school completion by Aboriginal students;
- in Calgary, WD is providing support for the Rainbow Lodge, led by Métis Calgary Family Services Society. The Rainbow Lodge is a collaborative community effort, to provide supportive transitional housing for homeless families. As the facility was being renovated, Aboriginal families were able to move in and some have already moved on to long-term housing and social and economic stability. The UAS contribution of \$300,000 for client support programs and administration costs has leveraged funding in excess of \$3.7 million from many other partners. The Rainbow Lodge project was also selected to be a part of an 'Extreme Makeover' television show; and,
- in Winnipeg, WD provided \$115, 300 to the Ogijiita Pimatiswin Kinimatawin (OPK) project, a partnership with Neighbourhoods Alive!, the Winnipeg Foundation, the Homelessness Initiative, the Manitoba government and the Centre for Aboriginal Human Resource Development. The project is a housing renovation program geared to training Aboriginal offenders who have long-term involvement in crime and provides these individuals with options for reintegration into society.

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<sup>7</sup> UAS program spending is reported in the *Departmental Performance Report* of Indian and Northern Affairs Canada (INAC).

**Planned Result 4: Enhanced capacity of western Canadian communities to implement strategies that promote sustainable development**

**Plans and Priorities: WD will assist communities to assess their strengths, weaknesses, opportunities and potential for new economic activity and enhanced investment.**

**Actual Results:**

Federal Budget 2004 announced funding for the social economy initiative, including support for strategic planning and capacity building of community economic development organizations, as well as increased access to financing to support the development and expansion of social economy enterprises. During this past fiscal year, WD carried out community consultations in all four western provinces in the areas of social economy and social enterprise development. Rural, northern, urban, Aboriginal and other stakeholders participated and helped provide WD with a greater understanding of these organizations which will provide the basis for developing programs to support this initiative.

WD has supported other projects that resulted in enhanced capacity of communities such as an investment of \$99,000 that assisted Action Swift Current Inc. Its plans are to create a brand identity to position Swift Current, Saskatchewan as an affordable, viable and exciting place to live, work, establish and grow a business—and more importantly—to invest.

WD provided funds for the development of the Lil'Wat Economic Development Corporation (BC) for a project to develop the capacity of community members to direct economic development priorities for their community and take advantage of 2010 Olympics opportunities that will occur in their region.

A number of First Nations communities have received assistance from WD to develop community economic development plans and assess the viability of potential enterprises such as mining operations, sawmills, museums, and tourism operations.

The Urban Aboriginal Strategy also contains a large component related to capacity development. For example, a strategic plan has been developed for the urban Aboriginal community in Winnipeg and a similar plan is in the process of being finalized in Thompson. A capacity building component will be incorporated into each of these community plans. In Calgary, WD

WD's support for core operating enables the Community Futures Development Corporations to actively engage in community economic development activities. For example, the Lac La Biche Regional Community Development Corporation recently produced a **Tourism Marketing Plan for the Lac La Biche region** – the plan won a 2004 Marketing Canada Award, resulted in increased visitation to the website, and more importantly, tourism operators have reported annual increases in tourism traffic and revenues.

provided financial support for the organizational development of the Calgary Urban Aboriginal Initiative (CUAI), an association devoted to bringing together stakeholders and community members to address Aboriginal issues in Calgary.

**Planned Result 5: Programs that accelerate investments in public infrastructure that support an improved quality of life for western Canadians.**

**Plans and Priorities: WD will work with other governments, and the private sector, to implement national infrastructure programs – Infrastructure Canada program, Canada Strategic Infrastructure Fund and the Municipal Rural Infrastructure Fund.**

**Actual Results:**

The Infrastructure Canada Program (ICP) was created in 2000 to enhance infrastructure in Canada’s urban and rural communities and to improve quality of life through investments that protect the environment and support long-term community and economic growth. The ICP's first priority is green municipal infrastructure – projects that improve the quality of the environment and contribute to national goals of clean air and water. Priority projects target water and wastewater systems, water management, solid waste management and recycling. As of March 31, 2005, the program funding of \$557.1 million was nearly all committed in the West, and 56% of the approved projects were complete. The following is an illustration of the expected and actual benefits of completed projects funded by the ICP:

	Completed Projects	Project Costs (\$ thousands)	Decrease In Electricity Used (000 kWh Per Cubic Meter)		Completed Projects	Project Costs (\$ thousands)	Decrease In Heating Fuel Used (000 BTU Equivalent Per Cubic Meter)	
			Expected	Actual			Expected	Actual
<b>BC</b>	-	\$ -	-	-	-	-	-	-
<b>AB</b>	15	\$ 1,438	205	205	26	2,954	65	175
<b>SK</b>	3	\$ 1,415	4,114	4,121	6	2,116	1,469	1,648
<b>MB</b>	-	\$ -	-	-	-	-	-	-
<b>Total</b>	<b>18</b>	<b>2,853</b>	<b>4,319</b>	<b>4,326</b>	<b>32</b>	<b>5,070</b>	<b>1,534</b>	<b>1,823</b>

On an individual project basis, the following examples illustrate benefits accruing directly to communities as a result of the ICP:

- at the City of White Rock’s (BC) newly completed, \$1.34 million operations building, efforts to create an energy efficient and environmentally sustainable facility have resulted in a building that is both a healthy, productive place to work and a facility that has minimal impact on the environment. This project was awarded with Canada’s first LEED (Leadership in Energy and Environmental Design) Gold award for new construction by the United States Building Council. The project, which received federal and provincial

funding of \$898,000, also included the deconstruction of an existing facility and the recycling of 99% of that structure; and,

- in Alberta, WD provided the City of Calgary with \$522,500 through the ICP for the construction of Cardel Place and the Calgary Public Library Facility, which includes a number of amenities, including gymnasiums, NHL-size arenas, aquatics, meeting rooms, a pro shop, sports-medicine clinic, food services and a library. The facility incorporates a number of innovations to qualify as a sustainable building and has received LEED Gold certification. The building consumes 30% less energy than expected according to the Canadian Model National Energy Code for buildings.

WD also plays a role in the delivery of the funds for large-scale infrastructure projects through the Canada Strategic Infrastructure Fund (CSIF). Projects in the West include the Vancouver Convention and Exhibition Centre, Winnipeg's Flood Protection Project, and Regina's Wascana Lake Expansion and the Regina Exhibition Park.

WD will also deliver \$278 million in the West under the Municipal Rural Infrastructure Fund (MRIF) over the next seven years. Agreements have been signed in Manitoba and Saskatchewan, and negotiations in Alberta and British Columbia are ongoing. Targeted to the needs of smaller municipalities and Aboriginal communities, 80 % of the funding will flow to communities of less than 250,000.

## **SECTION III – SUPPLEMENTARY INFORMATION**

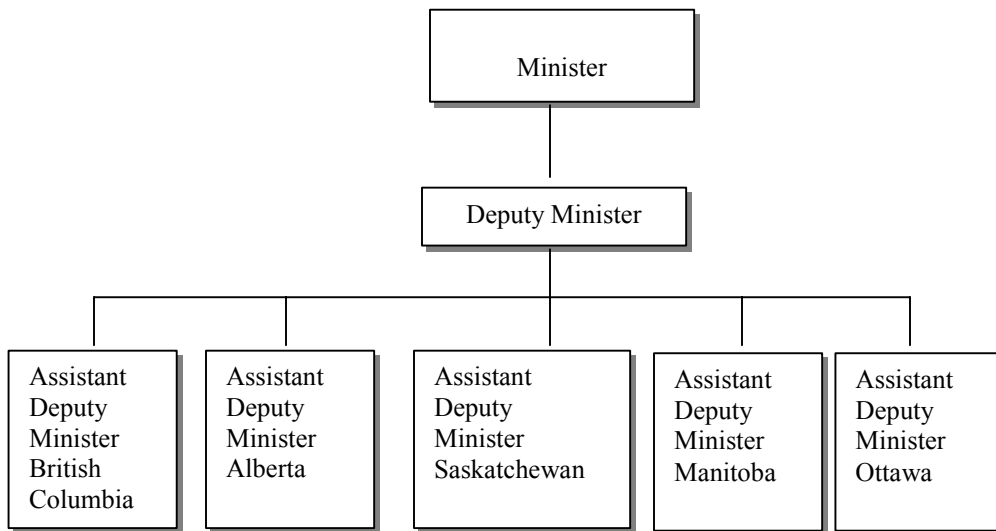
## Organizational Information

The department's Head Office is located in Edmonton, Alberta, co-located with the Regional Office for Alberta. Regional offices are located in each of the other western provinces - Winnipeg, Saskatoon and Vancouver - with a liaison office in Ottawa. Regional satellite offices also exist in Calgary and Victoria. The department's Deputy Minister is located in Edmonton, and Assistant Deputy Ministers are located in Vancouver, Edmonton, Saskatoon, Winnipeg and Ottawa.

In addition to corporate responsibilities, each of the western Assistant Deputy Ministers is responsible for the delivery of programs and services in their region, which support the department's strategic outcomes, as well as corporate responsibilities. The Ottawa based Assistant Deputy Minister plays the lead role in the department's advocacy activities.

The department works closely with Industry Canada and other Regional Development Agencies (RDAs).

### Western Economic Diversification Canada Organization Structure



**Table 1: Comparison of Planned to Actual Spending (incl. FTEs)**

(\$ Thousands)	2002-03 Actual	2003-04 Actual	2004-2005			
			Main Estimates	Planned Spending	Total Authorities	Actual
Western Economic Diversification	246,828	315,729	390,806	390,806	394,736	312,131
Less:						
Non-Respendable revenue	(36,968)	(36,984)	-	(6,000)	-	(22,706)
Plus:						
Cost of Services received without charge	4,600	4,200	-	4,210	-	4,311
<b>Net Cost of the Department</b>	<b>214,460</b>	<b>282,945</b>	<b>390,806</b>	<b>389,016</b>	<b>394,736</b>	<b>293,736</b>
<b>Full Time Equivalents</b>	<b>363</b>	<b>380</b>				<b>374</b>

Note on variance: Actual spending is lower than Planned Spending, primarily due to the transfer of contractual commitments under the Infrastructure Canada Program to future years.

**Table 2: Use of Resources by Business Lines**

(\$ Thousands)	2004-2005		
	Budgetary		Total
	Operating	Grants & Contributions	
<b>Western Economic Diversification</b>			
Main Estimates	48,337	342,469	390,806
Planned Spending	48,337	342,469	390,806
Total Authorities	50,522	344,213	394,736
Actual Spending	45,914	266,217	312,131

Note on variance: Actual spending is lower than Planned Spending, primarily due to the transfer of contractual commitments under the Infrastructure Canada Program to future years.



**Table 3: Voted and Statutory Items**

Vote or Statutory Item	Truncated Vote or Statutory Wording	2004-2005			
		Main Estimates	Planned Spending	Total Authorities	Actual
	(\$ Thousands)				
1	Operating	42,919	42,919	45,655	41,066
5	Grants and Contributions	342,469	342,469	344,213	266,217
(S)	Minister's salary and motor car allowance	70	70	68	68
(S)	Contributions to Employee Benefits Plans	5,348	5,348	4,760	4,760
(S)	Spending on Proceeds from the disposal of surplus Crown assets	-	-	25	6
(S)	Refunds of amounts credited to revenues in previous years	-	-	5	5
(S)	Collection agency fees	-	-	9	9
	<b>Total Department</b>	<b>390,806</b>	<b>390,806</b>	<b>394,736</b>	<b>312,131</b>

Note on variance: Actual spending is lower than Planned Spending, primarily due to the transfer of contractual commitments under the Infrastructure Canada Program to future years.

**Table 4: Net Cost of Department**

<b>(\$ thousands)</b>	<b>2004-2005</b>
Total Actual Spending	312,131
Plus: Services Received without Charge	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	2,095
Contributions covering employers' share of employees' insurance premiums and expenditures paid by TBS (excluding revolving funds)	2,172
Workers' Compensation coverage provided by Social Development Canada	38
Salary and associated expenditures of legal services provided by Justice Canada	6
Less: Non-responsible Revenue	(22,706)
<b>2004-2005 Net cost of Department</b>	<b>293,736</b>

**Table 5: Sources of Respendable and Non-Respendable Revenue**

(\$ Thousands)	2002-03 Actual	2003-04 Actual	2004 - 2005	
			Planned Spending	Actual
Repayable Contributions	14,161	19,432	5,000	18,462
Other Revenue	3,435	2,892	1,000	4,245
Small Business Loans Act - Service Fees*	4,879	1,744	-	-
Canada Small Business Finance Act - Service Fees*	14,493	12,916	-	-
<b>Total Non-Respendable Revenue</b>	<b>36,968</b>	<b>36,984</b>	<b>6,000</b>	<b>22,706</b>

\*WD no longer reports information on the *Small Business Loans Act (SBLA)* and the *Canada Small Business Finance Act (CSBFA)*. Industry Canada now has responsibility of reporting information on these two Acts.

**Table 6: 2004-2005 User Fee Reporting**

WD only collects user fees for Access to Information Requests. The total user fees collected during the year was \$200.

## Table 7: Details on Transfer Payments Programs (TPPs)

### Grants for Western Diversification Program

**Start Date:** 1987-1988

**End Date:** Ongoing

**Total Funding:** Ongoing

**Description:** This program was designed 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.

#### Objectives:

- a strengthened western innovation system;
- an expanded business sector in Western Canada;
- increased investment in strategic federal/regional economic development priorities that improves the viability, prosperity and quality of life in communities across Western Canada; 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.

(\$ Thousands)	Actual Spending 2002-03	Actual Spending 2003-04	Planned Spending 2004-05	Total Authorities 2004-05	Actual Spending 2004-05	Variance
Western Economic Diversification	-	-	5,000	0	0	5,000
Total Grants	-	-	5,000	0	0	5,000
Total Contributions	-	-	-	-	-	-
Total Other Transfer Payments	-	-	-	-	-	-
<b>Total Grants for the Western Diversification Program</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>5,000</b>

Variance = Planned Spending – Actual Spending

**Comments on Variance:** No grants were paid out during 2004-2005. Funds were transferred to the Western Diversification Contributions Program.

**Evaluation Findings:** An evaluation was completed during 2003-2004 and is available at [http://www.wd.gc.ca/rpts/audit/default\\_e.asp](http://www.wd.gc.ca/rpts/audit/default_e.asp)

## **Western Diversification Program**

**Start Date:** 1987-1988

**End Date:** Ongoing

**Total Funding:** Ongoing

**Description:** This program was designed 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.

### **Objectives:**

- a strengthened western innovation system;
- an expanded business sector in Western Canada;
- increased investment in strategic federal/regional economic development priorities that improves the viability, prosperity and quality of life in communities across Western Canada; 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.

<b>(\$ Thousands)</b>	<b>Actual Spending 2002-03</b>	<b>Actual Spending 2003-04</b>	<b>Planned Spending 2004-05</b>	<b>Total Authorities 2004-05</b>	<b>Actual Spending 2004-05</b>	<b>Variance</b>
Western Economic Diversification	65,269	70,750	81,880	89,496	89,457	(7,577)
Total Grants	-	-	-	-	-	-
Total Contributions	65,269	70,750	81,880	89,496	89,457	(7,577)
Total Other Transfer Payments	-	-	-	-	-	-
<b>Total for the Western Diversification Program</b>	<b>65,269</b>	<b>70,750</b>	<b>81,880</b>	<b>89,496</b>	<b>89,457</b>	<b>(7,577)</b>

**Comments on Variance:** \$ 5 million was transferred to the Western Diversification Contributions Program from the Western Diversification Grants Program.

**Evaluation Findings:** An evaluation was completed during 2003-2004 and is available at [http://www.wd.gc.ca/rpts/audit/default\\_e.asp](http://www.wd.gc.ca/rpts/audit/default_e.asp)

## **Community Futures Program**

**Start Date:** May 1995    **End Date:** Ongoing    **Total Funding:** Ongoing

**Description:** This program was designed to provide funding for a 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 the economic development and diversity of their communities.

### **Objectives:**

- 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 enterprises; and,
- access to capital - providing capital to assist businesses or to help entrepreneurs to create new businesses.

<b>(\$ Thousands)</b>	<b>Actual Spending 2002-03</b>	<b>Actual Spending 2003-04</b>	<b>Planned Spending 2004-05</b>	<b>Total Authorities 2004-05</b>	<b>Actual Spending 2004-05</b>	<b>Variance</b>
Western Economic Diversification	21,710	20,973	23,200	24,289	24,289	(1,089)
Total Grants	-	-	-	-	-	-
Total Contributions	21,710	20,973	23,200	24,289	24,289	(1,089)
Total Other Transfer Payments	-	-	-	-	-	-
<b>Total for the Community Futures Program</b>	<b>21,710</b>	<b>20,973</b>	<b>23,200</b>	<b>24,289</b>	<b>24,289</b>	<b>(1,089)</b>

**Evaluation Findings:** An evaluation was completed during 2003-2004 and is available at [http://www.wd.gc.ca/rpts/audit/default\\_e.asp](http://www.wd.gc.ca/rpts/audit/default_e.asp)

## **Service Delivery Network Program**

**Start Date:** 1996-1997

**End Date:** Ongoing

**Total Funding:** Ongoing

**Description:** This program strives to increase access to services in Western Canada through service delivery agreements with community-based organizations.

### **Objectives:**

- business services - delivering a range of business, counselling and information services to small and medium-sized enterprises; and,
- access to capital - providing capital to assist businesses or to help entrepreneurs to create new businesses.

<b>(\$ Thousands)</b>	<b>Actual Spending 2002-03</b>	<b>Actual Spending 2003-04</b>	<b>Planned Spending 2004-05</b>	<b>Total Authorities 2004-05</b>	<b>Actual Spending 2004-05</b>	<b>Variance</b>
Western Economic Diversification	8,451	11,293	6,000	6,675	6,675	(675)
Total Grants	-	-	-	-	-	-
Total Contributions	8,451	11,293	6,000	6,675	6,675	(675)
Total Other Transfer Payments	-	-	-	-	-	-
<b>Total for the Service Network Delivery Program</b>	<b>8,451</b>	<b>11,293</b>	<b>6,000</b>	<b>6,675</b>	<b>6,675</b>	<b>(675)</b>

**Evaluation Findings:** An evaluation is underway.

## **Innovation and Community Investment Program**

**Start Date:** April 2002

**End Date:** March 31, 2005

**Total Funding:** \$35.9M

**Description:** This program improves innovation infrastructure and linkages in sectors of strategic importance to the West, enhances technology commercialization, enhances the capacity of firms to develop and adopt new technologies, and assists communities to adapt to the new knowledge-based economy.

### **Objectives:**

- increase the number of knowledge-based jobs;
- support the growth of knowledge-based businesses;
- accelerate the commercialization and adoption of innovative processes and products by businesses; and,
- increase the diversification of community economies.

<b>(\$ Thousands)</b>	<b>Actual Spending 2002-03</b>	<b>Actual Spending 2003-04</b>	<b>Planned Spending 2004-05</b>	<b>Total Authorities 2004-05</b>	<b>Actual Spending 2004-05</b>	<b>Variance</b>
Western Economic Diversification	13,407	13,075	10,780	9,422	9,422	1,358
Total Grants	-	-	-	-	-	-
Total Contributions	13,407	13,075	10,780	9,422	9,422	1,358
Total Other Transfer Payments	-	-	-	-	-	-
<b>Total for the Innovation and Community Investment Program</b>	<b>13,407</b>	<b>13,075</b>	<b>10,780</b>	<b>9,422</b>	<b>9,422</b>	<b>1,358</b>

**Evaluation Findings:** An evaluation was completed during 2003-2004 and is available at [http://www.wd.gc.ca/rpts/audit/default\\_e.asp](http://www.wd.gc.ca/rpts/audit/default_e.asp).



## **Infrastructure Canada Program**

**Start Date:** October 10, 2000      **End Date:** March 31, 2009      **Total Funding:** \$557.2M

**Description:** This program was designed to improve urban and rural community infrastructure in Canada.

### **Objectives:**

- improve Canadian's quality of life through investments that enhance the quality of the environment, support long-term economic growth, and improve community infrastructure; and,
- build 21<sup>st</sup> century infrastructure through the use of technologies, new approaches, and best practices.

<b>(\$ Thousands)</b>	<b>Actual Spending 2002-03</b>	<b>Actual Spending 2003-04</b>	<b>Planned Spending 2004-05</b>	<b>Total Authorities 2004-05</b>	<b>Actual Spending 2004-05</b>	<b>Variance</b>
Western Economic Diversification	47,800	89,256	209,376	208,596	130,639	78,737
Total Grants	-	-	-	-	-	-
Total Contributions	47,800	89,256	209,376	208,596	130,639	78,737
Total Other Transfer Payments	-	-	-	-	-	-
<b>Total for the Infrastructure Canada Program</b>	<b>47,800</b>	<b>89,256</b>	<b>209,376</b>	<b>208,596</b>	<b>130,639</b>	<b>78,737</b>

**Comments on Variance:** The variance for the Infrastructure Canada Program reflects the transfer of contractual commitments to future fiscal years.

**Evaluation Findings:** An evaluation was completed during 2003-2004 and is available at [http://www.wd.gc.ca/rpts/audit/default\\_e.asp](http://www.wd.gc.ca/rpts/audit/default_e.asp).

## Table 8: Response to Parliamentary Committees, Audits and Evaluations for FY 2004-2005

### Response to Parliamentary Committees

None - There were no recommendations received during the year from parliamentary committees.

### Response to the Auditor General

None - There were no recommendations received during the year from parliamentary committees.

### External Audits and Evaluations

The following audits and evaluations were completed during the year. To view the reports please access the WD public website at [http://www.wd.gc.ca/rpts/audit/default\\_e.asp](http://www.wd.gc.ca/rpts/audit/default_e.asp)

#### Audits

Community Futures Development Corporations (CFDCs) and Community Business Development Corporations (CBDCs) (May 2005)

#### Evaluations

Official Languages Action Plan (OLAP) (May 2004)

### Internal Audits and Evaluations

The following evaluations were completed during the year. To view the reports please access the WD public website at [http://www.wd.gc.ca/rpts/audit/default\\_e.asp](http://www.wd.gc.ca/rpts/audit/default_e.asp)

#### Evaluations

Innovation and Community Investment Program (ICIP) (June 2004)

Western Canada Business Service Network (WCBSN) (September 2004)

Community Economic Development Internship Program (CEDIP) and Community Economic Development Opportunity (CEDO) Program (September 2004)

Francophone Economic Development Organizations (FEDO) Program (September 2004)

Women's Enterprise Initiative (WEI) (October 2004)

**Table 9: Sustainable Development Strategies (SDS)**

Key Points	Summary
Key goals, objectives, and/or long-term targets of the SDS	<ul style="list-style-type: none"> <li>▪ Provide information within the department and to our partners such as WCBSN on SDS and its practical applications;</li> <li>▪ invest in the development and commercialization of environmental technologies and processes in Western Canada;</li> <li>▪ invest in projects that enable western Canadian communities to improve their social, environmental and economic sustainability; and,</li> <li>▪ provide information to western Canadian businesses on SDS concepts, practices and benefits.</li> </ul>
How key goals, objectives and/or long-term targets help achieve WD's strategic outcomes	<p>In order to fully integrate sustainable development into departmental planning, program delivery and operations, WD has adopted the following vision of sustainable development:</p> <p style="padding-left: 40px;">“WD is building a more sustainable Western Canada by making strategic investments and providing its employees and partners with practical tools to integrate sustainable development into the three core areas of business or ‘strategic outcomes’ – innovation, entrepreneurship and sustainable communities.”</p> <p>WD has already begun acting on this vision by incorporating sustainable development measures into two of its most important project assessment tools: the Due Diligence Report (DDR), and the GX Financial System. All projects are screened to determine whether they contribute to sustainable development in Western Canada.</p>
Targets	WD's SDS 2003 outlines targets for fiscal years 2004-2005 through 2006-2007. Specific annual targets are not identified for each fiscal year.
Progress to date	<p>In 2004-2005 WD invested over \$24 million in 107 projects that will contribute to the achievement of outcomes as identified in SDS 2003. The department also made improvements to operational systems to facilitate improved tracking of SD projects and continued to promote the concepts of SD within the department and through the department's webpage to a broader community.</p> <p>Specific achievements against SDS 2003 targets are posted annually on the department's website. For a detailed report on key outcomes from 2004-2005 please refer to the annual update at: <a href="http://www.wd.gc.ca/rpts/strategies/sd/2003/update_e.asp">http://www.wd.gc.ca/rpts/strategies/sd/2003/update_e.asp</a>.</p>
Adjustments	SDS 2003 provides a framework for the department's SD activities in fiscal years 2004-2005 through 2006-2007. No adjustments were needed during the first year of this strategy.

## **Table 10: Service Improvement Initiative (SII)**

WD realigned its activities in 2002-2003 and transferred delivery of its business advisory services to the public to third parties, principally its Western Canada Business Service Network (WCBSN).

Since 2003, WD has continued to expand its community, business and organization partnerships. WD collaborates with WCBSN partners and other organizations throughout Western Canada to develop services that are closer to communities (including communities of interest), better integrated with other resources, and more accessible to citizens.

For example, Canada Business Services Centres provide a single window of service to people seeking information and advice on how to start and grow small businesses. In June 2004, the national Network of Canada Business Service Centres, of which there are four in Western Canada, was awarded the 2004 United Nations Public Service Award in the category of Improvement of Public Service Results. This is the latest in a series of awards for the centres, including three Head of Public Service Awards for excellence in service delivery.

WD continues to collaborate with organizations, communities and other levels of government to enhance their ability to develop innovative, entrepreneurial and sustainable ways of addressing economic, social and environmental challenges or opportunities. These third party arrangements are based on mutual goals and therefore not amenable to client satisfaction surveys. However, evaluations provide some insight as to how well clients are being served by third parties.

For example, the “Service Quality and Impact” section of the 2003 audit of WD’s [Community Futures Program](#) determined that the “products and service ‘outputs’ supported by the program are consistent with client expectations, accessible, and sufficient to support intended outcomes.”

The evaluation of the [Canada Business Service Centres](#) in 2002 found that “responsiveness to client needs was gauged by assessing levels of satisfaction, importance and usefulness attributed to CBSC services and products. Clients responding to the survey gave the CBSCs a resounding vote of confidence when asked if they were generally satisfied with the information they received in the last twelve months. In total, 81.9% were very satisfied or satisfied.”

A national evaluation framework is used by the Canada Business Managing Partners<sup>8</sup> to undertake evaluations and the results are captured in a national evaluation summary. Three complete rounds of evaluations have been undertaken in the last 10 years. The latest summary of network-wide evaluations, completed in 2003, demonstrated very high client and partner satisfaction. In addition to the evaluations, a standard national approach for ongoing client satisfaction surveys of Canada Business Service Centres is being phased-in this year and next. So far, these surveys show a very high rate of satisfaction, averaging between 4.2 and 4.5 on a scale of 1 to 5.

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<sup>8</sup> Atlantic Canada Opportunities Agency (ACOA), Canada Economic Development for Quebec Regions (CEDQ), WD, and Industry Canada (IC)

WD's shift from a service delivery model to a capacity building and collaboration model has led to groundbreaking new initiatives. The Vancouver Agreement is a good example. The Vancouver Agreement, an urban development initiative of the Governments of Canada, British Columbia, and Vancouver, was one of the recipients of the 2005 United Nations Public Service Award.

WD's collaboration and capacity building model is continuing to evolve through ongoing dialogues with stakeholders and partners. WD is committed to exploring new ways of working with citizens to achieve better social and economic results.

## **Five Year Report**

### **1. Programs and services covered by a service improvement plan**

In light of the abovementioned shift from a direct delivery model of business information services, to a collaboration and capacity building model, WD has focused on developing partnerships with not-for-profit organizations and other levels of government.

### **2. Development of baseline client satisfaction levels and progress toward achieving satisfaction targets**

WD's work with the WCBSN has made it possible for third parties to work closely with communities to provide business and organization development services that are tailored to the individual client and reflect the unique characteristics of geographical communities and communities of interest. This structural change in WD's approach to its mission has meant that services are closer to the community and the individual client.

Now that WD is no longer involved in direct-delivery of business information services to SMEs, the client service improvement baseline is not applicable.

### **3. Service standards for all key public services: setting of standards and performance against those standards**

Since WD no longer provides direct-delivery of business information services to SMEs, earlier service standards are not applicable. WD works with a variety of partners, including members of the WCBSN, not-for-profit organizations and research organizations to provide services. To date, service standards for these clients have not been established.

### **4. Main achievements in improving service from a citizen-centred perspective**

From a collaboration and capacity building perspective, WD's main future challenge seems to be to provide transparent access to the resources that will enable citizens' work with government within the strategic priorities for Innovation, Entrepreneurship and Sustainable Communities. Collaborative relationships form the basis for the transition from centrally designed programs to strategies that reflect the unique character of cities, regions, communities and communities of interest. In this environment, the primary question will be how well WD works with citizens to achieve mutual goals, as opposed to the question of how well needs have been addressed.

**Table 11: Travel Policies**

Western Economic Diversification Canada conforms to all Treasury Board Secretariat travel policy parameters.

## **SECTION IV – OTHER ITEMS OF INTEREST**

## Official Languages

Western Economic Diversification Canada (WD) 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.*

The 2004-2005 year marks the first year of the new multi-year *Official Languages Act* (OLA) Action Plan for Implementation of Section 41. Through various partnerships and participation on numerous committees at the regional and national levels, WD continues to demonstrate its commitments to the Official Languages Minority Communities (OLMC). This year, WD has made advances to this commitment by implementing initiatives in support of partnership agreements and supporting new projects benefiting western French speaking communities.

WD developed its 2004-2008 Action Plan taking into consideration the policy statements elaborated within the Government of Canada's Action Plan for Official Languages, resulting from various consultations with a wide variety of stakeholders and the recommendations of the external evaluation of WD's 2000-2004 OLA Action Plan for the Implementation of Section 41. For the 2004-2008 Action Plan, WD commits to carrying out four key activities:

- communicating the Action Plan by promoting concepts, activities, and achievements of Section 41 within and external to the department;
- building partnerships with other departments and stakeholders, establishing new partnership with other intergovernmental groups and stakeholders to address priorities identified by the OLMC;
- providing support to Francophone Economic Development Organizations (FEDOs); and,
- providing support to projects with Official Languages Minority Communities (OLMC).

WD OLA Action Plan for the Implementation of Section 41 2004-2008 can be found on the website at: [http://www.wd.gc.ca/rpts/strategies/ola/default\\_e.asp](http://www.wd.gc.ca/rpts/strategies/ola/default_e.asp).

Western Economic Diversification Canada also undertook numerous other activities under the Official Languages file throughout 2004-2005. Among the activities are the Francophone Economic Development Organizations (FEDOs) evaluation, the extension of the FEDO partnership agreements, and continuous support to upholding various partnerships, including the Inter-ministerial Partnership with the Official Languages Communities (IPOLC) program with Canadian Heritage, and the Memorandum of Understanding with Industry Canada to implement the national Action Plan for Official Languages.



The FEDOs remain full members of the Western Canada Business Service Network (WCBSN) and highly valued contributors to the WD team. Support from WD enables these regional organizations to provide enhanced services to francophones including training, business and community economic development, access to capital, information services, marketing advice, networking and mentoring. 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. In her 2004 audit, the Commissioner of Official Languages congratulated WD for the integration of the FEDOs into the WCBSN.

WD's partnership is ongoing with Canadian Heritage (PCH) for the Interdepartmental Partnership for the Official Languages Communities program (IPOLC) to 2006-2007. The IPOLC MOU has sought new partnerships in the OLMC and supported regional projects, which result in long-term sustainable community and economic advancements.

WD has continued to support the initiatives under the Government of Canada's Action Plan for Official Languages through a Memorandum of Understanding with Industry Canada to implement the tele-education and tele-learning pilot projects and youth internships in the West. In 2004-2005, WD has successfully led initiatives for internships and pilot projects in tele-education and tele-learning for British Columbia and Alberta and has launched internships in the West.

WD was involved in other ongoing partnerships such as the joint federal/community committee of Comité national de développement économique et d'employabilité (le comité) and the Regroupement de développement économique et d'employabilité (RDEE) and a new partnership was established with Statistics Canada in support of the Survey on the Vitality of Official Language Minorities.

## APPENDIX A

### WD Programs

WESTERN ECONOMIC DIVERSIFICATION PROGRAM (WDP) - Contributions under the WDP support activities that develop and diversify the western Canadian economy and activities where economic and/or employment benefits accrue primarily within Western Canada. Funding is focused on activities that: support innovation; promote a competitive and expanded business sector in Western Canada; and, develop sustainable communities that improve the competitiveness and quality of life in western Canadian communities. Under the WDP, there are several sub-programs or initiatives, which include:

- Western Economic Partnership Agreements (WEPAs) - WEPAs represent a multi-year funding commitment to foster increased economic activity, and to improve the quality of life in communities across Western Canada. WEPAs, which are equally cost-shared with each of the four western provinces, will allocate \$50 million in each province to targeted federal and provincial priorities, including Innovation, Entrepreneurship and Sustainable Communities;
- Urban Development Agreements (UDAs) - These are agreements between federal, provincial, and municipal governments that address broad issues through partnerships and shared goals. UDAs focus on addressing key challenges facing the largest cities in the West, realizing opportunities in innovation and ensuring the full participation of all groups in the economies of those cities. The two current agreements in place are the Winnipeg Partnership Agreement and the Vancouver Agreement;
- Canada-Saskatchewan Northern Development Agreement (NDA) - This equally cost-shared agreement between the Governments of Canada and Saskatchewan provides funding for projects that address five strategic priorities in Northern Saskatchewan including: economic infrastructure; innovation; employment opportunities; capacity building; and, investment attraction;
- Conference Support Program (CSP) - Support for conferences 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;

- International Trade Personnel Program (ITPP) – As a result of Expenditure Review, this program was discontinued on April 01, 2005. It assisted export-oriented small- and medium-sized enterprises (SMEs) in Western Canada. The program also assisted small businesses in hiring unemployed or under-employed recent post-secondary graduates to work on international trade-related projects; and,
- First Jobs In Science & Technology Program (FJST) – As a result of Expenditure Review, this program was discontinued on April 01, 2005. It assisted SMEs in adopting new technologies and provided funding to hire recent science and engineering graduates. As well as providing SMEs with valuable technological expertise at a reasonable cost, the program also provided western Canadians with their "first jobs" in areas related to their field of training;

WD LOAN INVESTMENT FUND PROGRAM (LIFP) - 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 - 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 SMEs that cannot obtain funding from conventional sources.

WOMEN'S ENTERPRISE INITIATIVE INVESTMENT FUND (WEI) - This program is designed to support the development of women entrepreneurs by providing access to capital. These funds are delivered by the Women's Enterprise Initiative Centres in each province to help women establish or expand their business.

SERVICE DELIVERY NETWORK PROGRAM (SDNP) - This program increases access to services in Western Canada through service delivery arrangements with community-based organizations that provide business information services and access to capital to SMEs. Examples of Service Delivery Network Program initiatives include: the Entrepreneurs with Disabilities Program (EDP); Urban Entrepreneurs with Disabilities Initiative (UEDI); and, support for Francophone Economic Development Organizations (FEDOs).

INNOVATION AND COMMUNITY INVESTMENT PROGRAM (ICIP) - This program expired on March 31, 2005. ICIP supported innovation and created new economic opportunities in western Canadian communities. Projects carried out under ICIP were focused on specific issues and opportunities grouped around three major themes: Community Innovation Strategy, Innovative Technologies, and Skills Development.

## **PROGRAMS DELIVERED BY WD ON BEHALF OF OTHER DEPARTMENTS**

WD delivers a number of programs in support of national initiatives that also correspond with the Department's strategic outcomes, such as the:

- Softwood Industry Community Economic Adjustment Initiative (SICEAI);
- Infrastructure Canada Program;
- Red River Flood Protection Program; and,
- Urban Aboriginal Strategy.