

**WESTERN
DIVERSIFICATION
PROGRAM**

Final

EVALUATION REPORT

February 2003



TABLE OF CONTENTS

	<i>Page</i>
List of Acronyms	ii
List of Tables	iii
List of Figures	iv
1.0 EVALUATION PURPOSE AND SCOPE	1
2.0 METHODOLOGY	1
3.0 CONTEXT	8
3.1 Western Economic Diversification Canada (WD)	8
3.2 Western Canada	15
3.3 Western Diversification Program (WDP)	24
4.0 FINDINGS	38
4.1 Response to Needs	38
4.2 Consistency with Government and WD Priorities	42
4.3 Achieving Project Objectives	48
4.4 Impacts	53
4.5 Unexpected Impacts	76
4.6 Achieving Overall Outcomes	78
4.7 Effectiveness	84
4.8 Alternatives	91
5.0 SUMMARY AND CONCLUSIONS	94
5.1 Relevance	98
5.2 Success	99
5.3 Effectiveness	102
6.0 RECOMMENDATIONS	105
FOLLOW UP: WESTERN ECONOMIC DIVERSIFICATION ACTION PLAN	107
APPENDICES:	
A. Terms of Reference	
B. List of Key Informants	
C. Census, Survey and Interview Questions	
D. <i>Western Economic Diversification Act</i>	
E. WDP Terms and Conditions	
F. Bibliography	
G. Evaluation Team: Biographical Notes	

LIST OF ACRONYMS

A&E	Audit and Evaluation
AB	Alberta
BC	British Columbia
CBSCs	Canadian Business Service Centres
CCRA	Canadian Customs and Revenue Agency
CFDCs	Community Futures Development Corporations
CFI	Canada Foundation for Innovation
CFI-SP	Canadian Foundation for Innovation Support Program
CTFO	Conseil Touristique Francophone de l'Ouest
CWF	Canada West Foundation
FJST	First Jobs in Science and Technology Program
GDP	Gross Domestic Product
HRDC	Human Resources Development Canada
ICIP	Innovation and Community Investment Program
IMF	International Monetary Fund
IT	Information Technology
ITPP	International Trade Personnel Program
MB	Manitoba
MOU	Memorandum of Understanding
OECD	Organization for Economic Cooperation and Development
R&D	Research and Development
RMAF	Results-based Management and Accountability Framework
ROC	Rest of Canada
ROI	Record of Invention
SIs	Strategic Initiatives
SK	Saskatchewan
SMEs	Small and Medium-sized Enterprises
UBC	University of British Columbia
WCBSN	Western Canada Business Service Network
WD	Western Economic Diversification Canada
WDP	Western Diversification Program

LIST OF TABLES

	Page #
Table 1. Listing of SIZ and WDZ Projects by Contact to Project Ratio	3
Table 2. Client/Partner Census Statistics	4
Table 3. Organizational Profile of Client/Partner Census	5
Table 4. Funding Profile of Client/Partner Census	6
Table 5. Staff Survey Statistics	6
Table 6. WD Program Spending, 1995 to 2002	14
Table 7. Percentage of University Degrees Granted by Field of Study, 1987	16
Table 8. Percentage of University Degrees Granted by Field of Study, 1997	17
Table 9. Percentage of GDP at Factor Cost by Industry, 1999	19
Table 10. Per Capita Gross Domestic Product (GDP), 1995 to 2001	21
Table 11. Government Surpluses/Deficits, 1995 to 2002	22
Table 12. Government Taxpayer Supported Debt, 1995 to 2002	22
Table 13. Transfer Payments under the Equalization Program, 1999 to 2003	23
Table 14. Summary of WDP Projects, 1995 to 2002	25
Table 15. WDP Grants and Contributions by Sub-program, 1995 to 2002	30
Table 16. Jobs Funded (ITPP and FJST), 1995 to 2002	50
Table 17. Job Creation Reported for Strategic Initiatives and Special Projects	51
Table 18. Summary of Projects – Would Not, or Likely Would Not, Have Proceeded	100

LIST OF FIGURES**Page #**

Figure 1.	Evaluation Questions, Indicators and Sources of Data	2
Figure 2.	Percentage of Each Year's Projects for which Responses Were Received	4
Figure 3.	Cumulative Percentage of Responses by Project Start and Completion Dates	5
Figure 4.	Industry Portfolio	12
Figure 5.	WD's Estimates and Actual Spending, 1995 to 2002	13
Figure 6.	Urbanization in the Western Provinces and the Rest of Canada, 1966 and 1996	15
Figure 7.	Highest Levels of Educational Attainment (ages 25 to 54), 1990 and 1998	15
Figure 8.	Total Number of University Degrees Awarded, 1987 and 1997 (with % change)	16
Figure 9.	Average Annual Incomes, 1995	17
Figure 10.	Percentage of Employment by Industry, 2000 (with % changes)	18
Figure 11.	Western Provincial Population and GDP as percentage of Canada, 1999	19
Figure 12.	Government Taxpayer Supported Debt as a Percentage of GDP, 1995 to 2002	23
Figure 13.	Old and New Core Service Lines, 2001	28
Figure 14.	RMAF Logic Model (abbreviated format)	33
Figure 15.	Evaluation Logic Model	36
Figure 16.	Western Canadian Needs, 2002	39
Figure 17.	Percentage of WDP Projects Addressing Identified Needs, 1995 to 2002	40
Figure 18.	Total Governmental Expenditures on WDP Projects, 1995 to 2002	41
Figure 19.	Central and Regional Perspectives on Current Federal Priorities	43
Figure 20.	Current Federal and Provincial Priorities from a Regional Perspective	44
Figure 21.	Summary of Current Economic Priorities	45
Figure 22.	Percentage of WDP Projects by Targeted Activity, 1995 to 2002	47
Figure 23.	Types of Objectives Achieved	48
Figure 24.	Overall Success	49
Figure 25.	Productivity per Worker	49
Figure 26.	CFI Grants and WDP Funding Support, 1999 to 2002	52
Figure 27.	Examples of Skills Development Projects	54
Figure 28.	Profile of Respondents associated with Skills Development	55
Figure 29.	Skills Development: Likelihood of Projects Proceeding without WDP Funds	56
Figure 30.	Skills Development: Incremental Impacts of WDP Funding	56

LIST OF FIGURES (continued)	Page #
Figure 31. Examples of Product and Technology Development Projects	58
Figure 32. Profile of Respondents associated with Product and Technology Development	59
Figure 33. Product & Technology Development: Likelihood of Projects Proceeding without WDP Funds	60
Figure 34. Product and Technology Development: Incremental Impacts of WDP Funding	60
Figure 35. Commercialization Steps Taken by 13 Respondents	61
Figure 36. Examples of Market Development Projects	62
Figure 37. Profile of Respondents associated with Market Development	63
Figure 38. Market Development: Likelihood of Projects Proceeding without WDP Funds	64
Figure 39. Market Development: Incremental Impacts of WDP Funding	64
Figure 40. Examples of Community Capacity Projects	66
Figure 41. Profile of Respondents associated with Community Capacity	67
Figure 42. Community Capacity: Likelihood of Projects Proceeding without WDP Funds	68
Figure 43. Community Capacity: Incremental Impacts of WDP Funding	69
Figure 44. Examples of Knowledge Infrastructure Projects	70
Figure 45. Profile of Respondents associated with Knowledge Infrastructure	71
Figure 46. Knowledge Infrastructure: Likelihood of Projects Proceeding without WDP Funds	72
Figure 47. Knowledge Infrastructure: Incremental Impacts of WDP Funding	72
Figure 48. Knowledge Infrastructure: ROIs, Patents, Spin-offs and Publications	73
Figure 49. Examples of Socio-economic Research Projects	74
Figure 50. Policy Framework: Objectives Applicable to Projects	75
Figure 51. Overall Success	78
Figure 52. Success Ratings for Skills, Product and Market Development	80
Figure 53. Success Ratings for Expert Communities	81
Figure 54. Success Ratings for Knowledge Infrastructure	82
Figure 55. Proportion of WDP Funding in Projects	85
Figure 56. WD Alliances and Networks	86
Figure 57. WD's Role in Forming Alliances and Networks	88
Figure 58. Most Valued Network Contacts	89
Figure 59. Network Dynamics	90

1.0 EVALUATION PURPOSE AND SCOPE

Western Economic Diversification Canada, Audit and Evaluation Branch (WD, A&E) retained the Macleod Institute to carry out an evaluation of the Western Diversification Program (WDP). The evaluation is being undertaken pursuant to the Treasury Board Secretariat's decision in January 2002 to renew WDP's Terms and Conditions. The evaluation is intended both to "educate the future delivery of the program" and to "provide senior management with an independent examination and assessment of WDP, advising on the relevance, success and cost-effectiveness of the program" (Terms of Reference, Appendix A). The scope of the evaluation covered "WDP projects initiated after the shift from direct delivery in 1995 through to 2001/02".

2.0 METHODOLOGY

The Macleod Institute applied a methodology that is consistent with Treasury Board Guidelines. Ten research questions focused on three evaluation issues: relevance, success and effectiveness.

1. **Relevance:** Was WDP an appropriate response to the identified needs?
Have the needs changed, and if so, how?
Are WDP's objectives consistent with current government and WD priorities?
Are WDP's mandate and objectives stated adequately?
2. **Success:** How successful have individual projects been re: stated objectives?
What have WDP's impacts been?
Were there unexpected or negative impacts?
How successful was WDP in achieving overall objectives?
3. **Effectiveness:** Is WDP the most effective way to achieve objectives?
What are the alternatives with respect to the design and delivery of WDP?

Five lines of evidence were used to evaluate the WDP: a Client/Partner Census, a Staff Survey, interviews with Key Informants, program data (WDP project database and departmental documentation), and a review of pertinent secondary sources. A summary of the indicators for each question and the source of data for each indicator is presented on the next page (Figure 1).

Figure 1: Evaluation Questions, Indicators and Sources of Data



WDP Client/Partner Census

The Institute undertook a census of 446 projects that were uniquely identified by WD as part of the Western Diversification Program (Strategic Initiatives coded SIZ and Special Projects coded WDZ). The census was provided in both French and English. Using the most recent client and partner contact information for each project, the Institute sorted the data records by contact persons to gather projects in separate lists according to the following ratios: 1 client contact for 1 project; 1 client contact for 2 projects; 1 client contact for more than 2 projects (many); 1 partner contact for 1 project; 1 partner contact for 2 projects; and 1 partner contact for many projects. Table 1 gives a breakdown of the total projects falling within the listing categories.

Table 1: Listing of SIZ and WDZ Projects by Contact to Project Ratio

Contact to Project Ratio	Client Contact (# of Projects)	Partner Contact (# of Projects)
1:1	246	24
1:2	142	7
1:Many	57	5
Totals	446	36

Projects that fell into the “1:Many” category were grouped further by similarity amongst projects. This grouping allowed respondents to provide an aggregate response for similar projects, thereby reducing the burden of multiple surveys for individual respondents.

E-mail invitations were sent to the 482 clients and partners to complete the survey online. Specific instructions to guide respondents with multiple projects were given. If a survey response for a project was not received within four days, the original e-mail was followed up by a reminder and then a third e-mail was sent another four days later if still no response had been received. Online responses were entered in a Client/Partner Census Database.

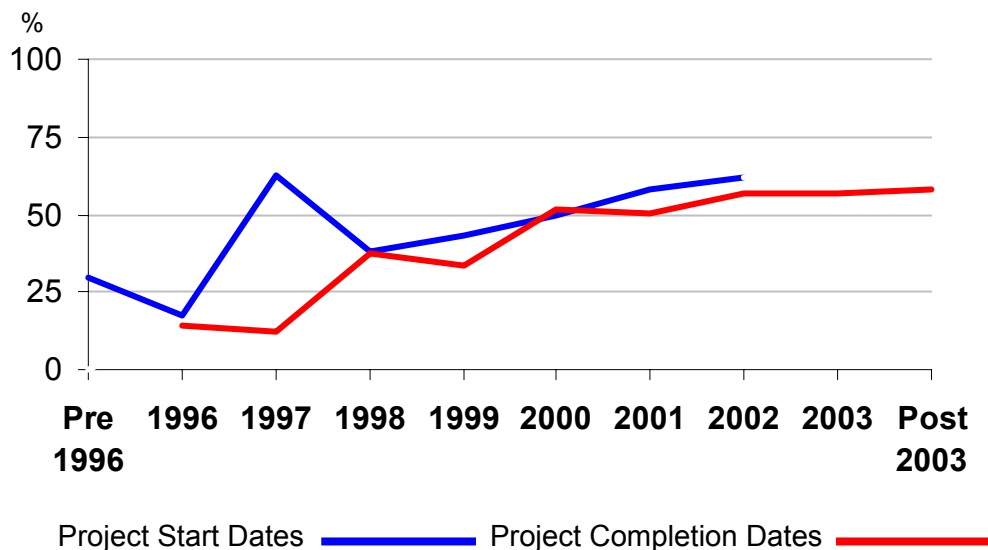
Statistics regarding the Client/Partner Census are summarized in Table 2 on the next page.

Table 2: Client/Partner Census Statistics

	Number of Contacts	Number of Responses	Response Rate (%)
Project Total	482	238	50
Unique Client/Partner Contact Total	302	192	64
Grouped Project Total	13	4	31
British Columbia	118	51	43
Alberta	154	81	53
Saskatchewan	100	56	56
Manitoba	123	59	48

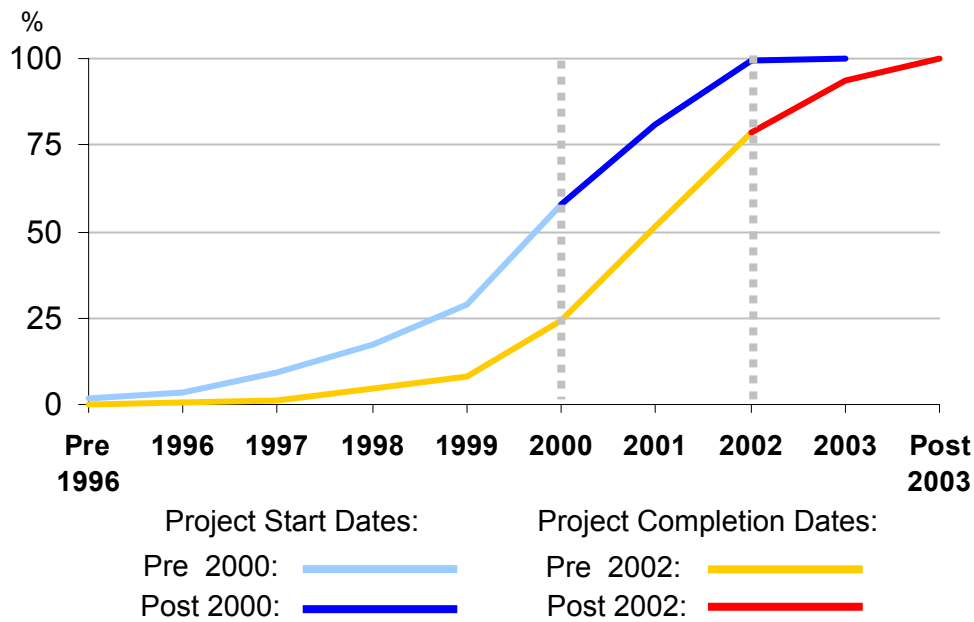
The Census Database was checked to determine whether responses reasonably represented each year's projects (Figure 2). The response rate was 38% or better for all projects starting in 1997 or later, as it was for all projects ending in 1998 or later. Of all projects started before 1997, or completed in 1996 or 1997, the response rate was lower. Since 92% of all projects had start dates before and 95% had completion dates after these years, the responses were considered to be fairly well distributed across all projects.

Figure 2: Percentage of Each Year's Projects for which Responses Were Received



Since approximately 65% of all projects in WD's database had started and 85% had completion dates in 1999 or subsequent years, the Census data were reviewed to establish how responses were distributed in terms of project maturity (Figure 3). Not surprisingly, 50% of the responses related to projects started within the past two years. About 25% of all projects for which responses were received are currently under administration, having completion dates in 2002 or later.

Figure 3: Cumulative Percentage of Responses by Project Start and Completion Dates



An organizational profile of all clients and partners who responded to the census is provided in Table 3.

Table 3: Organizational Profile of Client/Partner Census

TYPE:		SIZE:	
	%		%
Non-profit	62.3	<10 employees	40.2
Post-secondary institution	13.2	10 – 49 employees	33.5
Hospital	3.1	50 – 99 employees	5.4
For-profit	7.9	> 100 employees	20.1
Governments –		YEARS IN OPERATION:	
Federal	0.4	< 10 years	63
Provincial	6.1	> 10 years	37
Municipal	5.7		
Aboriginal	1.3		

A funding profile of all clients is provided in Table 4. Most clients received 50% or less of their funding from WDP, and half of them had invested their own money in the project.

Table 4: Funding Profile of Client/Partner Census

Government Sources:			Funding Partners other than WD:	
% of total project funds	WDP	All Gov'ts	Number of projects having ...	%
< 10%	12.7	1.4	Private investors	42.0
10 – 24%	16.7	6.7	Own source	53.2
25 – 49%	28.5	18.1	Government funds – federal	54.5
50 – 74%	15.8	21.9	Government funds – provincial	31.2
75 – 99%	18.9	39.5	Government funds – municipal	19.0
All	7.5	12.4	Government funds – Aboriginal	4.8
			Fundraising / donations	18.2
			Charitable organization funds	6.9

WDP Staff Survey

Officers directly responsible for the administration of the SIZ and WDZ project files in British Columbia, Alberta, Saskatchewan and Manitoba were polled using a web-based survey instrument (survey questions are listed in Appendix C). A list of officers for the survey was provided by WD's four regional offices. E-mails were then sent to each officer with an invitation to respond online. The surveys were provided in both French and English. Two follow-up reminders were sent. Online responses to the survey instrument were entered in a Staff Survey database. Statistics regarding the Staff Survey are summarized in Table 3. In addition, WD staff having primary responsibility for co-ordinating sponsorship events were interviewed.

Table 5: Staff Survey Statistics

	Number of Contacts	Number of Responses	Response Rate (%)
Staff Total	44	37	84
British Columbia	9	7	78
Alberta	10	9	90
Saskatchewan	10	9	90
Manitoba	15	12	80

Key Informant Interviews

The Institute conducted one-on-one interviews with 25 Key Informants, selected in consultation with the WD Evaluation Committee. Key Informants included government, industry, academic, Aboriginal and not-for-profit leaders who were informed on western Canadian, WD and national issues. An interview guide was developed to ensure consistency while also allowing greater flexibility than a survey questionnaire. A list of interviewees and Key Informant interview questions are provided in Appendices B and C.

Document Review

Program data, project files, client lists and project databases were collected with the assistance of helpful WD staff to gain an aggregate record of the scope and scale of WDP. These data were used to frame the extent of the research and also used as sources of information for the evaluation. In addition, departmental Reports on Plans and Priorities, Departmental Performance Reports and numerous other planning and informational documents were reviewed for the years 1995 to 2002.

For the International Trade Personnel (ITPP), First Jobs in Science and Technology (FJST), Canada Foundation for Innovation Support (CFI-SP) and Sponsorship sub-programs, summary statistics maintained by the department were reviewed, together with relevant secondary sources.

Secondary sources provided information relevant to the focus of the evaluation. These included recent publications from international, national, regional and governmental sources; literature on regional economic development; and recent studies and reports focusing on western Canada. A list of documents cited in the Evaluation Report is provided in Appendix F.

3.0 CONTEXT

3.1 Western Economic Diversification Canada (WD)

Western Economic Diversification Canada (WD) was created by the *Western Economic Diversification Act*, RS 1985, c. 11 (4th Supplement) which came into force on June 28, 1988 (Appendix D). The purpose of the *Act* is 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” (section 3). Western Canada is defined to mean the provinces of Manitoba, British Columbia, Saskatchewan and Alberta.

The *Act* requires that the WD Minister undertake three mandatory duties (section 5(2)):

- (a) guide, promote and coordinate the policies and programs, including those related to industrial benefits, of the Government of Canada in relation to the development and diversification of the economy of Western Canada;
- (b) lead and coordinate the efforts of the Government of Canada to establish cooperative relationships with the provinces constituting Western Canada, business, labour and other public and private organizations for the development and diversification of the economy of Western Canada; and
- (c) compile detailed information on all programs and projects undertaken by the Minister for the purpose of measuring trends, development and progress in the development and diversification of the economy of Western Canada.

WD is meant to take a leadership role in western Canadian economic activities on behalf of the Government of Canada. Section 6 describes a number of discretionary duties and functions which the Minister may undertake to fulfil this role. They include developing strategies and implementing such strategies in the event that other federal departments or agencies are not doing so, and making agreements with provincial governments and agencies to further the *Act*'s purposes. WD is also empowered to initiate programs and projects intended to “contribute directly or indirectly” to western Canada's economic prosperity and to the development of businesses. With respect to giving financial assistance, the Minister may make loans and loan guarantees, but only in accordance with terms and conditions approved by the Treasury Board and with the approval of the Minister of Finance (section 6(2)). The financial assistance is to be directed “to the establishment or development of enterprises, and more particularly, small and medium-sized enterprises, in Western Canada”.

In addition, WD may take action to improve the business environment in Western Canada by supporting business associations, conferences, market research and similar activities that develop business opportunity data banks and networks to improve business communication and cooperation. Policy research and development, together with economic analysis, are other functions specifically described in section 6 of the *Act*.

In its first five years of operations, WD primarily focused on providing direct financial assistance to businesses or projects that met one or more of five basic criteria:

1. new products,
2. new technology,
3. new markets,
4. import replacements, and
5. the capacity to enhance industry-wide competitiveness.

By 1993, however, Canada's economy was in decline and the federal government was experiencing chronic deficits and growing debt loads. A national election held in October of that year swept in a new government with a mandate to pursue economic recovery and stabilize the country's fiscal situation. In its first Throne Speech (January 1994), the government assigned "the highest priority to job creation and economic growth in the short term and the long term" and pledged "the fiscal discipline necessary for sustained economic growth". As the Minister of Finance declared in his Budget Speech a month later, "Our goal is a Canada where every Canadian able to work can find a meaningful job. A Canada where government facilitates change rather than blocking it. A Canada where our public finances are in order, not ruin" (*Hansard*, February 22, 1994, page 1708).

The government immediately introduced a joint federal-provincial-municipal infrastructure program to provide short term economic stimulus, and determined that small and medium-sized businesses would be the vehicle for longer term job creation. It also launched an intense year-long Program Review for the purpose of eliminating and rationalizing categories of departmental spending.

WD's Minister played an integral role in reshaping the government. In his dual capacity of Minister of Human Resources Development (as the newly combined ministries of Labour and Employment and Immigration were called) and Western Economic Diversification, Mr. Axworthy convened a committee of the western Liberal Caucus chaired by Morris Bodnar "with a view to redefining [WD's] mandate" (*Bodnar Report*, page 1).

Between August and December 1994, the Bodnar Committee conducted seven public forums which attracted over 700 Canadians across the four western provinces. Noting widespread support for the department, the Committee stated unequivocally that "the work of Western Economic Diversification should be maintained and expanded" (*Bodnar Report*, page 7). "In response to the Minister's statement that he would like to phase out direct financial assistance to business," WD was encouraged to work with federal, provincial and private organizations to "streamline, coordinate and improve financing for SMEs in western Canada" (*Bodnar Report*, page 8).

The Committee also recommended that the Minister work with stakeholders to bring the region closer together and that WD

- expand its pathfinding and western advocacy functions,
- recruit more personnel with experience in advanced technologies,
- provide pre-commercialization assistance,
- target specific sectors (tourism, health care, food-processing, bio-technology, electronic technology and value-added agricultural products),
- at its discretion, provide assistance to companies of various sizes (in November 1993, the Minister had directed that no assistance would be given to companies with more than 50 employees),
- increase its business information services to clients of all sizes,
- take over delivery of the Community Futures program from Human Resources Development Canada (HRDC),
- retain and pool funds received from loan repayments,
- increase its focus on export promotion, and
- cooperate with other lending agencies to promote cultural industries and intellectual property (*Bodnar Report*, pages 9 to 14).

On February 27, 1995, the government delivered its second budget. The Minister of Finance asserted that

 this budget overhauls not only how government works but what government does. We are acting on a new vision of the role of government in the economy. In many cases this means smaller government; in all cases it means smarter government. We are dramatically reducing subsidies to business. We are changing our support systems for agriculture. We will be putting government activities on a commercial basis wherever that is practical and productive. (Hansard, page 10096)

In particular, business subsidies were slated to decline from \$3.8 billion to \$1.5 billion, a reduction of 60% over the following three years. Remaining industrial assistance was targeted on “the key engines of economic growth – trade development, science and technology and small and medium size business,” with “regional agencies playing an important role in the creation of opportunity and long lasting jobs” (Hansard, February 27, 1995, pages 10097 and 10098).

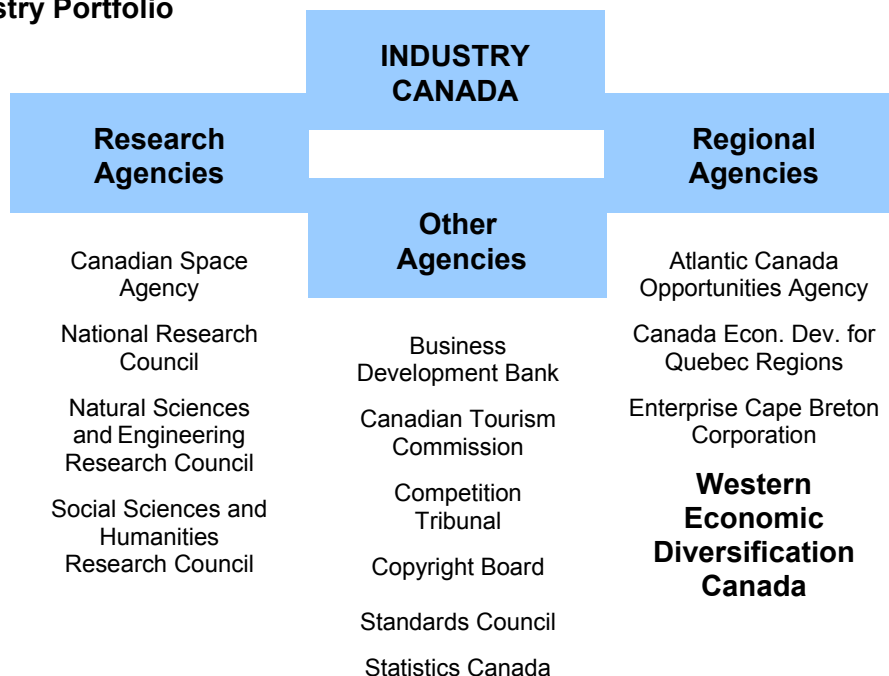
The Minister for Western Economic Diversification issued a news release the next day, announcing that the department would no longer provide direct loans to business and that its budget had been reduced by 22% as a consequence. Furthermore, loan repayments would be used to fund ongoing activities starting in the fiscal year ending 1997, and Consolidated Revenue Fund contributions to the department’s budget would be progressively reduced over the “next few years” (Press Release, February 28, 1995). WD’s new directions would henceforth focus on

1. developing targeted capital funds in cooperation with commercial lending institutions, to better serve small business,
2. increasing access to capital leveraged from the private sector,
3. forming strategic alliances with provinces, industry and financial institutions,
4. providing single-window services to western businesses (through the Community Futures program in rural areas and expanded Canada Business Service Centres),
5. community economic development,
6. addressing obstacles that face female business owners (through the Women’s Enterprise Initiative),
7. targeting emerging, high growth areas such as agricultural biotechnology, environmental industries, tourism and agricultural value-added, and
8. representing western interests on the national scene.

Reaction to the 1995 budget was generally favourable, but the International Monetary Fund (IMF) felt the government’s target of a 3% deficit-to-GDP ratio was too modest given that interest payments consumed roughly one third of revenues and put “federal finances in a vulnerable position” (*Statement of the Fund Mission*, paragraph 3). The government was urged to reduce its deficit-to-GDP ratio to 1% by 1999.

As part of its efforts to stabilize the country’s fiscal situation, the government continued to rationalize departmental operations. Industry Canada, for example, emerged from an amalgamation of three departments “with over 54 separate programs and a conglomeration of different internal administrative and informatics systems” (*Industry Canada Milestones*, page 25). Thirteen other agencies were initially clustered with the department to form an Industry Portfolio (Figure 4) for the purpose of coordinating strategic program and policy initiatives in areas such as promoting innovation through science and technology, encouraging trade and investment, helping small and medium-sized enterprises to grow, and promoting economic growth in Canadian communities. In January 1996, WD became the 15th member of the Industry Portfolio. Direct responsibility for the department passed to a Secretary of State who reports to the Minister of Industry in his role as Minister of Western Economic Diversification under the *Western Economic Diversification Act*.

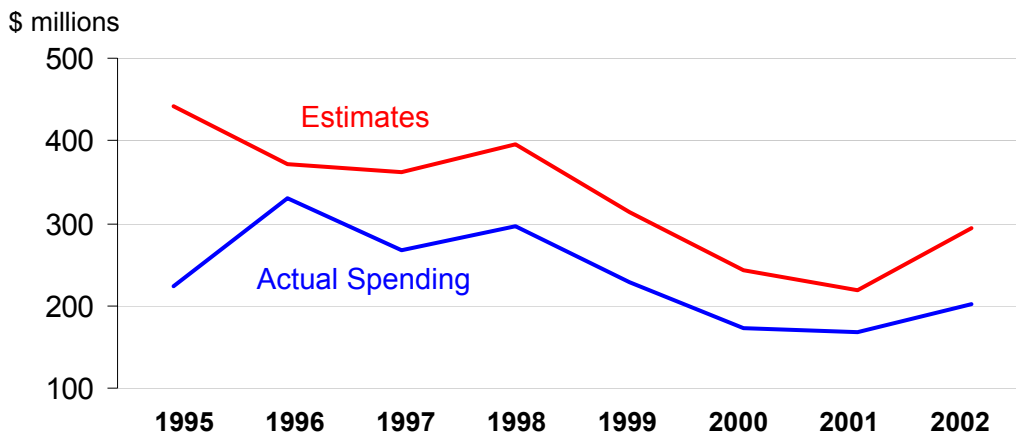
Figure 4: Industry Portfolio



As required by section 7 of the *Act*, WD maintains a principal office in Edmonton as well as at least one office in each of the other three western provinces. A fifth office is situated in Ottawa. The department’s organizational structure reflects this geographical distribution, with five Assistant Deputy Ministers (one for each province and one in Ottawa) reporting to the Deputy Minister.

Since 1995, both WD’s estimates (voted appropriations) and actual spending have conformed to the federal government’s overall fiscal plan. In the past seven years, estimates have decreased by 34%, from a high of \$441.7 million in the fiscal year ending 1995 to \$293.2 million in 2002 (Figure 5). Spending has also followed a general downward trend, going from \$330.2 million to \$201.7 million in the fiscal years ending 1996 and 2002 respectively.

Figure 5: WD’s Estimates and Actual Spending, 1995 to 2002
WD Departmental Performance Reports, Estimates and Reports on Planning and Priorities



Program spending (total grants and contributions) has been identified in a variety of ways over the years, but has tended to fall into three categories – general economic development, loan funds and national programs (Table 6 on the next page). The term ‘National Programs’ emerged in the department’s 1997-98 Estimates (page 5) to describe a primary program “delivering national economic development programs, tailored to regional circumstances, including special community economic adjustment initiatives.”

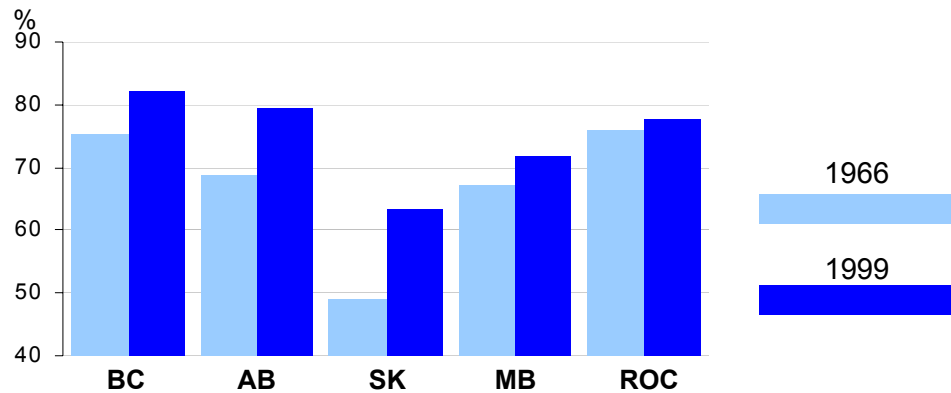
Table 6: WD Program Spending, 1995 to 2002
Corporate Finance, Western Economic Diversification Canada

Program	\$ Millions in the Fiscal Year Ending							
	1996	1997	1998	1999	2000	2001	2002	Total
Western Diversification Program	56.1	49.1	58.0	37.3	40.9	61.5	73.6	376.5
Community Futures Program - Operating	14.3	15.4	16.9	17.3	18.4	20.7	21.6	124.6
Community Futures Program - Capitaliz'n	25.8	33.7	3.0	3.1	5.4	2.0	--	73.0
Service Delivery Network	--	4.4	8.4	8.3	6.0	7.6	10.2	44.9
Industrial & Regional Development Act	3.0	0.0	--	--	--	--	--	3.0
Partnership Agreements	--	--	5.0	10.5	7.3	13.6	19.6	56.0
Winnipeg Development Agreement	2.0	0.6	0.0	0.5	0.1	1.2	0.8	5.2
Innovation & Community Investment Program	--	--	--	--	--	--	7.4	7.4
<i>General Economic Development: Total</i>	<i>101.2</i>	<i>103.2</i>	<i>91.3</i>	<i>77.0</i>	<i>78.1</i>	<i>106.6</i>	<i>133.2</i>	<i>690.6</i>
Loan / Investment Funds	5.1	7.5	5.0	5.2	1.3	6.0	2.8	32.9
Small Business Loans Act	9.0	16.8	24.8	24.4	26.3	23.5	17.3	142.1
Canada Small Business Financing Act	--	--	--	--	0.0	1.5	6.4	7.9
<i>Loan Funds: Total</i>	<i>14.1</i>	<i>24.3</i>	<i>29.8</i>	<i>29.6</i>	<i>27.6</i>	<i>31.0</i>	<i>26.5</i>	<i>182.9</i>
Total General Economic Development and Loan Funds:	115.3	127.5	121.1	106.6	105.7	137.6	159.7	873.5
National Programs:								
Canada Infrastructure Works	205.0	110.9	99.2	89.0	18.3	5.8	6.1	534.3
Infrastructure Canada	--	--	--	--	--	0.3	21.1	21.4
Asia Pacific Initiative	--	20.0	35.0	5.0	--	--	--	60.0
<i>Infrastructure: Total</i>	<i>205.0</i>	<i>130.9</i>	<i>134.2</i>	<i>94.0</i>	<i>18.3</i>	<i>6.1</i>	<i>27.2</i>	<i>615.7</i>
Red River Flood Protection	--	--	9.6	5.4	24.0	6.4	10.5	55.9
Red River Jobs & Economic Restoration	--	--	20.4	--	--	--	--	20.4
Sandspit Harbour Program	4.7	4.4	0.9	1.1	0.9	0.3	--	12.3
Community Economic Adjustment Initiative	--	--	5.0	7.3	8.9	9.5	--	30.7
Western Base Closure Adjustments	5.2	4.2	6.0	5.8	6.9	3.4	4.2	35.7
Community Adj. Initiative - Whiteshell	--	--	--	1.3	--	--	--	1.3
Recreational Salmon Fishery Loan Funds	--	--	--	7.0	--	--	--	7.0
Upgrades to the Port of Churchill	--	--	--	0.8	7.0	4.1	0.1	12.0
<i>Community Adjustment: Total</i>	<i>9.9</i>	<i>8.6</i>	<i>41.9</i>	<i>28.7</i>	<i>47.7</i>	<i>23.7</i>	<i>14.8</i>	<i>175.3</i>
Total National Programs:	214.9	139.5	176.1	122.7	66.0	29.8	42.0	791.0
TOTALS:	330.2	267.0	297.2	229.3	171.7	167.4	201.7	1,664.5

3.2 Western Canada

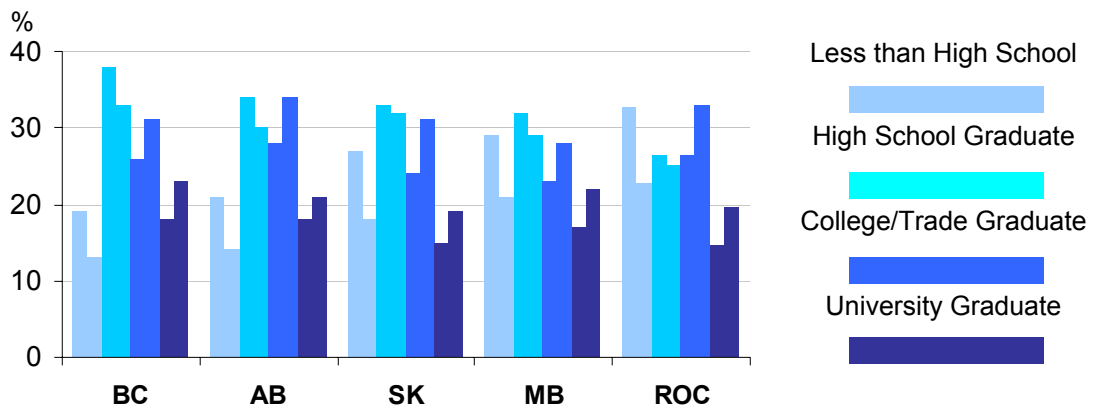
Roughly one out of every three Canadians now live in western Canada. Twice as many of the nation's First Nations, Metis and Inuit live in the west compared to other parts of the country; in Saskatchewan and Manitoba, over one in ten residents identified themselves as Aboriginal in the 1996 census (*State of the West*, Figure 31). Overall, a 30 year trend toward increased urban concentrations has been more marked in the four western provinces than in the rest of Canada (ROC) – only Saskatchewan remains markedly below Canadian averages (Figure 6).

Figure 6: Urbanization in the Western Provinces and the Rest of Canada, 1966 and 1996
State of the West, Figure 25



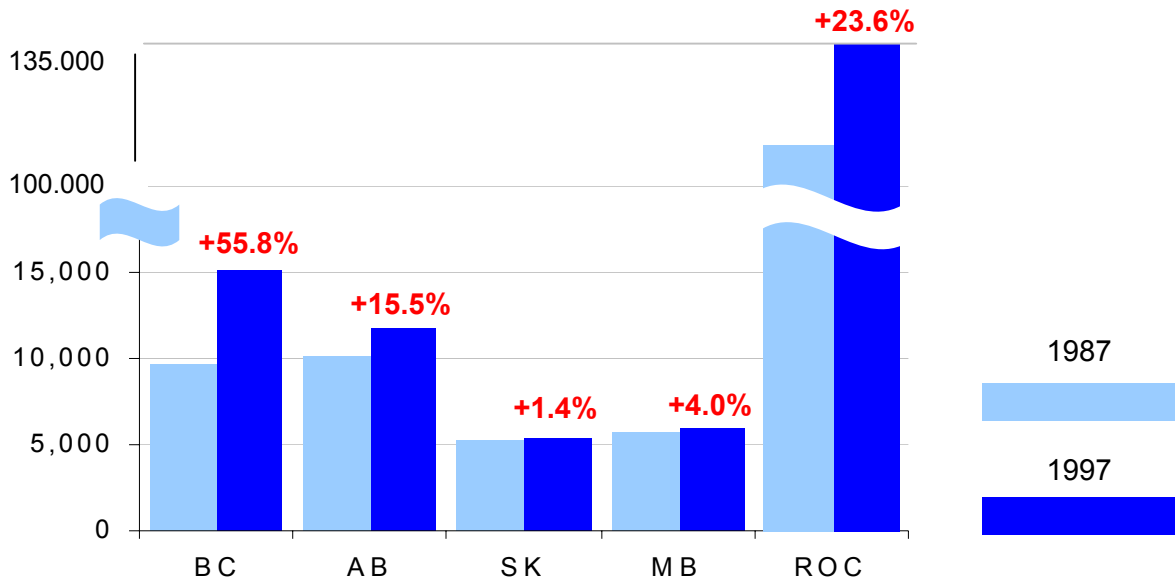
As a whole, western Canadians (particularly those in British Columbia and Alberta) are better educated than their Canadian counterparts, having a larger proportion of the population who have attained high school, college, trade school or university graduation (Figure 7). By 1998, 60% of all men between the ages of 25 and 54, and 53% of all women in this age group, held post-secondary qualifications.

Figure 7: Highest Levels of Educational Attainment (ages 25 to 54), 1990 and 1998
Education Indicators in Canada, Table 2.7



The number of degrees awarded has increased substantially over the past ten years. British Columbia and the rest of Canada have achieved the most dramatic leaps forward (Figure 8).

Figure 8: Total Number of University Degrees Awarded, 1987 and 1997 (with % change)
Source: *Education Indicators in Canada, Tables 4.14 and 4.15*



The proportion of scientific and health discipline university degrees granted in 1987 in the four western provinces ranked somewhat higher than in the rest of Canada, especially in Alberta and Manitoba (Table 7).

Table 7: Percentage of University Degrees Granted by Field of Study, 1987
Education Indicators in Canada, Table 4.14

Field of Study	BC	AB	SK	MB	ROC
Physical, natural and applied sciences	22.0	24.0	23.4	23.9	20.2
Health professions and occupations	6.7	10.3	5.1	6.6	7.0
Subtotals	28.7	34.3	28.5	30.5	27.2
Humanities and social sciences	61.5	55.9	57.2	63.0	57.4
Commerce, management and administration	9.8	9.8	14.3	6.5	15.5
Totals	100.0	100.0	100.0	100.0	100.0

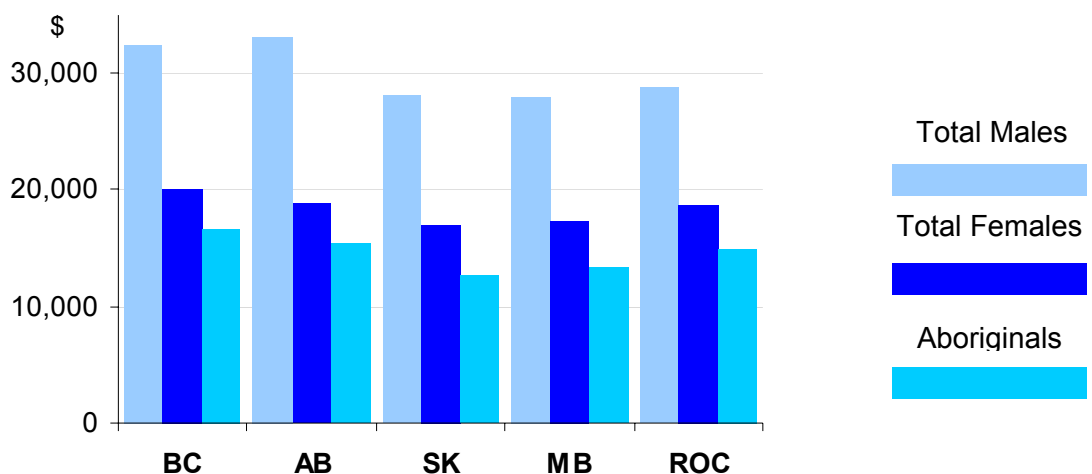
However, it is evident that proportionately fewer scientific degrees were awarded in all provinces ten years later (Table 8). By 1997, on the other hand, degrees in the health disciplines had risen in Alberta and Manitoba, and more management degrees were awarded in Alberta, Saskatchewan and Manitoba.

Table 8: Percentage of University Degrees Granted by Field of Study, 1997
Education Indicators in Canada, Table 4.15

Field of Study	BC	AB	SK	MB	ROC
Physical, natural and applied sciences	20.4	22.9	21.5	21.7	19.3
Health professions and occupations	6.5	13.2	5.8	8.6	7.1
Subtotals	26.9	36.0	27.3	30.3	26.4
Humanities and social sciences	63.6	50.8	57.6	62.0	58.7
Commerce, management and administration	9.5	13.2	15.1	7.7	15.0
Totals	100.0	100.0	100.0	100.0	100.0

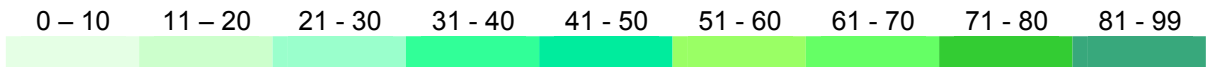
Income levels tend to parallel levels of educational attainment, although the correlation is not absolute. Figure 9 illustrates the pattern of average annual incomes for each of the western provinces and the rest of Canada. Men in British Columbia and Alberta rank higher than all others. Women receive approximately two-thirds of what their male counterparts earn, while Aboriginal incomes average roughly half that received by all men in each jurisdiction.

Figure 9: Average Annual Incomes, 1995
StatsCan Cat. No. 93F0029XDB96002 and State of the West, Figure 35



Most westerners (indeed, most Canadians) work in the service sector. Figure 10 shows the percentage of total employment by industry in 2000. Percentage changes in employment between 1990 and 2000 are shown in the Table according to the following colour code:

% Growth 1990 to 2000:



% Decline 1990 to 2000:

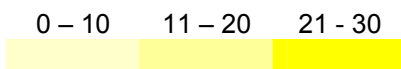


Figure 10: Percentage of Employment by Industry, 2000 (with % changes in colour code)
State of the West, Figures 40 and 41

Industry	BC	AB	SK	MB	ROC
Goods-producing sector: Total %	21.3	27.3	27.8	26.3	26.5
Agriculture	1.5	4.4	12.8	6.0	1.7
Forestry, fishing, mining, oil and gas	2.8	5.2	3.3	1.2	1.2
Utilities	0.6	0.8	0.7	1.2	0.8
Construction	5.8	8.1	4.9	5.1	5.1
Manufacturing	10.5	8.8	6.0	12.8	17.8
Service sector: Total %	78.7	72.7	72.2	73.7	73.5
Retail and wholesale trade	15.6	15.9	15.7	14.7	15.5
Transportation and warehousing	5.9	6.1	5.8	6.3	4.9
Finance, insurance, real estate and leasing	6.1	5.0	5.5	5.4	5.9
Professional, scientific and technical services	7.0	6.8	3.4	4.2	5.4
Management, administrative and other support	3.7	3.3	2.1	3.0	3.8
Educational services	6.9	6.3	7.4	7.1	6.4
Health care and social assistance	10.4	9.4	11.3	12.6	10.2
Information, culture and recreation	5.1	3.9	3.7	6.6	4.3
Accommodation and food services	8.4	7.2	6.8	6.6	5.9
Other services	5.1	4.8	4.9	4.3	4.6
Public administration	4.6	3.9	5.5	6.0	5.3

Economies can also be described in terms of the percentage of Gross Domestic Product (GDP) attributed to each industry sector (Table 9).

Table 9: Percentage of GDP at Factor Cost By Industry, 1999
State of the West, Figure 49

Industry	BC	AB	SK	MB	ROC
Goods-producing sector: Total %	25.4	40.3	37.3	27.4	32.7
Agriculture	1.2	3.4	8.3	3.2	1.2
Forestry, fishing, mining, oil and gas	5.4	15.9	13.7	2.0	1.4
Utilities	2.6	2.9	3.5	4.1	3.5
Construction	6.2	8.5	5.9	5.1	4.8
Manufacturing	9.9	9.6	6.3	13.0	21.7
Service sector: Total %	74.6	59.7	62.7	72.6	67.3
Retail and wholesale trade	12.5	11.2	11.4	12.6	13.1
Transportation and warehousing	6.1	6.4	7.0	6.8	3.9
Finance, insurance, real estate and leasing	19.5	12.8	14.1	16.6	16.2
Business services	5.9	5.9	3.3	2.9	6.3
Educational services	6.2	4.4	4.8	6.0	5.4
Health care and social assistance	6.8	4.4	6.4	8.1	6.2
Communications	3.6	2.9	3.6	4.6	3.7
Accommodation and food services	3.8	3.0	2.8	2.8	2.4
Other services	4.7	4.0	3.1	4.1	3.8
Government services	5.6	4.8	6.1	8.1	6.3

Overall, the four western provinces together contribute 31% of the country's GDP, although British Columbia and Alberta represent the lion's share (Figure 11).

Figure 11: Western Provincial Population and GDP as Percentage of Canada, 1999
State of the West, Figures 1 and 46

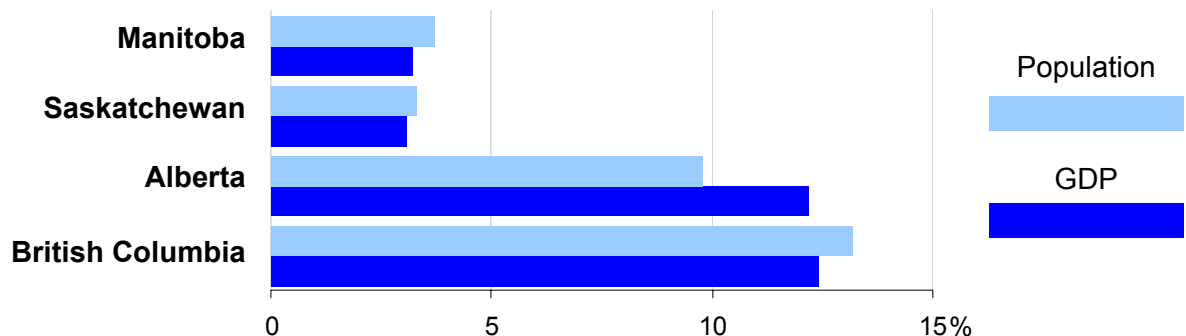


Figure 10 shows the differences between western provinces and the rest of Canada in their pattern of growth or decline over the past ten years, while Table 9 and Figure 11 illustrate the differences in their pattern of industrial development and relative contribution to Canada's total GDP.

British Columbia exhibits considerably less concentration in the goods-producing sector than the rest of Canada. Although approximately one half of the employment in this sector is devoted to manufacturing, less than ten percent of provincial GDP arises out of manufacturing industries (compared to over twenty percent for the rest of Canada) despite modest growth. Commodities (primarily in forestry, oil and gas, and mining) continue to play a significant role in the province's economy. About 64% of its exports are accounted for by wood, pulp and paper, crude petroleum, natural gas and mining products. Accommodation and food services form a proportionately larger category in terms of both employment and GDP than in the rest of Canada, testifying to BC's strengths as a tourist destination. The province's strongest employment growth has been in the areas of management (97%), professional, scientific and technical services (54.8%) and the education industry (51.9%).

Alberta derives 40% of its GDP from the goods-producing sector, most notably from the energy industry which also contributes 59% of the province's export sales. Construction constitutes a larger proportion of both jobs and GDP than in the rest of Canada, likely due to heightened levels of activity in the oil sands. Manufacturing industries have enjoyed relatively strong growth over the past ten years (particularly electrical and electronic products), but still only account for less than ten percent of employment and production. Like all western provinces, the transportation and warehousing industries play a more significant role in Alberta's economy than they do in the rest of Canada. The province's strongest employment growth has been in the areas of professional, scientific and technical services (86.7%), management (56.2%), construction (52.2%) and accommodations and food services (52.1%).

Saskatchewan relies on its agriculture, mining and oil and gas industries to generate most of the GDP attributed to its goods-producing sector. One out of every eight jobs is devoted to agriculture, by far the highest proportion in any of the western provinces and 7.5 times more than in the rest of Canada. About 74% of the province's exports are accounted for by primary agriculture products, crude petroleum, natural gas, uranium and potash. Saskatchewan's strongest employment growth has been in the areas of professional, scientific and technical services (59%), transportation and warehousing (46.4%), accommodations and food services (30.8%) and management (30%).

Manitoba enjoys the largest manufacturing sector, proportionately speaking, of any province west of Ontario. It is also the least dependent on resource and agricultural commodities for trade purposes, exporting about twice the value in aircraft and auto parts, metal products and value-added food products than it does in primary agricultural products. Electricity exports are also growing. Health care and government services, however, play a larger role in the provincial economy than they do in the rest of Canada. Manitoba's strongest employment growth has been in the areas of management (49.1%), professional, scientific and technical services (34.3%) and manufacturing (25.1%).

The relative wealth of western Canada may be summed up by reference to each jurisdiction's GDP measured on a per capita basis (Table 10). Two of the four western provinces experienced a per capita GDP that was lower than Canada's throughout the seven year period between 1995 and 2001; one province was below the Canadian figure throughout six of the past seven years.

Table 10: Per Capita Gross Domestic Product (GDP), 1995 to 2001

Jurisdiction	\$ Thousands (constant 1997 dollars)						
	1995	1996	1997	1998	1999	2000	2001
Canada	28.4	28.5	29.5	30.4	31.7	32.9	33.0
British Columbia	28.3	28.5	28.9	29.1	29.7	30.7	30.6
Alberta	35.5	35.8	37.8	38.5	38.5	40.0	40.4
Saskatchewan	26.8	27.2	28.6	29.3	29.7	30.8	30.4
Manitoba	24.6	25.2	26.2	27.3	28.0	28.6	29.0

From a fiscal point of view, all western provinces except British Columbia have been running a surplus for the past seven years, although the magnitude of budgetary surpluses varies (Table 11).

Table 11: Government Surpluses/Deficits, 1995 to 2002
TD Bank Financial Group

Jurisdiction	\$ Millions for the Fiscal Year ending							
	1995	1996	1997	1998	1999	2000	2001	2002
Federal	37,462	28,617	8,897	3,478	2,884	12,300	17,148	6,000
British Columbia	228	318	385	167	1,003	40	1,459	1,964
Alberta	958	1,132	2,527	2,639	1,026	2,717	6,388	772
Saskatchewan	128	18	407	35	28	83	58	0
Manitoba	196	157	91	76	31	11	41	25

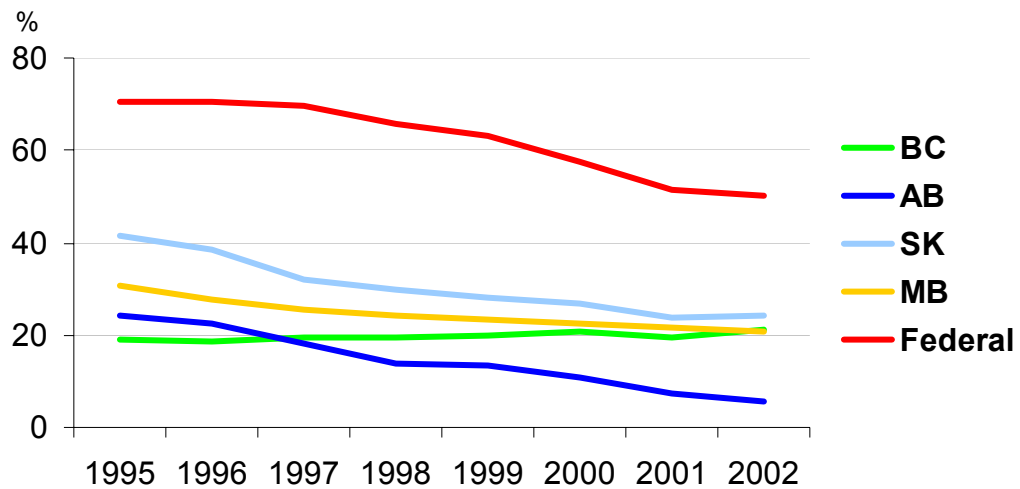
Note: Deficits are shown in red.

Taxpayer supported debt has also, for the most part, been progressively reduced since 1995 by all but one of the governments (Table 12). As a percentage of GDP, the debt burden for three of the western provinces hovers around 20%. Alberta has reduced its debt to 5.6%, while the federal government's debt load stands at about 50% of GDP (Figure 12 on the next page).

Table 12: Government Taxpayer Supported Debt, 1995 to 2002
TD Bank Financial Group

Jurisdiction	\$ Billions for the Fiscal Year ending							
	1995	1996	1997	1998	1999	2000	2001	2002
Federal	545.7	574.3	583.2	579.7	576.8	564.5	547.4	547.4
British Columbia	19.0	19.9	21.3	22.1	23.2	25.2	25.0	27.4
Alberta	21.5	20.5	17.7	15.0	14.1	12.5	10.3	8.4
Saskatchewan	10.2	10.2	9.3	8.7	8.2	8.1	7.9	8.0
Manitoba	8.0	7.4	7.3	7.2	7.2	7.2	7.4	7.3

Figure 12: Government Taxpayer Supported Debt as a Percentage of GDP, 1995 to 2002
TD Bank Financial Group



Provincial per capita GDP and other fiscal statistics are reflected in the fact that BC, Saskatchewan and Manitoba all currently receive transfer payments from Canada's Equalization Program (Table 13). This federal transfer program was established in 1957 to ensure that all provinces, regardless of their ability to raise revenue, can provide roughly comparable levels of services at roughly comparable levels of taxation. Eligibility to receive equalization funding is determined by a formula measuring each province's revenue-raising capacity against a five-province standard. In total, eight of the ten provinces now receive equalization payments (only Ontario and Alberta have retained their status as 'have-provinces').

Table 13: Transfer Payments under the Equalization Program, 1999 to 2003
Finance Canada, Federal Transfers

Jurisdiction	\$ Thousands for the Fiscal Year ending			
	2000	2001	2002	2003
British Columbia	125,000	0	41,000	488,000
Alberta	0	0	0	0
Saskatchewan	379,000	198,000	300	325,000
Manitoba	1,219,000	1,291,000	1,184,000	1,158,000

3.3 Western Diversification Program (WDP)

The Western Diversification Program (WDP) was launched concurrently with the new department of Western Economic Diversification in 1987/98. Program Terms and Conditions clearly focused on assistance for projects that would generate economic benefits for British Columbia, Alberta, Saskatchewan or Manitoba, and “would not otherwise proceed in the proposed location, proposed scope or proposed time if such assistance were not provided” (Appendix E).

Four lines of business were described broadly, with an emphasis on diversifying or expanding western Canada’s economy; establishing new businesses, R&D and business infrastructure; enhancing the western Canadian business climate; and addressing systemic or structural problems in the western economy.

A synopsis by economic sector was annexed to the Terms and Conditions, based on a document called *A Framework for Diversification in Western Canada, 1987*. This analysis laid the foundation for WDP – six types of eligible projects or activities were specifically identified, as follows:

1. Development of proposals or studies;
2. R&D including “innovation, new product identification, design and development, commercialization ... and the application of new technology”;
3. Productivity improvement including systems, skills and equipment development and improvement;
4. Market development, both domestically and internationally;
5. New business and business concept development and establishment; and
6. New or improved physical plants.

Targeted sectors included agriculture, energy, forestry, mining and mineral processing, fisheries, engineering expertise, logistics, tourism, value-added consumer goods production and high technology. Overall, emphasis was placed on export development and import substitution. Municipal infrastructure, financial institutional development and social services were listed in Appendix C of the *Terms and Conditions* under the heading “Indicators of Ineligible Activities”. Such projects were not expected to be funded by WDP although it was stated that “WD will endeavor throughout to inject positive content into the ‘flexibility and responsiveness’ of Western Diversification, so that the establishment of a needed set of screening criteria will not lead to, or be interpreted as, a new rigidity.”

In 1995, the foundation upon which WDP had been operated was significantly altered (see the earlier discussion in section 3.1). WD continued to operate the program under its 1988 Terms and Conditions, but much of the department's emphasis was shifted to establishing a small business loan program in partnership with commercial banks, implementing the Canada Infrastructure Works program and expanding the network of Community Futures Development Corporations (CFDCs) and Canadian Business Service Centres (CBSCs) across western Canada.

For internal management purposes, only projects funded under the authority of WDP's *Terms and Conditions* were tracked under the heading of Western Diversification Program. Unique file codes were assigned to such projects, as summarized in Table 14 below. In total, funding for WDP projects ranged between 35% and 50% of the department's general economic development and loan programs.

Table 14: Summary of WDP Projects, 1995 to 2002

Sub-program	Code	Number of Project Files				
		BC	AB	SK	MB	Totals
International Trade Personnel Program	XHZ	359	242	93	104	798
First Jobs in Science and Technology	YDZ	300	286	119	56	761
Strategic Initiatives and Special Projects	SIZ / WDZ	121	154	101	141	517
Sponsorships (conferences etc.)	QCZ	249	183	154	131	717
Cdn. Foundation for Innovation Support	XJZ	42	38	18	15	113
Totals		1,071	903	485	447	2,906

The **International Trade Personnel Program** (ITPP) was introduced on March 23, 1995. The program responded to advice received from business sector and provincial government stakeholders, identifying the need to increase strategic international trading skills and export-readiness of small and medium-sized enterprises (SMEs). A Memorandum of Understanding was duly signed by WD and economic development ministers from each of the four western provinces.

ITPP helps qualified organizations employ recently graduated professionals to assist with international trade development. Funding was originally provided for up to three years and for a maximum of three positions at any one time. Assistance was capped at 50% of salary costs (up to a maximum salary of \$30,000) in the first two years, and 25% in the third year. In 2002, the program was revised to provide assistance for one year only, and capped at 50% of salary costs up to a maximum salary of \$40,000.

The **First Jobs in Science and Technology Program** (FJST) was launched in March 1997 in response to the federal government's early innovation strategy. The program was designed to "develop a workforce of science, technology and engineering professionals who have the entrepreneurial skills necessary to start and run their own business, and to provide small businesses with the necessary assistance to enhance their competitive positions through technological adaptation and innovation" (*FJST Terms and Conditions*). Assistance is provided to organizations employing recent graduates who assist firms with the development and adoption of "productivity enhancing technologies". Positions must be incremental, normally full-time and not replace existing employees. Funding was originally capped at 50% of salary costs (up to a maximum salary of \$30,000) in the first two years, and 25% in the third year. In 2002, the program was revised to provide assistance for one year only, and capped at 50% of salary costs up to a maximum salary of \$40,000.

Although **Strategic Initiatives** and **Special Projects** are coded separately, they appear to have been treated synonymously in departmental reports between 1996 and 2001 under the heading 'Strategic Initiatives' (SIs), or 'Strategic Initiatives and Special Projects'. In WD's *1996-97 Estimates*, for instance, SIs were described as initiatives undertaken in cooperation with "provincial governments, industry and other partners in western Canada to identify areas of strategic importance and to develop action plans to capitalize on the potential of these areas" (page 14). Examples included Biotechnology Regulatory Case Studies, ITPP, and industry alliances such as Aerospace Training Canada International, Food Beverage Canada, Tourism Alliance for Western and Northern Canada and the Western Environmental Industry Network.

SIs were subsequently expanded to include tripartite agreements for economic development cooperation in major urban centres and federal-provincial economic development agreements. As outlined in the *1997-98 Estimates*, the initiatives would be “consistent with Industry Portfolio strategies in support of the Jobs and Growth Agenda” (page 18). Plans for the following year covered activities which ranged from implementing a western technologies cluster study to supporting hog waste disposal technology demonstration projects, urban youth entrepreneurship training services and Internet marketing pilot projects designed for rural and remote communities.

Between 1998 and 2001, WD frequently stressed the relationship between SIs and Industry Portfolio or Throne Speech themes. In 1998, SIs were referred to as the “linchpin between WD’s economic development activities and the priorities of the federal government” (page 23). Activities were listed according to four Throne Speech categories – Aboriginal Initiatives, Youth Initiatives, Francophone, and Science and Technology – the Innovation Gap (*Departmental Performance Report 1998*, page 23). The following year, the list was extended to add women, disabled entrepreneurs and rural Canadians (*Report on Plans and Priorities 1999-2000*, page 21). By 2001, the department was describing its role as one of support for “implementation of the federal strategies” (*Departmental Performance Report 2001*, page 30).

WD’s *Report on Plans and Priorities 2001-2002* marked a departure from previous approaches. Citing a new longer term strategy, the department refocused its activities to conform to four core service lines (Figure 13 on the next page). This approach was continued in the *Report on Plans and Priorities 2002-2003*. Strategic Initiatives and Special Projects were no longer specifically identified as such, but projects were described under the slightly modified headings of Innovation, Partnerships, Entrepreneurship and Economic Research and Advocacy. Support for projects such as the New Media Centre in British Columbia and the Manitoba Functional Foods and Nutraceuticals Centre, the WestLink Technology Commercialization Internship Program and the development of innovation strategies in rural communities were identified as examples of projects building knowledge infrastructure, technology commercialization and linkages under the Innovation heading. Urban Development Agreements were mentioned under Partnerships. Support for business associations was briefly referred to in the third strategic outcome, Entrepreneurship, while research studies were described under the fourth heading, Economic Research and Advocacy.

Figure 13: Old and New Core Service Lines, 2001

Reproduced from WD's Report on Plans and Priorities 2001-2002, page 6

Previous Core Service Lines	New Core Service Lines / Activity Areas
<ul style="list-style-type: none"> • Strategic Initiatives and Special Projects 	<ul style="list-style-type: none"> • Innovation
<ul style="list-style-type: none"> • Strategic Initiatives and Special Projects • Service Partnerships 	<ul style="list-style-type: none"> • Partnership and Coordination
<ul style="list-style-type: none"> • Strategic Initiatives and Special Projects • Service Partnerships • Capital Services • Information Services • Targeted Business Services • Legacy Programs 	<ul style="list-style-type: none"> • Business Development and Entrepreneurship
<ul style="list-style-type: none"> • Strategic Initiatives and Special Projects 	<ul style="list-style-type: none"> • Economic Research and Analysis
Previous Non-Core Service Lines	New Non-Core Service Lines / Activity Areas
<ul style="list-style-type: none"> • National Programs 	<ul style="list-style-type: none"> • National Programs and Other Initiatives

WD's *Departmental Performance Report 2002* further elaborated on the Innovation Core Service Line by highlighting the department's focus on three primary areas – life sciences, information technology (IT) and physical sciences. Projects in the life sciences category included biotechnology, proteomics and health technologies. New media, telehealth and geomatics were placed within the ambit of IT, and physical sciences covered initiatives involving fuel cells, design engineering, climate change technologies, a synchrotron and micro-technologies. Four objectives were enumerated (items in italics are not included in the 1995-2002 projects designated by Strategic Initiatives or Special Projects codes):

Improving knowledge infrastructure and capacity:

Achieved through investing in

- cluster planning studies in urban centres (Edmonton, Calgary, Regina and Winnipeg)
- knowledge infrastructure (e.g., Canadian Light Source synchrotron)
- *CFI Support Program*

Enhancing the capacity of firms to develop and adopt new technology:

Achieved through investing in

- West Link Technology Commercialization Internship Program
- TRILabs
- *Loan Investment Funds*
- *Technology Investment Program*
- *FJST*

Assisting rural western Canada in facing challenges due to reliance on resource based economy and service economy:

Achieved through investing in

- *Innovation and Community Investment Program*

Enhancing coordination and alignment of innovation priorities and strategies between federal, provincial and other innovation players:

Achieved through

- *Western Deputy Ministers' Forum chaired by WD*
- *Senior Officials Forum on Innovation*

It is difficult to isolate other WDP expenditures in the context of the new Core Service Lines. However, references to the Health Research Task Force and Canada West Foundation under the heading of Economic Research and Analysis clearly fall within the group of projects formerly designated by Strategic Initiatives or Special Projects codes.

Sponsorships, another WDP sub-program, is the term used to describe WD's participation in or support for a variety of events such as conferences, workshops and trade shows which are initiated by other organizations, as well as seminars initiated by the department for the purpose of disseminating business information or providing skills development opportunities. Sponsorship contributions are generally comparatively modest, being mostly in the \$1,000 to \$5,000 range although occasionally as much as \$50,000 is provided for a single event. Examples of sponsored events include the Support Youth Entrepreneurship Camp (hosted by the Tawatinaw CFDC), the e-Business Management Forum (UBC Centre for Management Development), Funding Solutions Forum (Canadian Centre on Disability Studies), Western Commercial Fisheries Conference (Manitoba Metis Federation), Sponsorship of Innovation (Saskatchewan Economic Development) and Western Canadian Conference on the Food Industry (Saskatchewan Food Processors Association).

The **Canadian Foundation for Innovation Support** sub-program (CFI-SP) was inaugurated in July 1998. The program is designed to enhance western participation in seeking grants from the Canada Foundation for Innovation and to help western researchers access a fair share of the funds. Up to \$20,000 per project (to a maximum of 90% of costs incurred) is provided to eligible institutions for the purpose of developing proposals submitted to the Foundation. To be eligible, applicants for CFI-SP must be a college or university, hospital or non-governmental not-for-profit organization doing research in western Canada and have the financial and managerial capability to undertake a research infrastructure project as defined by the Foundation. Emphasis is placed on research infrastructure in the areas of health, environment, science or engineering.

Overall, approximately \$376.5 million was disbursed under the Western Diversification Program in the seven fiscal years between 1995/96 and 2001/02, the bulk of which constituted contributions to Strategic Initiatives and Special Projects (Table 15).

Table 15: WDP Grants and Contributions by Sub-program, 1995 to 2002
Corporate Finance, Western Economic Diversification Canada

Sub-program	\$ Millions in the fiscal year ending							Totals
	1996	1997	1998	1999	2000	2001	2002	
ITPP	0.5	2.4	3.4	3.5	3.4	3.4	2.6	19.2
FJST	--	--	0.6	2.7	4.9	5.3	4.6	18.1
Strategic Initiatives and Special Projects	55.6	46.7	¹ 53.7	30.5	31.5	51.8	² 64.5	334.3
Sponsorships	--	0.0	0.3	0.5	0.6	0.9	0.9	3.2
CFI-SP	--	--	--	0.1	0.5	0.1	1.0	1.7
Totals	56.1	49.1	58.0	37.3	40.9	61.5	73.6	376.5

Notes:

1. Included a grant of \$17.5 million
2. Included a grant of \$10 million

Effective February 7, 2002, the Western Diversification Program began to operate under new Terms and Conditions (Appendix E). Expected Results and Outcomes are organized under four themes – innovation, business sector, strategic priorities and understanding western Canada’s needs – that echo, but do not copy, the department’s new Core Service Lines. Essentially, these new Terms and Conditions parallel the earlier ones, although references to northern and urban development, urban development agreements, aboriginals and community capacity have been added.

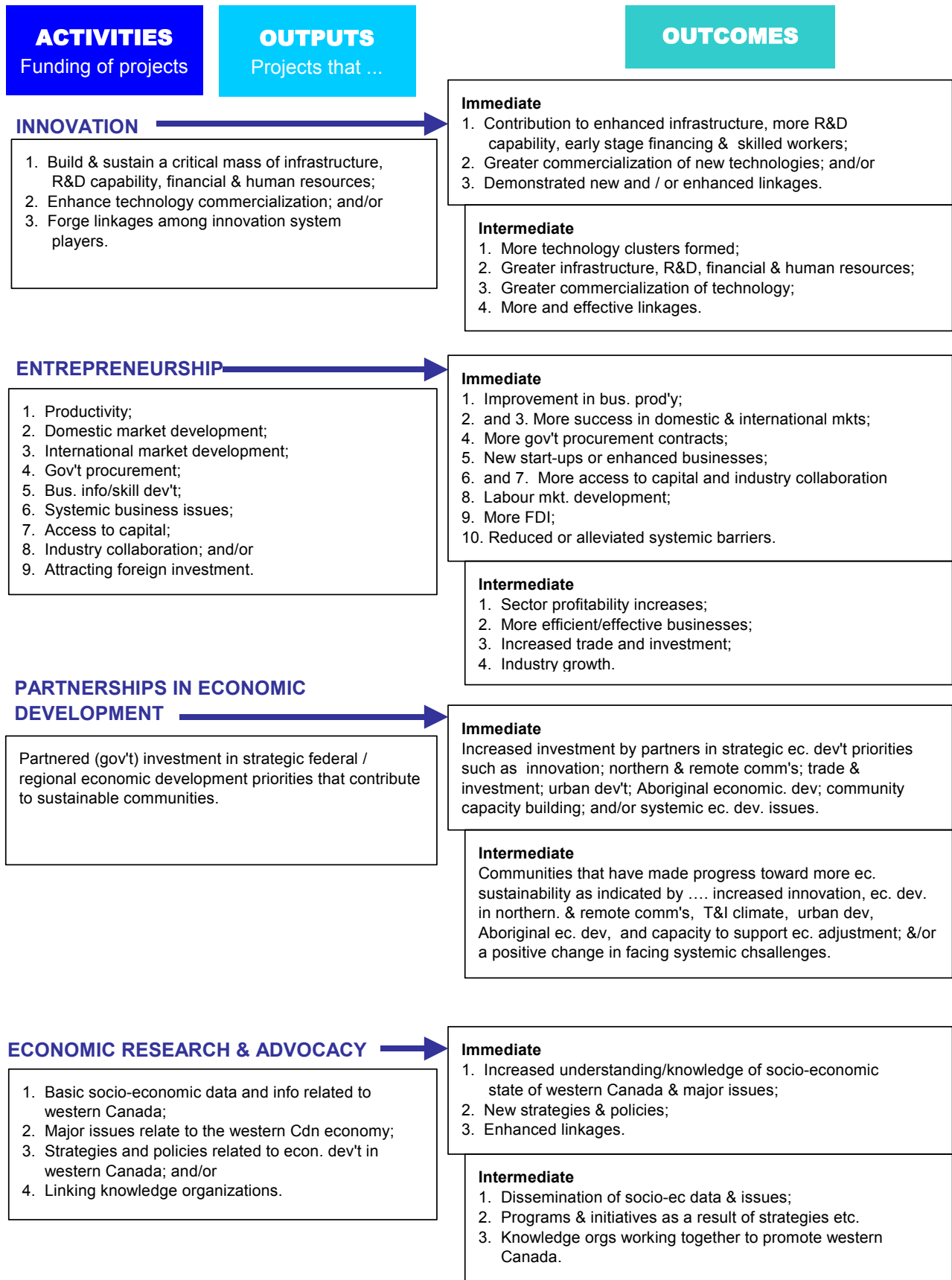
Clause 7, Eligible Activities, states that “Grants and Contributions ... will be made towards projects which support the development and diversification of the western Canadian economy and activities whose economic and/or employment benefits accrue primarily within western Canada.” Typical projects are itemized as follows:

- Strengthen the western Canadian innovation system, which connects western research strengths (universities, hospitals and other research institutions) with industry’s commercialization focus. *Projects that may be funded include those that*
 - build and sustain a critical mass of research, technology, financial and human resources,
 - enhance technology commercialization, and
 - forge linkages among innovation system players.
- Support the development and expansion of the business sector. *Example projects:*
 - productivity improvement including systems, skills and equipment development and improvement,
 - market development, both domestically and internationally,
 - government procurement from western firms,
 - business climate enhancement including information dissemination and skill development,
 - new or improved physical plants,
 - new business and business concept development and establishment,
 - systemic problems such as lack of management skills among Aboriginals, and
 - structural problems such as the concentration of exports among “a handful of western businesses”.

- Create or enhance partnerships that promote collaboration and investment in economic development and diversification. *Example projects:*
 - lever provincial investment in federal priorities such as innovation, northern and urban development, trade and investment and urban development agreements,
 - aboriginal economic development,
 - community capacity (planning, viability studies and volunteerism),
 - northern and remote communities,
 - issues such as industry closures or downsizing and rural depopulation.
- Support economic research and provide a sound basis for economic development in western Canada. *Example projects:*
 - basic socio-economic data and information on western Canada,
 - major issues facing western Canada,
 - linkages between research organizations, and
 - effective strategies to address the economic development needs, opportunities and aspirations of western Canada.
- Otherwise promote the development and diversification of the western Canadian economy.

A Results-Based Management and Accountability Framework (RMAF) was finalized in July 2002. The RMAF includes a Logic Model for the WDP, an abbreviated form of which is presented on the next page as Figure 14. The RMAF Logic Model borrows from the list of example projects in the 2002 Terms and Conditions, adds one or two additional elements and organizes the information according to the department's new Core Service Lines as enunciated in its *Report on Plans and Priorities 2002-2003*. Activities and Outputs are described in terms of funding a variety of projects that exhibit certain characteristics. For example, the first Activity listed under Innovation is "Funding of projects that help to build and sustain a critical mass of infrastructure, research and development capability, financial and human resources in the west". Similarly the first three Outcomes listed under Innovation are "Projects that support innovation infrastructure in key sectors, support R&D in key sectors, and address key skill gaps and financing gaps to enhance innovation."

Figure 14: RMAF Logic Model (abbreviated format)



Immediate, intermediate and final Outcomes are stipulated for each of the Activity/Output areas. Generally speaking, the immediate Outcomes are expressed in terms of an increase or improvement in the characteristic that was used to describe a class of projects. Final Outcomes are encapsulated in single statements (not shown in the abbreviated form of the Logic Model presented as Figure 14 on the previous page), as follows:

- Innovation: A strengthened western Canadian innovation system.
- Entrepreneurship: An expansion of the business sector in western Canada.
- Partnerships in Economic Development: More economically sustainable communities.
- Economic Research and Advocacy: Western Canadian needs, opportunities and aspirations are met.
- [Overall]: Economic development and diversification in western Canada, and increased western Canadian impacts on national policy, program and project development and implementation.

Building a Logic Model for the Western Diversification Program is a somewhat daunting task. As originally conceived, WDP was a fairly straightforward program. It had easy-to-remember targets which can be simply paraphrased as: new products, new technology, new markets and new production. Everything changed, however, when the federal government recognized its role should be one of creating positive business conditions instead of paying subsidies to business. Redirection necessitated an abrupt reallocation of funds, both to reduce fiscal deficits and debt loads and to refocus government activities. WD has been redefining WDP ever since that change took place. The 1995 budget solidified the change, and the Minister's consequent press release operated as a sort of unofficial set of terms and conditions for the program (see page 10). But they failed to provide the rigorous program rationale that had given WDP such a strong foundation in 1988. Working out the fundamentals of the program in the middle of a government in transition, together with seven Ministers and Secretaries of State over the past seven years, the department is still in the process of refining WDP's shape and focus.

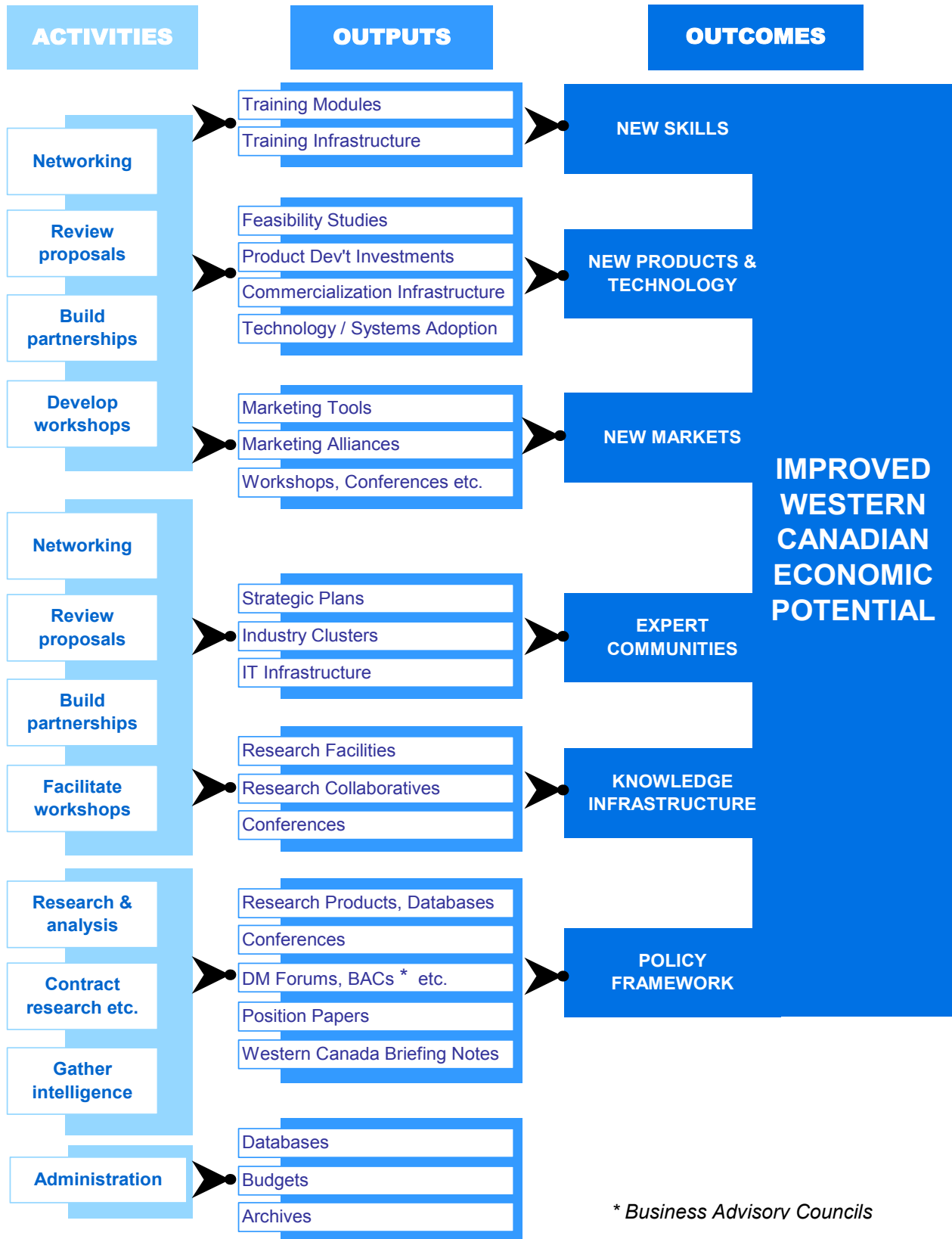
Treasury Board defines a Logic Model as “an illustration of the results chain or *how* the activities of a policy, program or initiative are expected to lead to the achievement of the final outcomes” (*Lexicon for Results-Based Management and Accountability*). It serves as both a communications tool and as a “test of whether the policy, program or initiative ‘makes sense’ from a logical perspective.” Ideally, the Model should illuminate the program rationale so plainly that the underlying reasons for the way in which the program is being implemented become immediately apparent. It should also be apparent that these underlying reasons are soundly based in key concepts that endure over time, validating the program regardless of periodic cosmetic changes.

The Logic Model is therefore an important tool for program evaluations, as it articulates the essence of what is being assessed. Are the reasons behind the program activities still valid? Do the key concepts work in practice? Such questions can only be answered cogently if the underlying reasons and concepts are patently clear. When an evaluation is intended to educate the future delivery of a program, as this one is (Terms of Reference, Appendix A), then the Logic Model plays an even greater role, particularly if the program is in a state of evolution. Clarity of conception and purpose is a necessary precursor to success.

With these considerations in mind, the RMAF Logic Model has been modified in order to sharpen the strategic focus of this evaluation (Figure 15 on the next page). The Evaluation Logic Model has been built to reflect WDP’s current operational context to the extent that it takes the following factors into account:

- government has a legitimate role to play in supporting broad-based economic fundamentals;
- the shift to a global, knowledge-based economy presents real and immediate challenges for western Canadians; and
- economic potential and sustainability depend on the size and skills of the labour force, the quantity and quality of machinery and equipment available, and productivity growth (Conference Board, *Performance and Potential 2001-2002*, page 34); and
- productivity growth depends on increasing labour force skills; market development; R&D; technology commercialization and adoption; an appropriate policy framework; and strong communities (*Innovation Strategy; Performance and Potential 2001-2002; OECD, Territorial Review Canada*).

Figure 15: Evaluation Logic Model



The Evaluation Logic Model also recognizes the fact that WDP's influence on the western Canadian economy is not measurable at a macro-economic level. Annual expenditures ranging between \$37 and \$74 million do not register on the same scale as provincial Gross Domestic Products, which are tallied between \$33 and \$150 *billion*. Two levels of Outcome have therefore been postulated – intermediate and ultimate. The six intermediate Outcomes (New Skills, New Products and Technology, New Markets, Expert Communities, Knowledge Infrastructure and Policy Framework) are susceptible to WDP's direct influence. The ultimate Outcome, Improved Western Economic Potential, is stipulated on the grounds that an economy's capacity for performance is likely to improve if economic fundamentals are improved (Conference Board, *Performance and Potential 2001-2002*, page 34).

A number of typical Outputs have been identified, based on a review of the WDP project database. They represent tangible products generated directly by program activities, although WDP may not be the only reason they are created. WD frequently acts in concert with other governmental and private sector partners in order to aggregate sufficient funds to implement the project. The New Media Innovation Centre in British Columbia is one of many examples of this approach. In one case, however (Product Development Investments), the Output is characterized as an investment, because WD rarely funds the entire product development cycle. Another Outcome, Industry Clusters, has been associated with Expert Communities. An argument can be made for linking clusters with any one or more of the other Outcomes, but the Evaluation Logic Model has followed the convention in the federal government's *Innovation Strategy*. The *Strategy* designates technology clusters as the first of two goals in meeting the challenge of strengthening communities (the other goal deals with community innovation strategies and broadband capacity).

The Evaluation Logic Model also includes a list of Activities leading to each set of Outputs. This list is not intended to be exhaustive, but serves rather to illustrate the primary activities undertaken by staff in the course of implementing WDP.

4.0 FINDINGS

4.1 Response to Needs

EVALUATION ISSUE	RELEVANCE
EVALUATION QUESTIONS	<p>Was WDP an appropriate response to the identified needs?</p> <p>Have the needs changed, and if so, how?</p>

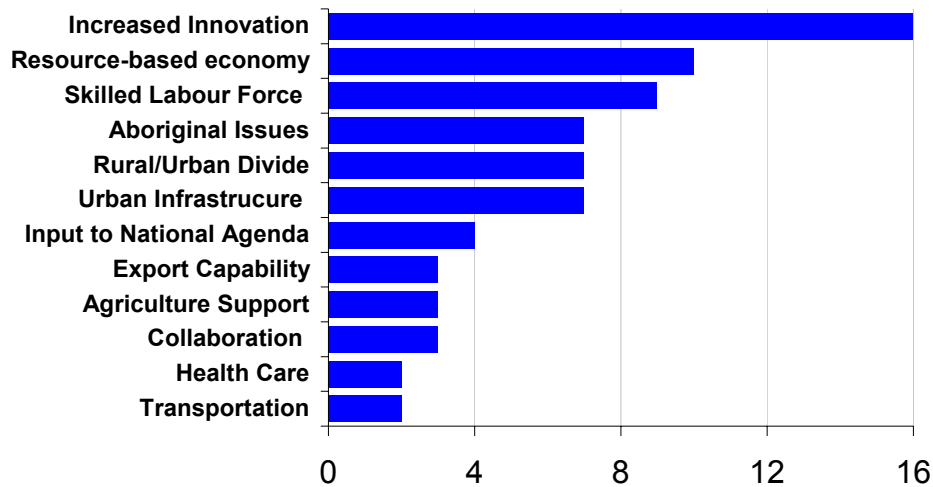
Nine months after taking office in 1993, WD’s Minister launched a series of consultations across western Canada for the purpose of gathering stakeholder views on economic diversification and future directions for the department. The results were summarized in a presentation prepared for Mr. Axworthy in February 1995, as follows:

Diversification remains a priority, with particular emphasis on western cooperation. ...WD exists to help the West lessen its dependence on primary resources. The uncertain demands of international commodity markets has historically resulted in “boom and bust” cycles.

A backgrounder to the press release identified four strategic opportunities for growth and jobs – agricultural biotechnology, agriculture value-added, tourism marketing, and commercialization of research and development – and stated “innovation has become the engine of economic development.”

Seven years later, the Macleod Institute asked key informants to identify today’s top three or four western Canadian needs (Figure 16 on the next page). Innovation once again leads the way. As one respondent said, “We are losing ground on productivity.” Another more pointedly remarked that “Innovation infrastructure (research institutes, technology commercialization, venture capital) is much more abundant in central Canada than the west.”

Figure 16: Western Canadian Needs, 2002
Key Informants Interviews, Q1

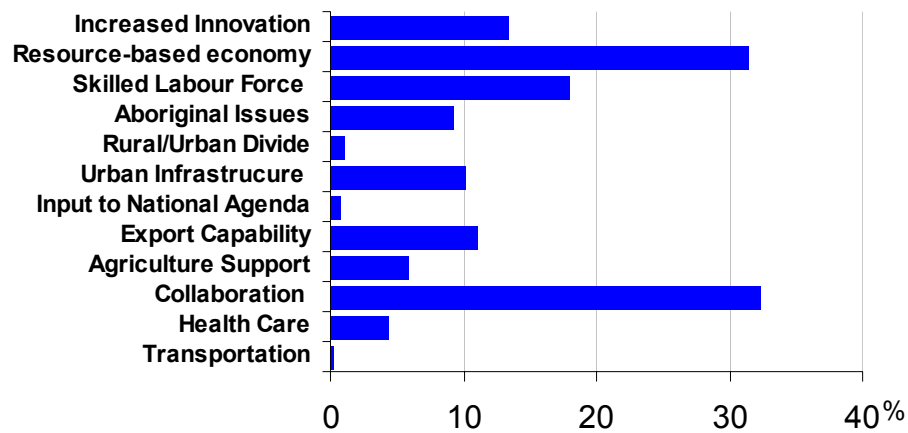


Diversification away from the west’s resource-based economy ranked as the second most significant issue, followed closely by labour force skills and mobility. Several key informants stressed the need to increase the supply of trades, apprentices and other skilled workers. It was in this context that Aboriginal issues were most frequently raised. “Jobs remain unfilled while aboriginal people remain unemployed” was a typical comment.

The key informants were evenly divided on the question of whether western Canada’s needs have changed since 1995 – 12 said yes; 11 said no; and 1 answered yes *and* no. However, when asked how the needs had changed, most felt that the intensity or importance of the needs had shifted over time, rather than the needs themselves. The one subject that received particular attention was Aboriginal issues which have, in the opinion of nine respondents, become more acute in the past six years.

To assess whether WDP was an appropriate response to the identified needs, the Macleod Institute reviewed the project database (other than Sponsorships) to determine how the program funds had been deployed over the past seven years in relation to the needs identified above. The results are shown in Figure 17 on the following page.

Figure 17: Percentage of WDP Projects Addressing Identified Needs, 1995 to 2002

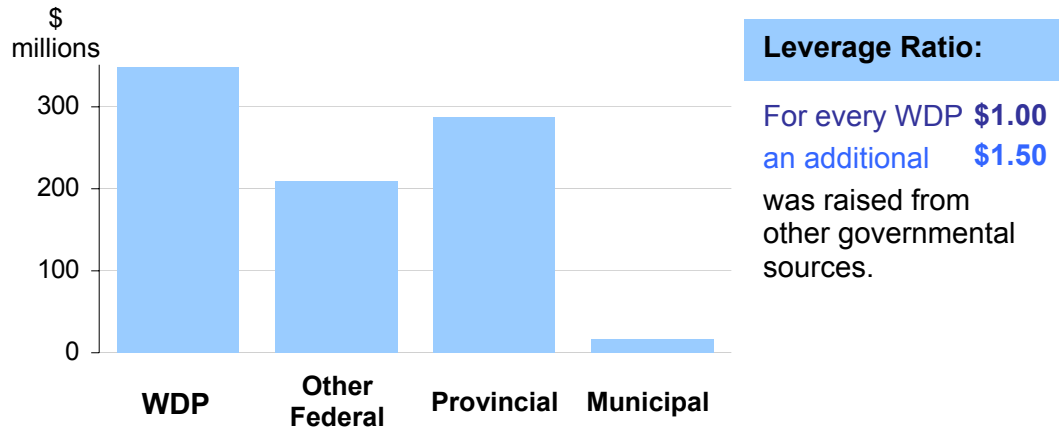


Note: The percentages (of dollars disbursed) do not total 100 because several projects fell into more than one category.

WDP has clearly responded appropriately to the top three identified needs. As to Aboriginal issues, the program was mostly deployed in the skills training and training infrastructure categories. Given the context in which this issue was raised, the Institute is satisfied that WDP was an appropriate response. Furthermore, the department has additional programs (other than WDP) which address Aboriginal economic development, so this level of response appears to be suitable, at least for the period it covers.

Section 5(2)(b) of the *Western Diversification Act* obliges the Minister to lead and coordinate the efforts of the Government of Canada to establish cooperative relationships with the provinces, business, labour and other public and private organizations. The measure of collaboration in Figure 17 is the amounts disbursed in conjunction with other government agencies. Fully one of every three dollars disbursed by the department was leveraged. In fact, this statistic under-represents the degree to which WD has collaborated, because several projects show disbursements by partners only. The full aggregated results (for Strategic Initiatives and Special Projects) are shown in Figure 18 on the next page. All in all, the Institute concluded that the department demonstrated an appropriate response in terms of securing collaborative funding arrangements.

Figure 18: Total Governmental Expenditures on WDP Projects, 1995 to 2002



Two areas which received less funding than might have been expected are the rural/urban divide and input to the national agenda. Regarding rural issues, the apparently low result could well be an artifact of the way in which the projects were categorized for the purposes of the evaluation. None of the projects assigned to ‘agriculture support’ were included in the rural/urban category, for example. ¹

However, there was little evidence in the WDP project data base that could be interpreted as developing input to the national agenda. The program has funded very few policy development or economic research projects over the years. Until 2001/02, WD tended to describe its work in this field as “advocacy activity [which is] part of the national program area. Through advocacy, WD works to ensure that national policies take into account the needs of western Canadians” (page 23, *Report on Plans and Priorities for 2000-2001*). Its current work with the Canada West Foundation and the Conference Board may well change the future balance, but this low level of effort on policy matters was frequently the subject of comment by key informants. As one interviewee said, “WD has not been as proactive as they should have been on policy issues.”

The first two Evaluation Questions addressed Relevance in terms of responsiveness over the past seven years. The next two Questions focus on current priorities and whether WDP’s current mandate and objectives are adequately stated.

¹ It should be noted that WD uses other programs to address some of these needs. Funding for CFDCs (approximately \$200 million over the past seven years), for example, is entirely dedicated to rural economic development outside the seven major metropolitan areas in western Canada.

4.2 Consistency with Current Government and WD Priorities

EVALUATION ISSUE	RELEVANCE
EVALUATION QUESTIONS	<p>Are WDP's objectives consistent with current government and WD priorities?</p> <p>Are WDP's mandate and objectives adequately stated?</p>

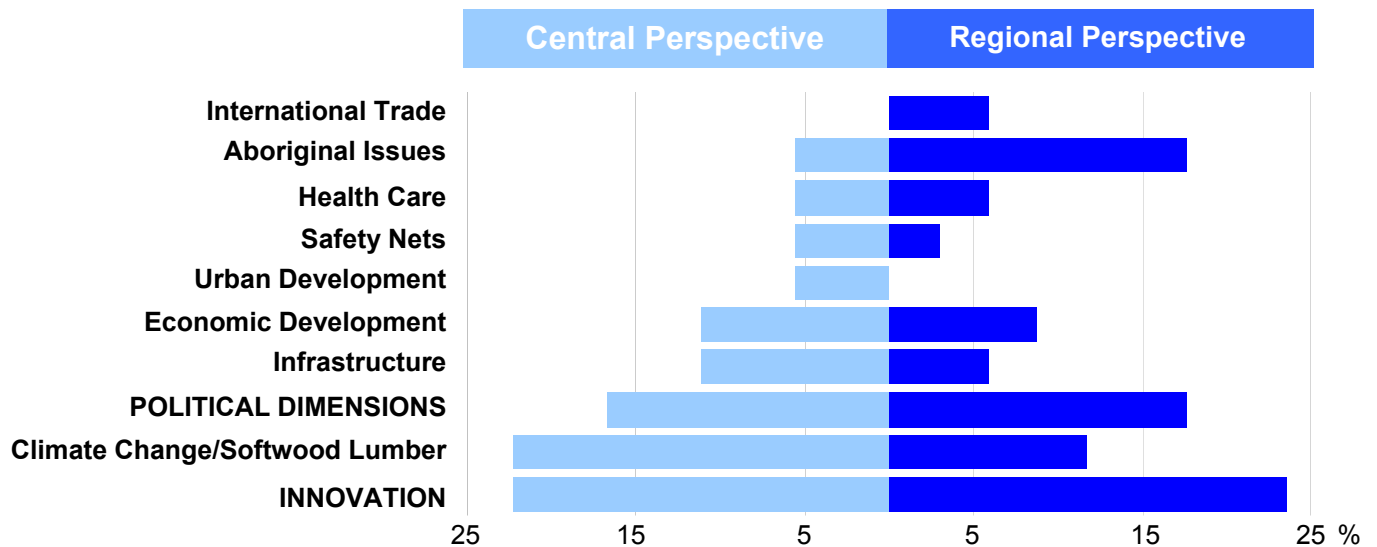
The most recent federal Throne Speech, entitled *The Canada We Want*, was delivered on September 30, 2002. It listed eight current government priorities, as listed below. One sentence in particular mentioned regional development (quoted in italics under the seventh priority).

1. Canada and the World
2. Health care
3. Poverty
4. Climate Change
5. Magnet for Talent and Investment
 - balanced budget and declining debt-to-GDP ratio
 - fair and competitive taxes
 - education (particularly graduate studies) and literacy
 - workplace learning
 - research and commercialization / adoption of new technology
 - youth employment
 - Aboriginal economic opportunities
 - skilled immigrants and foreign students
6. Smart Regulation
7. Competitive Cities and Healthy Communities
 - *"The government will target its regional development activities to better meet the needs of the knowledge economy and address the distinct challenges of Canada's urban, rural and northern communities."*
8. A New Partnership between Government and Citizens

Plans to address Aboriginal issues were included in all but three of the eight priorities (Canada and the World, Climate Change and Smart Regulation).

In November 2002, the key informants were asked to list current federal priorities from their perspective. Not surprisingly, perhaps, central and regional perspectives differed somewhat, but there were also points of strong convergence (Figure 19).

Figure 19: Central and Regional Perspectives on Current Federal Priorities
Key Informants Interviews, Q2a



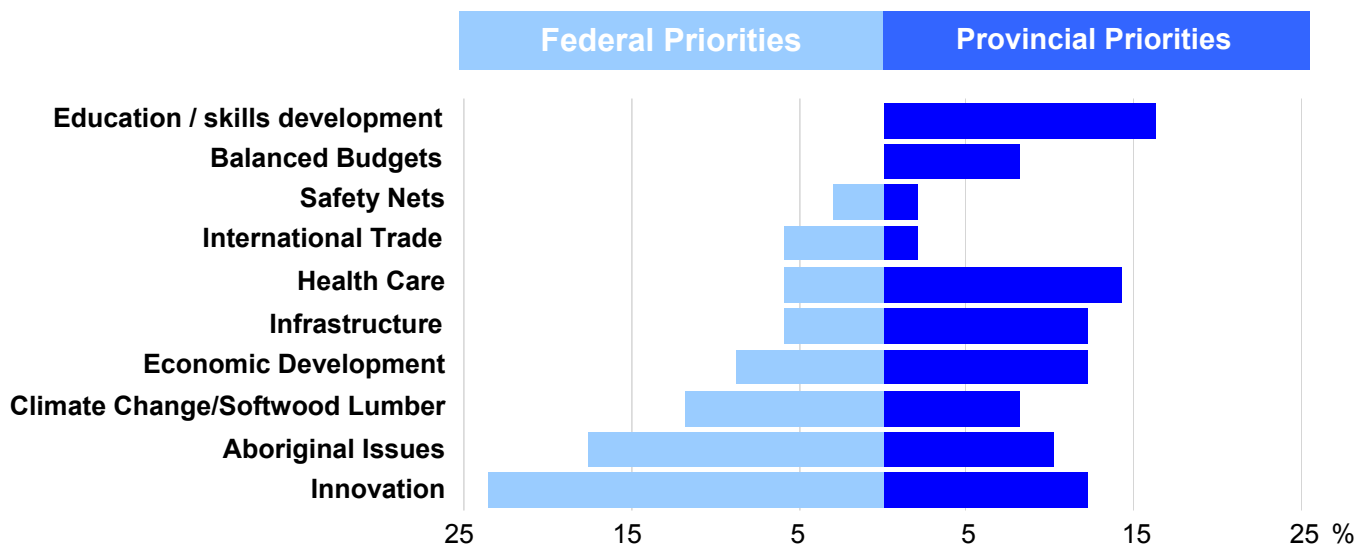
The degree of importance attached to innovation and political dimensions was almost identical from both a central and a regional perspective. The message that Canada lags behind in the productivity stakes has obviously resonated deeply all across Canada. The concern shown over political dimensions reflects Canada's ongoing challenge of balancing interests across a country characterized by broad geographical and economic diversities. Comments from central representatives indicated both a sense of distance from western views ("The frontier attitude of the west is hard to understand in Ottawa -- it tends to be too moralizing") and a desire to accommodate western needs and aspirations ("An effort has to be made to make the west feel like its important issues are addressed"). Westerners tended to be more blunt in their assessment ("Federal priorities in the west are votes and finding legitimacy").

Climate change and softwood lumber issues received more attention from respondents in Ottawa than they did in the west. Regional representatives may well have refrained from listing climate change as a top federal priority in view of their differences on ratification of the Kyoto Protocol. One western interviewee did include it, but characterized the issue as "the confused federal energy policy (i.e., Kyoto)".

Aboriginal issues tied for second place on the list of federal priorities from a regional perspective. No doubt it would have been mentioned more frequently by central representatives if a broader cross-section of federal departments had been included in the interviews. On the other hand, ‘urban development’ was not mentioned at all in the west. The terminology used by regional representatives to describe this issue is ‘municipal infrastructure’ – language like “a new urban strategy” (*Throne Speech*, page 11) has not yet caught on.

Key informants were also asked to list current provincial priorities. Virtually all responses came from regional representatives, and the emphasis shifted to areas of provincial jurisdiction. When compared to regional perspectives of the federal priorities, a lack of symmetry between federal and provincial agendas becomes apparent (Figure 20).

Figure 20: Current Provincial and Federal Priorities from a Regional Perspective
Key Informants Interviews, Q2b



Education and skills development outranked all other issues. It is clearly seen to be a key to future economic prosperity. Balanced budgets also rose to the fore, with particular reference to British Columbia and Saskatchewan. Anticipation of the Romanow Report, as well as recognition of the fiscal burdens placed on provincial treasuries by health expenditures, profiled the health care issue as the second highest provincial priority. However, one respondent pointed out that “Opportunity for economic diversification exists in the health disciplines, if provinces could see the benefits.”

Infrastructure assumes a greater importance among provincial priorities, and, as mentioned above, is frequently mentioned in the context of aging municipal capital works. Climate change, softwood lumber and aboriginal issues declined as a percentage of responses, but not in absolute number. Economic development (often expressed in terms of diversification) and innovation tied for third place in the list of priorities.

Pulling it all together, one can see a consensus on federal and provincial economic priorities emerging in a shape very similar to the approaches outlined in *Performance and Potential 2001-2002* (Conference Board) and the *Innovation Strategy* (Industry Canada).

Figure 21: Summary of Current Economic Priorities

Labour Force – number and skill levels	Post-secondary education	√ with emphasis on technical and managerial disciplines
	Skills training	√ especially for groups currently under- represented in the workforce, including Aboriginals
R&D	Research infrastructure	√ extending areas of established expertise √ adding new areas of expertise
	Research clusters	
Urban Centres	Strategic capacity Industry clusters	√ ability to serve as vibrant hubs for commercial, research, education and cultural activities
	Infrastructure	√ broadband capacity, as well as basic public works
Policy Framework	Fiscal framework	√ balanced budgets, low debt-to-GDP ratios etc. √ competitive tax regime
	Intergovernmental cohesion	√ collaborative, complementary approaches
	Climate change / softwood lumber	√ appropriate responses to international influences
Economic Development	Commercialization	√ with emphasis on value-added products
	Technology Adoption	√ investment in modern machinery and equipment, processes

The question is: Are WDP's objectives consistent with current government priorities? The Western Diversification Program's *Terms and Conditions (2002)* stipulate four main objectives (clause 4):

- a strengthened western Canadian innovation system;
- an expanded business sector in western Canada;
- increased investment in strategic federal/regional economic development priorities;
- a better understanding of western Canada's needs, opportunities and aspirations.

These broad objectives are clearly consistent with current government priorities as listed in Figure 21 on the previous page.

The Evaluation Terms of Reference also posed the question of whether WDP's mandate and objectives are adequately stated (Appendix A, page 5), and on this issue it must be said that WDP's mandate and objectives have been expressed in a way that has led to a less coherent interpretation than might be desired. The list of Eligible Activities (clause 7 of the *Terms and Conditions*), which elaborates upon the objectives in order to give a fuller understanding of the mandate in terms of Expected Results and Outcomes, tends to blur distinctions between targeted outcomes, activities and strategies. The result is a somewhat artificial division between the "innovation system" and the "business sector", on the one hand, and a confusion between process, objective and issue, on the other.

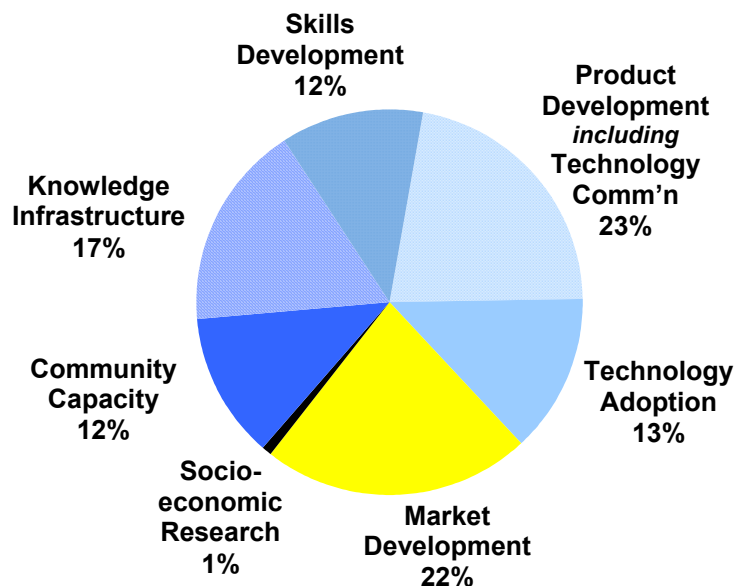
Regarding the division between innovation and business, clause 7a (innovation) speaks to both public sector organizations and industry, although it appears to draw a line between the public (research) and private (technology commercialization) sectors. Clause 7b (business sector) also speaks to innovation, albeit in indirect terms. Improved productivity, systems development, skills development and new business concepts are all either the result of innovation or elements of an innovation system (see, for example, *Innovation Strategy*). The difficulty, of course, is that innovation and business are not, and should not, be separate concepts. Admittedly, knowledge creation, commercialization and deployment form a continuum, with more public sector institutional involvement typically at the front end and more individual corporate engagement at the other. But the cross-over has more to do with commercialism than with sectoral affiliation. Many universities are enjoying considerable success in creating for-profit corporations based on faculty inventions, for example, and many corporations are investing in public-private partnerships to pursue pre-commercial levels of research.

The confusion between process, objective and issue is most apparent in clause 7c of the Eligible Activities – strategic federal/regional priorities. These activities have been grouped together under a general process description, to “create or enhance partnerships”. But the clause also lists objectives (innovation is referred to yet again), as well as issues (rural depopulation, industry closures etc.). Clause 7c therefore raises some confusion over what is ultimately meant to be achieved, whether it be partnership, strategy implementation or issue resolution. The strategic importance of urban centres, for instance, has been designated as an exercise in *partnering*, which inadequately describes WD’s true objective which is to “build community capacity in support of economic adjustment”.²

The root of the problem lies in the fact that WDP’s mandate and objectives are expressed rather too broadly, thereby creating redundant categories and obscuring real aims. Overall, the objectives can be said to be stated adequately in the sense that they succeed in generally circumscribing the sphere of activity in which public funds are meant to be disbursed. From a strategic point of view, however, it would be more helpful to express the objectives in terms of fairly specific desired outcomes.

Another Evaluation Question under examination is whether program objectives are consistent with WD priorities.

Figure 22: Percentage of WDP Projects by Targeted Activity, 1995 to 2002



² WD is currently refining its management and accountability framework on a department-wide basis. The strategic importance of communities is being given a much higher profile in the new documentation.

WD’s own priorities (as they pertain to the Western Diversification Program) have been deduced from the level of effort devoted to various targeted activities over the past seven years. Figure 22 (on the previous page) illustrates the proportion of WDP funds allocated to each area, based on an examination of detailed descriptions of Strategic Initiatives and Special Projects, together with summary data regarding the ITPP, FJST and CFI-Support sub-programs.

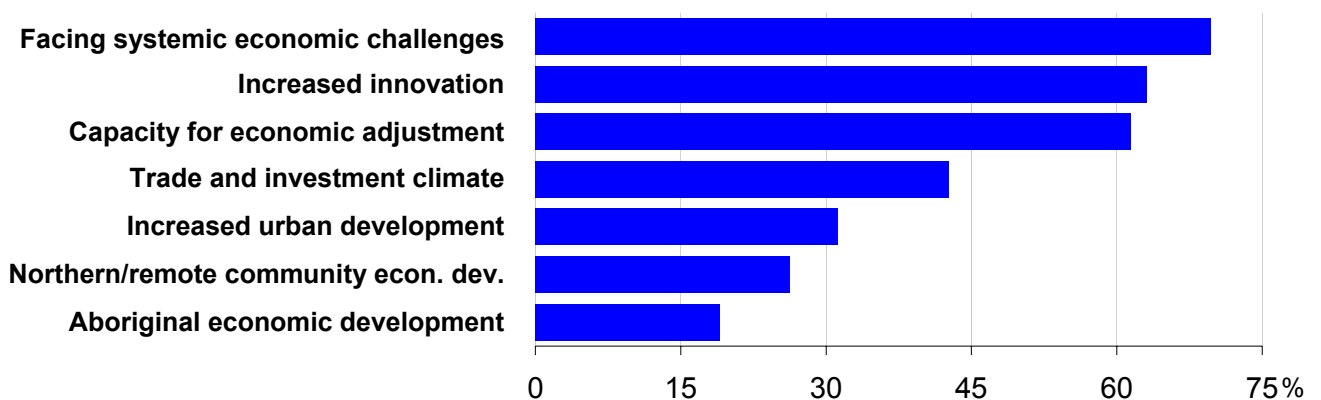
Program objectives are seen to be consistent with WD’s priorities overall. However, most projects were focused on particular client interests; very few projects (only about 1%) can be said to have been dedicated to gaining a better understanding of western Canada’s needs, opportunities and aspirations in general.

4.3 Achieving Project Objectives

EVALUATION ISSUE	SUCCESS
EVALUATION QUESTION	How successful have individual projects been with regard to stated objectives?

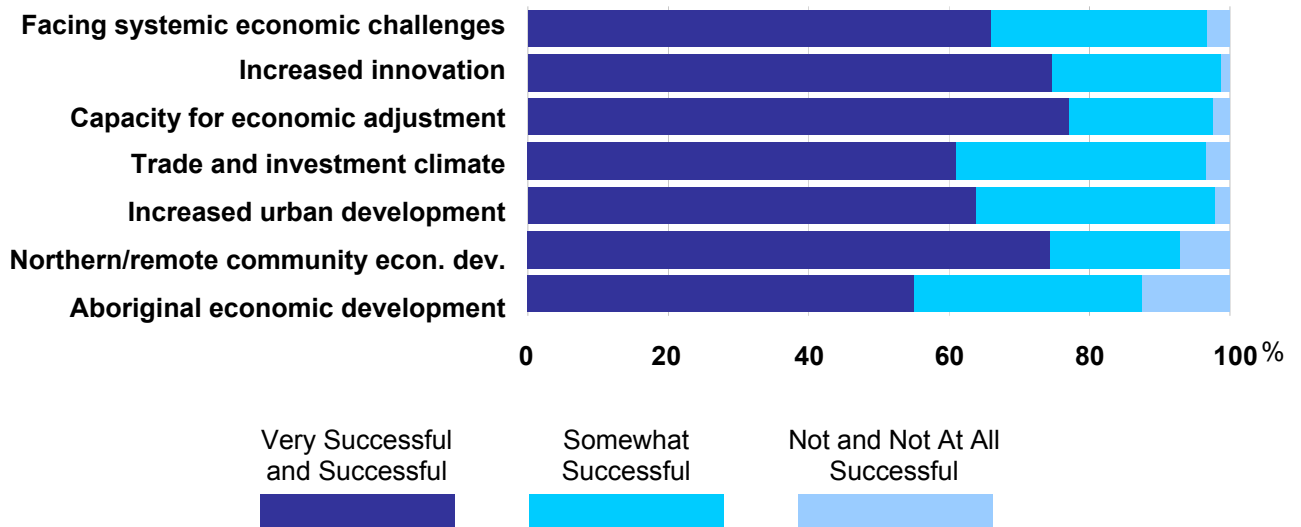
The majority of clients and partners involved in Strategic Initiatives and Special Projects considered that their projects achieved the following objectives: facing systemic economic challenges, increased innovation and capacity for economic adjustment (Figure 23).

Figure 23: Types of Objectives Achieved
Client/Partner Census, Q47



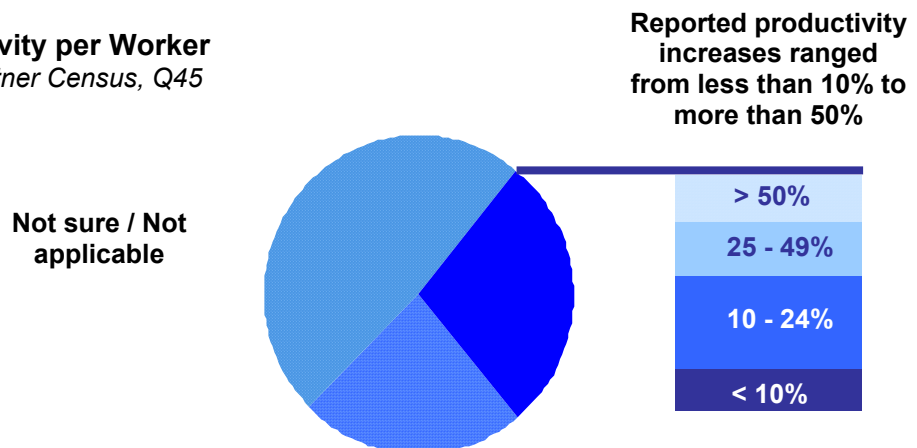
Clients and partners who had agreed with one or more of the listed selections were also asked how successful they felt their projects had been in meeting the stated objectives. About three-quarters of the respondents said they were successful or very successful in achieving innovation, capacity for economic adjustment and northern and remote community economic development goals (Figure 24). The lowest success rate was attributed to projects aiming to deliver Aboriginal economic development, but even so a majority (55%) reported achieving the stated objective.

Figure 24: Overall Success
Client/Partner Census, Q47



In addition, almost 30% of the Census respondents reported an increase in productivity per worker as a result of their project (Figure 25).

Figure 25: Productivity per Worker
Client/Partner Census, Q45



Employment of recent graduate students is the stated objective of both the International Trade Personnel Program (ITPP) and the First Jobs in Science and Technology program (FJST). Roughly 2,000 jobs were funded by the two programs between April 1, 1995 and September 30, 2002 (Table 16). Based on experience with completed projects, half of these jobs will continue for the full three year term permitted by the program.³ Two-thirds of the jobs are in manufacturing, wholesale trade, and professional, scientific and technical services – all of which represent a move away from western Canada’s traditional resource-based sectors.

Table 16: Jobs Funded (ITPP and FJST), 1995 to 2002
WD Summary Program Statistics

Sector	Jobs (#)					
	%	All	BC	AB	SK	MB
Agriculture, Forestry, Fishing and Hunting	5	103	32	15	44	12
Mining Oil and Gas Extraction	1	22	13	5	4	0
Utilities	1	11	6	5	0	0
Construction	4	71	26	22	12	11
Manufacturing: Food, Beverage, Tobacco, Textile, Clothing	4	85	31	26	9	17
Manufacturing: Paper, Printing & Support, Petroleum & Coal	8	153	97	30	5	21
Manufacturing: Primary Metal, Fabricated Metal, Machinery	20	405	239	117	28	21
Wholesale Trade	12	244	113	39	37	55
Retail Trade: Motor Vehicle, Furniture, Electronics & Appliances	1	10	6	0	6	0
Retail Trade: Sporting Goods, Hobby, Book & Music Stores	1	13	7	3	0	3
Transportation and Warehousing: Air Trans., Rail Trans.	1	24	18	5	0	1
Information and Cultural Industries	4	89	45	31	7	6
Finance and Insurance	0	9	5	3	0	1
Real Estate, Rental and Leasing	0	1	0	1	0	0
Professional, Scientific and Technical Services	24	468	132	278	46	12
Administrative and Support, Waste Management and Remediation	2	33	12	15	2	4
Educational Services	1	13	8	3	1	1
Health Care and Social Assistance	1	29	21	5	2	1
Arts, Entertainment and Recreation	0	8	2	2	3	1
Accommodation and Food Services	0	3	3	0	0	0
Other Services (except Public Administration)	9	176	56	14	80	26
Public Administration	1	21	6	13	2	0
Totals:	100	1,991	878	632	288	193

³ Attrition rates are mainly attributed to withdrawal from the program by either the company (discontinues the job or business) or the employee (finds other employment and is not replaced). Disbursements are made only in the event the company proves it has paid the agreed salary.

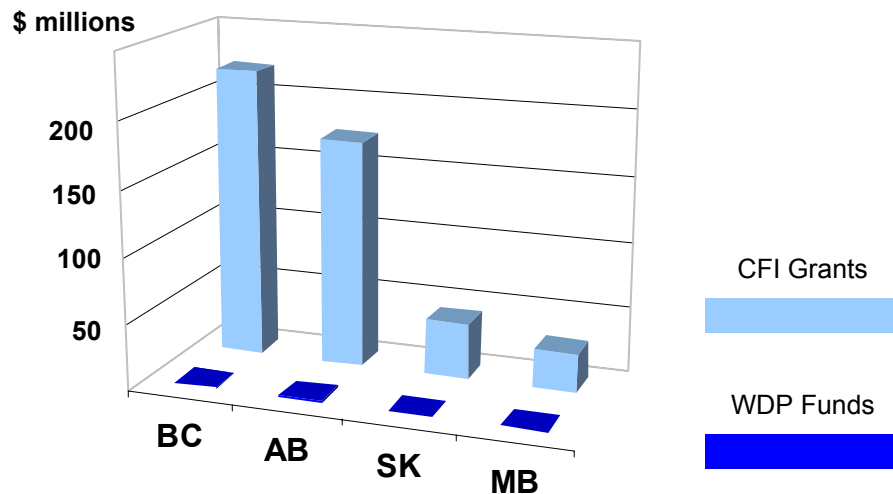
Although new jobs are not a stated objective of the Strategic Initiatives and Special Projects sub-programs, the following information was reported by respondents to the Client/Partner Census (Table 17). It is included here for ease of reference.

Table 17: Job Creation Reported for Strategic Initiatives and Special Projects
Client/Partner Census, Q31 to Q36

	New jobs reported (#)	Projects (#)	# reporting jobs	% in job Category	% attained education
New Jobs:					
Full & Part Time (short term)	1354.5	181	117		
Part Time (long term)	363	57	46		
Full Time (long term)	836	60	55		
Total new jobs:	2553.5				
Job Categories:					
					%
Professional – Scientific and Technical					19.0
Professional – Other					7.6
Managerial or Administrative					13.9
Scientific and Technical – Non-professional					20.9
Skilled Trades					8.4
Professional, scientific, technical and managerial sub-total:					69.8
Sales, Service, Clerical					9.1
Semi-Skilled / Labourer					16.7
Other					4.4
				Total:	100.0
Highest Level of Education attained by Employees:					
					%
Less than High School					3.7
High School					4.5
Trades / Other Non-university					7.5
University Certificate (below bachelor)					3.7
Bachelor's					47.0
Diploma (above bachelor)					6.0
Medical					0.9
Master's					10.1
Doctorate					16.6
Graduate degree sub-total:					26.7
				Total:	100.0

The Canada Foundation for Innovation – Support sub-program (CFI-SP) is intended to help western universities and colleges compete for funding awards from the CFI. Anecdotal evidence suggests that this is a popular program – once past the Letter of Intent stage, proposals take a fair amount of time and effort to prepare. Figure 26 compares total CFI grants awarded in each of the four western provinces since the program began, with the amount of funding assistance provided by WDP. No attempt has been made to reconcile actual grants to specific WDP funding, however, so a direct linkage (‘leverage’) between the two categories of funding cannot be asserted. Nevertheless, levels of WDP funding and applications to the Foundation have been rising each year in all provinces, as have CFI awards. It is fair to say that CFI-SP is achieving its stated objective to the extent that it has been a catalyst for the increase in activity.

Figure 26: CFI Grants and WDP Funding Support, 1999 to 2002
CFI Summary of Projects Funded to November 29, 2002; WD Project Database



4.4 Impacts

EVALUATION ISSUE	SUCCESS
EVALUATION QUESTION	<p>What has WDP’s impact been regarding a stronger innovation system; developing and expanding the business sector; increased investment in strategic federal / regional priorities; and generating a better understanding of western Canada’s needs, opportunities and aspirations?</p>

The Macleod Institute has assessed WDP program impacts corresponding to the intermediate Outcomes stipulated in the Evaluation Logic Model – New Skills, New Products and Technology, New Markets, Expert Communities, Knowledge Infrastructure and Policy Framework (Figure 15, page 36). The Evaluation Question as written above appears in WDP’s current RMAF; it has been retained in order to provide subsequent readers with a point of common reference.

4.4.1 New Skills

Human capital is more than simply the level of employment or the number of people in the labour force; it is intricately bound up with the knowledge, skills, and attitudes of the population as well as their ability and willingness to engage in lifelong learning. Conference Board, *Performance and Potential (2002-2003)*, page 27.

Investing in skills development is a strategic activity from an economic diversification and development perspective. Roughly 12% of Strategic Initiatives and Special Projects funding has been deployed in this field (Figure 22, page 47). Investments have taken a variety of forms over the past seven years, ranging from small contributions in aid of single seminars; through mid-range support for curriculum development, career development and training programs; to larger projects funding internship programs and training infrastructure. Some examples are highlighted in Figure 27 on the next page.

Figure 27: Examples of Skills Development Projects

Seminars	<ul style="list-style-type: none"> • National Research Council / Canadian Aboriginal Science and Engineering Association symposium on careers in science and technology, engineering and entrepreneurship • Aboriginal Leadership Institute training in government leadership and economic development
Curriculum Development / Training Modules	<ul style="list-style-type: none"> • University of Alberta / Harbin Institute of Technology (China) interdisciplinary courses in Canadian Studies • Develop program for industry-based pre-employment training in transportation and warehousing sectors • Pilot project for a mentoring and professional development program for the Alberta television and film industry • Undergraduate and graduate level curriculum to teach management of intellectual property assets
Career Development / Training Programs	<ul style="list-style-type: none"> • Post-graduate program leading to a Master's of Software Technology (MOST). Courses are designed in modular format to enhance SME participation • Tourism training system for western and northern Canada • Two-year environmental education and training program delivered by the Centre for Indigenous Environmental Resources • Careers: the Next Generation – a community-based program to prepare youth for careers in the trades and technical disciplines • Urban Youth Entrepreneurship Initiative to enhance business skills of disadvantaged youth
Internship Programs	<ul style="list-style-type: none"> • WestLink Technology Commercialization Internship Program – two-year internships for 20 interns to develop commercialization and technology management skills
Training Infrastructure	<ul style="list-style-type: none"> • New building at the Saskatchewan Indian Federated College, the only First Nations university accredited by the Association of Universities and Colleges of Canada (AUCC) • Renovation of a Lifeskills Centre to provide pre-employment skills in Vancouver's Downtown Eastside • Prairie Adaptation Research Partnership training farm • First Nations Computer Repair Centre established with Saskatoon Tribal Council / Industry Canada / SK Technology Renewal and other partners

In addition, ITPP and FJST provide employment opportunities for recent graduates. Although these programs are primarily focused on helping SMEs develop international markets and adopt new technologies, a spin-off benefit is their contribution to the employees' skills and career development.

To assess the impact of WDP’s skills development projects, the Macleod Institute asked respondents to the Client/Partner Census whether the project would have proceeded without WDP funding. In the event that the project would have proceeded without WDP funding, respondents were asked about incremental impacts of the funding.

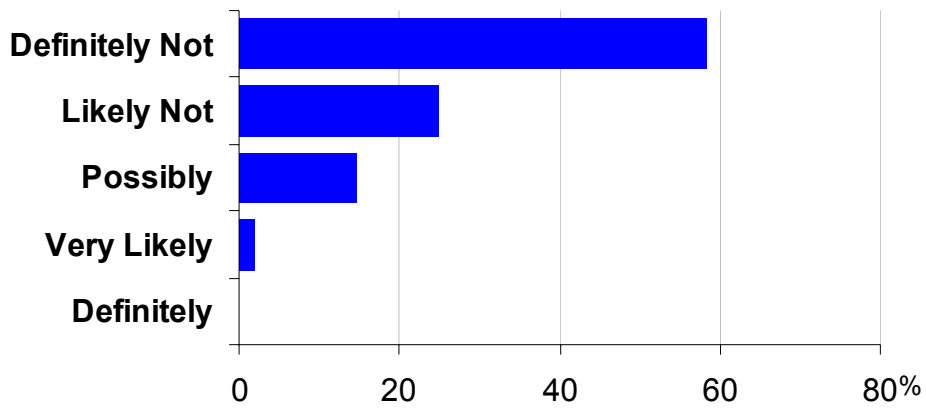
A sub-set of the Census data was created in order to sharpen the focus on skills development projects. The sub-set included all respondents who self-selected addressing skill gaps as one of their project objectives, together with respondents whose projects were primarily directed to skills development as identified by the Macleod Institute in its review of detailed project descriptions in WD’s database. Out of a total 238 respondents, 48 fit within these categories, most of whom were non-profit organizations with fewer than 50 employees (Figure 28). Nearly three-quarters reported that less than 50% of their total project funding came from WDP and almost all (93.5%) received non-repayable contributions.

Figure 28: Profile of Respondents associated with Skills Development
Client/Partner Census, Q1 to Q9

Organizational Profile			Project Funding Profile			
Type	Non-profit	62.5	Government sources	... of total project funds	% WDP	% All Gov'ts
	Post-sec'y. institution	20.8		< 10%	14.6	2.2
	Hospital	4.2		10 – 24%	18.8	4.3
	For-profit	18.3		25 – 49%	39.6	21.7
	Gov't – provincial	2.1		50 – 74%	6.3	26.1
	Gov't – municipal	2.1		75 – 99%	16.7	39.1
Size		%	Funding partners other than WD	... number of projects having	%	
	<10 employees	37.5		Private investors	52.1	
	10 – 49 employees	39.6		Own source	54.2	
	50 – 99 employees	4.2		Gov't – federal	47.9	
	> 100	18.7		Gov't – provincial	60.9	
Years in operation		%	Gov't – municipal	20.8		
	< 10 years	50	Gov't – Aboriginal	10.4		
	> 10 years	50	Fundraising / donations	31.3		
			Charitable organization	8.3		

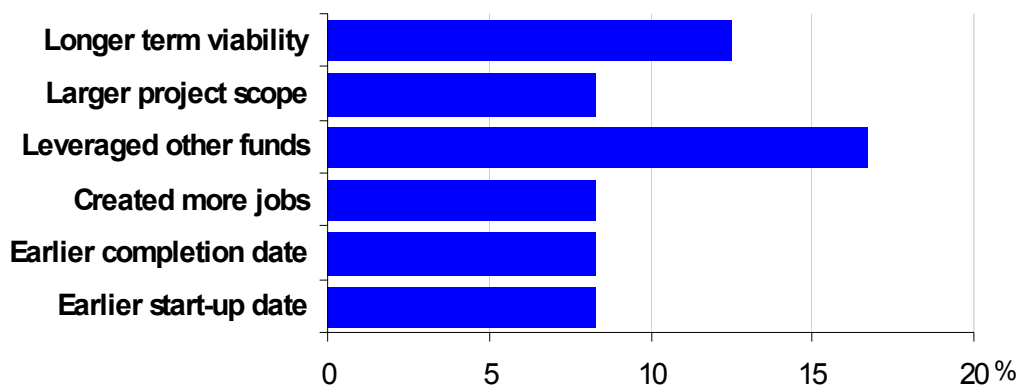
Overall, 83.3% of the projects associated with skills development would not, or likely would not, have proceeded without WDP funding (Figure 29).

Figure 29: Skills Development: Likelihood of Projects Proceeding without WDP Funds
Client/Partner Census, Q13



Of the projects that possibly or very likely would have proceeded without WDP funding, respondents reported that longer term project viability and funding leverage were the two biggest incremental impacts provided by WDP support (Figure 30).

Figure 30: Skills Development: Incremental Impacts of WDP Funding
Client/Partner Census, Q14



4.4.2 New Products and Technology

Many Canadian firms are developing and successfully commercializing new or significantly improved products and services ... many more are adopting innovations, be they new technologies or improved business practices, which embody the latest thinking from markets around the world. *Innovation Strategy*, page 34.

Product development (including technology commercialization)⁴ is an important element of economic diversification, and adoption of best-in-class product or process technologies is a key to improving or maintaining global competitiveness. Almost 40% of Strategic Initiatives and Special Projects funding has been invested in product development, technology commercialization, and technology adoption since 1995 (Figure 22, page 47). In addition, First Jobs in Science and Technology (FJST) has been in place since 1997 to help SMEs enhance their competitive positions through technology adaptation and adoption.

WD has compiled a diverse portfolio of investments over the years. Several projects involved tourism, cultural and public facilities, considered to be 'new products' since they were developed as economic drivers to generate local or regional employment and income. Other projects helped develop or demonstrate the next generation of products and technologies, many of which built on the strengths of traditional industries. In addition, industry alliances were supported as critical components of the development process. In the realm of technology adoption, WDP was used to facilitate investment in machinery, equipment and software applications. Figure 31 (on the next page) is a short list of projects by way of illustrating activities relating to new products and technology.

⁴ The dividing line between knowledge creation and knowledge utilization lies somewhere in the middle of the technology commercialization process. The *Innovation Strategy* avoids having to draw any line at all by addressing everything as part of what it calls the Knowledge Performance Challenge. The Macleod Institute has chosen to group product development and commercialization activities, along with technology adoption, under one heading (section 4.4.2, New Products and Technology) to emphasize their affinity with commercial enterprise. Research and other activities or investments closer to the pre-commercial end of the spectrum are discussed in section 4.4.5, Knowledge Infrastructure.

Figure 31: Examples of Product and Technology Development Projects**New Products and
Technology**

- Feasibility study for Aboriginal cultural and eco-tourism destination with a hub in Prince Albert, and coordinated 'loop tours' to neighbouring First Nation attractions
- Technology demonstration site at the Royal University Hospital, partnered by the Western College of Veterinarian Medicine and the University of Saskatchewan
- Capital start-up costs for a Digital Cerenkov Viewing Device under contract with the Atomic Energy Control Board
- Feasibility study for Town of Wakaw canal construction to create a tourism destination linking the town with a nearby lake

**Technology
Commercialization**

- New Media Innovation Centre (NewMIC) Human Computer Interface (HCI) Laboratory which provides facilities for iterative prototyping and usability testing on multiple platforms and networks
- TRILabs pilot project to establish a system of open wireless test beds
- WestLink pilot program in technology bundling focused on the medical devices sector
- Olds College Centre for Innovation micro-processing facility used to develop new products from crops
- Pilot project to demonstrate and encourage commercialization of promising hog waste management technologies in western Canada
- Virtual Reality Research and Innovation Centre to give Manitoba industry a visualization tool to improve product design

**Technology
Adoption**

- Pilot test at 3 long-term care facilities to integrate MDS software with wireless Personal Digital Assistants working from an off-site central server located at Saskatchewan Health
- Feasibility study for City of Saskatoon 50 MW co-generation plant. Partners included Hitachi Canadian Industries and Mitchell's Gourmet Foods
- Purchase of new GIS, EM Survey and GPS technologies to prepare resource-based plans for five Manitoba rural municipalities
- Implementation of an extranet for Aboriginal economic development officers in western Canada, delivered through the Council for the Advancement of Native Development Officers

The impact of WDP’s product and technology development projects was assessed by determining whether the project would have proceeded without WDP funding. If Client/Partner Census respondents indicated that the project would have proceeded in any event, they were asked to identify incremental impacts of the funding from WDP.

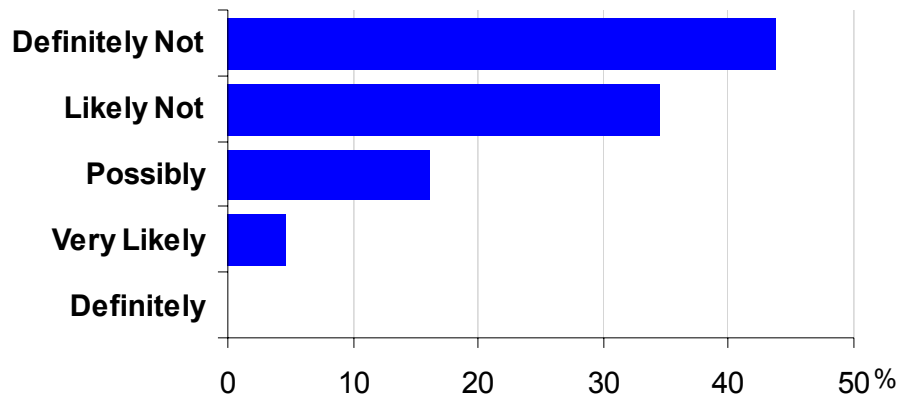
A sub-set of the Census data was created in order to provide a more precise impact assessment regarding product and technology development projects. The sub-set included all respondents who self-selected one or more of the following categories as being germane to their project: support technology commercialization; steps in the commercialization process; new infrastructure; improved productivity and improved community productivity. Out of a total 238 respondents, 88 selected these categories, most of whom were non-profit organizations with fewer than 50 employees (Figure 32). Three-quarters reported that between 10 and 75% of project funding came from WDP and approximately 10% received fully repayable contributions.

Figure 32: Profile of Respondents associated with Product and Technology Development
Client/Partner Census, Q1 to Q9

Organizational Profile			Project Funding Profile			
Type	Non-profit	54.0	Government sources	... of total project funds	% WDP	% All Gov'ts
	Post-sec'y. institution	18.4		< 10%	8.0	1.2
	Hospital	2.2		10 – 24%	23.0	4.8
	For-profit	14.9		25 – 49%	35.6	27.4
	Gov't – federal	1.1		50 – 74%	17.2	25.0
	Gov't – provincial	1.1		75 – 99%	12.6	29.8
	Gov't – municipal	5.7		All	3.4	11.9
	Gov't – Aboriginal	1.1				
Size		%	Funding partners other than WD	... number of projects having	%	
	<10 employees	33.0		Private investors	51.1	
	10 – 49 employees	11.7		Own source	53.4	
	50 – 99 employees	3.5		Gov't – federal	60.2	
> 100	18.9	Gov't – provincial		44.3		
Years in operation		%		Gov't – municipal	22.7	
	< 10 years	53		Gov't – Aboriginal	3.4	
	> 10 years	47		Fundraising / donations	18.2	
				Charitable organization	6.8	

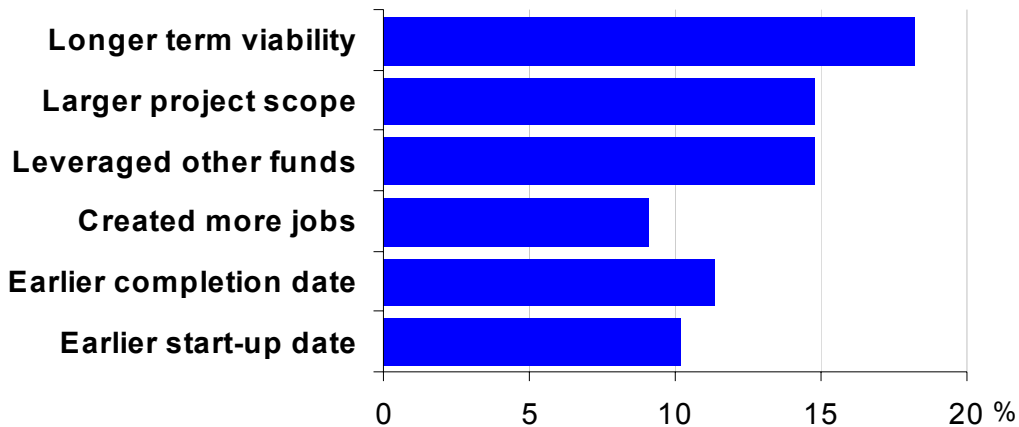
Overall, 78.2% of the projects associated with product and technology development would not, or likely would not, have proceeded without WDP funding (Figure 33).

**Figure 33: Product and Technology Development:
Likelihood of Projects Proceeding without WDP Funds**
Client/Partner Census, Q13



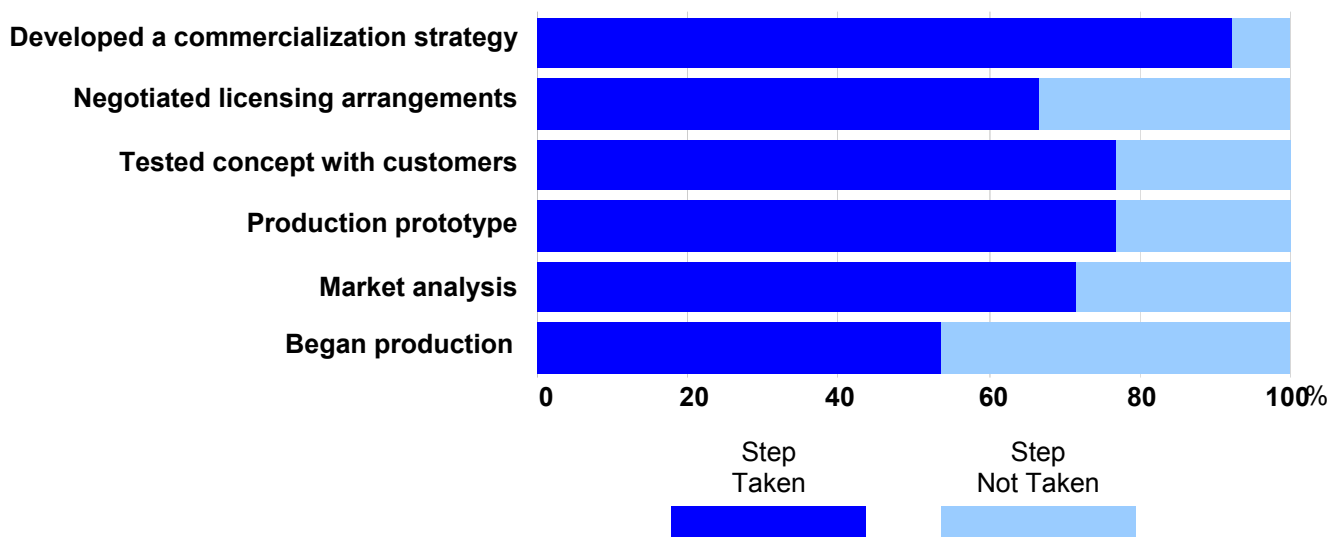
Of the projects that possibly or very likely would have proceeded without WDP funding, respondents reported that longer term project viability, larger project scope and funding leverage were the three biggest incremental impacts provided by WDP support (Figure 34).

Figure 34: Product and Technology Development: Incremental Impacts of WDP Funding
Client/Partner Census, Q14



Respondents were also asked if they had taken any steps to commercialize new products or technologies. Only 13 of 88 respondents replied in the affirmative (seven non-profit, three post-secondary institutional and three for-profit organizations). Nearly all 13 had prepared a commercialization strategy and followed through most of the next steps, although only eight organizations arranged licensing agreements and just half went to full production (Figure 35).

Figure 35: Commercialization Steps Taken by 13 Respondents
Client/Partner Census, Q24



4.4.3 New Markets

Productivity driven economic growth requires a number of ingredients, including ... market development. OECD, *Territorial Report on Canada 2002*, page 153.

Approximately 22% of the funding associated with Strategic Initiatives and Special Projects has been invested in market development activities (Figure 22, page 47). In addition, the International Trade Personnel Program (ITPP) aims to increase SME international competitiveness. Market development assistance includes creating marketing tools, supporting industry alliances, and facilitating workshops, conferences and trade shows. Figure 36 on the next page lists several examples of market development projects.

Figure 36: Examples of Market Development Projects**Marketing
Tools**

- Alberta Aerospace Association Capabilities Directory for members' use in promotional activities (updated annually)
- VIATeC industry profiles defining capabilities and scope of energy industry expertise on Vancouver Island
- Website development to showcase new media companies and their products through the Manitoba Corporation for Enabling Technologies
- Pacific Corridor Enterprise Council video and CD-ROM to educate SMEs regarding required documentation for cross-border movement of people and goods

**Marketing
Alliances**

- Saskatchewan Advanced Technology Association to develop and implement procurement related activities in the Canadian Light Source (CLS)
- Consortium of western Canadian value-added building product manufacturers to improve export readiness. An R-2000 Barrier Free pre-fab exhibit house in Winnipeg helps showcase the industry
- Deep Ocean Telepresence Alliance to jointly market world-class deep water scientific submersible consulting expertise and products
- Western Aerospace Marketing Alliance to pursue national and international business opportunities

**Workshops,
Conferences and
Trade Shows**

- Training sessions for Okanagan SMES to gain contracts with the MASSH sector (municipal, academic, social services and hospital), a market they have not traditionally accessed
- Assistance to feature Companion (a COBOL based report writer for corporate use) at international computer trade shows in Europe and the US, and during site visits to potential distributors and customers
- Destinations Canada Ouest coordination of francophone entrepreneurs' participation in Affaires 2001 (Mondial des Ameriques), an event for francophone businesses in North and South America
- 16th World Petroleum Congress, hosting 3,000 delegates from over 80 countries (the first time the world-class event has been held in Canada)
- Pan Pacific Hazards '96, an international conference and trade show on earthquakes, tsunamis and volcanoes
- "Uniquely Canadian" branding and participation in trade shows to feature crafts and creative arts producers in western Canada

The impact of WDP's market development projects was assessed in part by determining whether the project would have proceeded without WDP funding, and if so, what incremental impacts were reported by clients and partners. In addition, Census respondents were asked to specify whether they had increased sales in Canada and abroad.

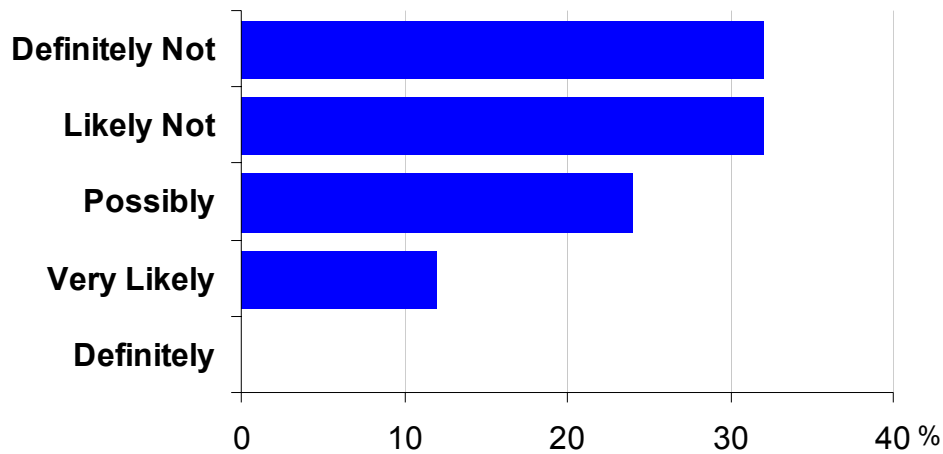
A sub-set of the Census data was created to evaluate market development impacts. The sub-set included all respondents who self-selected one or more of the following project objectives: success in Canadian, provincial or international markets; government contracts; new or enhanced business; and increased foreign investment. Out of a total 238 respondents, 25 agreed that these were project objectives. About one-third reported for-profit status, but the majority were non-profit organizations and 48% reported fewer than 50 employees (Figure 37). Funding from WDP represents between 25 and 50% for almost one-half of the projects. Five organizations received fully repayable contributions.

Figure 37: Profile of Respondents associated with Market Development
Client/Partner Census, Q1 to Q9

Organizational Profile			Project Funding Profile			
Type	Non-profit	54.2	Government sources	... of total project funds	% WDP	% All Gov'ts
	Post-sec'y. institution	8.3		< 10%	4.0	0
	Hospital	4.2		10 – 24%	20.0	4.2
	For-profit	29.2		25 – 49%	44.0	29.2
				50 – 74%	20.0	33.3
		75 – 99%		8.0	33.3	
			All	4.0	0	
Size		%	Funding partners other than WD	... number of projects having	%	
	<10 employees	47.8		Private investors	60.0	
	10 – 49 employees	26.0		Own source	48.0	
	50 – 99 employees	4.3		Gov't – federal	56.0	
	> 100	17.3		Gov't – provincial	36.0	
Years in operation		%		Gov't – municipal	4.0	
	< 10 years	76		Gov't – Aboriginal	4.0	
	> 10 years	24		Fundraising / donations	4.0	
				Charitable organization	4.0	

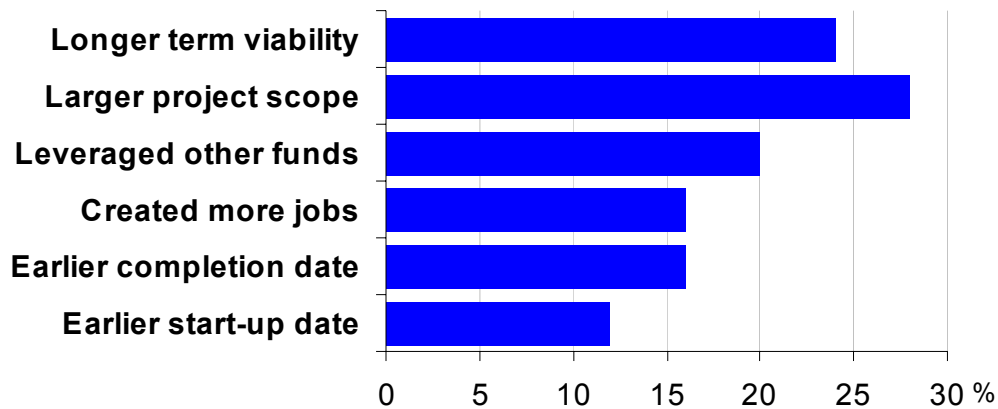
Overall, 64% of the projects associated with market development would not, or likely would not, have proceeded without WDP funding (Figure 38).

Figure 38: Market Development: Likelihood of Projects Proceeding without WDP Funds
Client/Partner Census, Q13



Of the projects that possibly or very likely would have proceeded without WDP funding, respondents reported that longer term project viability and larger project scope were the two biggest incremental impacts provided by WDP support (Figure 39).

Figure 39: Market Development: Incremental Impacts of WDP Funding
Client/Partner Census, Q14



Three-quarters of the clients and partners reported an increase in domestic sales, but only half that number indicated that export sales had increased. Very few organizations quantified the sales increases. This lack of detailed reporting likely reflects the fact that WDP market development funds were primarily disbursed to trade associations or marketing alliances, rather than directly to businesses. Of the six respondents who put a value on domestic sales increases, two specified incremental sales worth between \$75,000 and \$150,000; two said sales increased by between \$500,000 and \$1 million; and two reported sales of more than \$1 million. Two organizations stipulated export sales increases (one between \$100,000 and \$150,000; and the other between \$500,000 and \$1 million).

4.4.4 Expert Communities

There is a general recognition that large urban centres are key drivers of the new economy. Large 'metros' are the gateways to the global economy, the primary recipients of international immigration, the site for research universities, the hubs of the non-profit sector, and the principal location of the arts and culture communities that play an increasingly important role in the recruitment and retention of highly mobile individuals and firms. In many respects, the story of the new, knowledge-based economy is the story of metropolitan centres and increasing competition among them. The focus on the growing role of major metropolitan centres need not preclude policy attention to the smaller cities found across western Canada. Such cities are often important centres of growth and provide critically important infrastructure linkages to the resource-based economy. Canada West Foundation, *Building the New West* (2001), page 18.

Community development has taken on a new meaning in the lexicon of economic developers. When the OECD conducted its *Territorial Review of Canada* in 2002, it concluded that the country can be divided into three main areas – the core (“predominately ... a limited number of metropolitan regions and their surroundings”), rural regions, and the northern part of provinces and the territories (pages 49 and 50).⁵ Its analysis of regional economic development was organized around these three themes.

⁵ OECD also said “an additional criterion distinguishes western and eastern Canada. Indeed, with its heavily concentrated population settlements, the Saint Lawrence Valley contrasts starkly with the central and western parts of the country where there are only a few metropolitan centres, the most important being Vancouver, Victoria, Edmonton, Calgary, Saskatoon, Regina, and Winnipeg.”

WD's mandate was specifically directed to community economic development in 1995 (*Press Release*, page 1). The terminology used at the time still reflected traditional views. A Backgrounder to the Press Release described community economic development as "coordination of economic development in smaller communities" and expressly designated the Community Futures program and Women's Enterprise Centres as the vehicles through which development activities would be delivered. Urban centers were mentioned almost as an afterthought, saying that WD would help them by coordinating federal/provincial/municipal activities, which no doubt was a reference to the then new cost-shared infrastructure program.

More recently, the department has become increasingly involved with metropolitan areas. Urban Development Agreements, Western Economic Partnership Agreements and specific regional economic adjustment allocations (Red River Flood Protection, for instance) have funded the lion's share of these activities. However, WDP has also been deployed to address urban priorities, and roughly 12% of Strategic Initiatives and Special Projects funding has been invested in community capacity projects (Figure 22, page 47). Figure 40 briefly outlines a few of the larger investments.

Figure 40: Examples of Community Capacity Projects

- | | |
|------------------|---|
| Vancouver | <ul style="list-style-type: none">• Vancouver's Downtown Eastside (DTES) strategy is based on a 5-year (unfunded) agreement addressing health and safety; economic and social development; and local community capacity building. WD (partly through WDP), the government of BC and the City of Vancouver have all committed approximately \$2 million to the initiative. |
| Edmonton | <ul style="list-style-type: none">• The Edmonton Economic Development Initiative (EEDI) is designed to support long term sustainable economic development in the city and surrounding region. Accomplishments include the Edmonton Capital Region Innovation Centre, the aim of which is to increase commercialization; an 'innovation centre' located at the Edmonton Waste Management Centre; and the Edmonton Competitiveness Strategy. WDP's commitment is \$1.5 million . |
| Calgary | <ul style="list-style-type: none">• Calgary Inc. conducted an extended strategic planning exercise (C-Prosperity Initiative) to design and implement a sustainable competitive intelligence system for the metropolitan region. The strategy is grounded in a cluster analysis which focuses attention on the logistics and transportation, food, ICT, tourism and energy industries. Measurable indicators are being developed to benchmark the region and promote its advantages nationally and internationally. WDP disbursed \$650,000 on the strategy. |

Figure 40: Examples of Community Capacity Projects (continued)

- Winnipeg**
 - The Winnipeg Development Agreement (WDA) is a \$75 million, 5 year tri-partite commitment to support the city's economic development. Areas of focus include community development and security, labour force development, and strategic and sectoral investments. The WDA expired in 2001.

- Saskatchewan**
 - CommunityNet is a \$75 million initiative to extend a high-speed Internet communications network to educational, health, libraries, governmental and First Nations facilities across the 350 communities. Funded is led by the Saskatchewan government and SaskTel.

The impact of WDP's community capacity projects was assessed by asking Client/Partner Census respondents to indicate whether the project would have proceeded without WDP funding. If they answered that it would have proceeded, WDP's incremental impacts were identified.

A sub-set of the Census data was created to evaluate community capacity impacts. The sub-set included all respondents who self-selected strategies for community competitiveness, improved community productivity and capacity for economic adjustment as relevant project objectives. Out of a total 238 respondents, 72 fell within this category. All but 8% identified themselves as non-profit or public sector organizations and about three-quarters reported having fewer than 50 employees (Figure 41). WDP funding accounts for between 10 and 50% of the majority of projects. Four organizations received fully repayable contributions.

Figure 41: Profile of Respondents associated with Community Capacity
Client/Partner Census, Q1 to Q9

Organizational Profile			Project Funding Profile			
Type		%	Government sources	... of total project funds	% WDP	% All Gov'ts
				< 10%	13.9	1.5
	Non-profit	58.3		10 – 24%	19.4	6.0
	Post-sec'y. institution	15.3		25 – 49%	34.7	16.4
	Hospital	1.4		50 – 74%	9.7	23.9
	For-profit	8.3		75 – 99%	15.3	46.3
	Gov't – federal	0		All	6.9	6.0
	Gov't – provincial	8.3				
	Gov't – municipal	8.3				
	Gov't – Aboriginal	0				

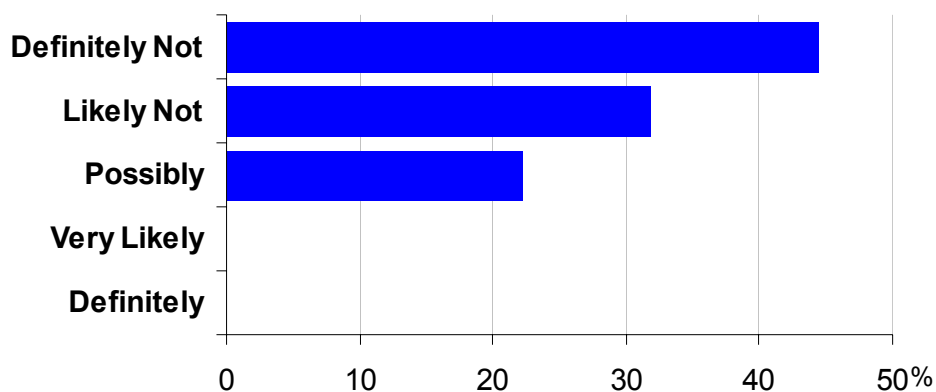
Figure 41: Profile of Respondents associated with Community Capacity (continued)
Client/Partner Census, Q1 to Q9

Organizational Profile			Project Funding Profile		
Size	<10 employees	38.2	Funding partners other than WD	... number of projects having	%
	10 – 49 employees	33.8		Private investors	59.7
	50 – 99 employees	2.9		Own source	51.4
	> 100	25.0		Gov't – federal	68.1
Years in operation	< 10 years	74		Gov't – provincial	33.3
	> 10 years	36		Gov't – municipal	27.8
				Gov't – Aboriginal	5.6
				Fundraising / donations	15.3
				Charitable organization	6.9

The reported size and years of operation for responding organizations reflected the fact that respondents were asked to report on their own organizational unit, and not the larger corporate entity if they belonged to a major institution or government.

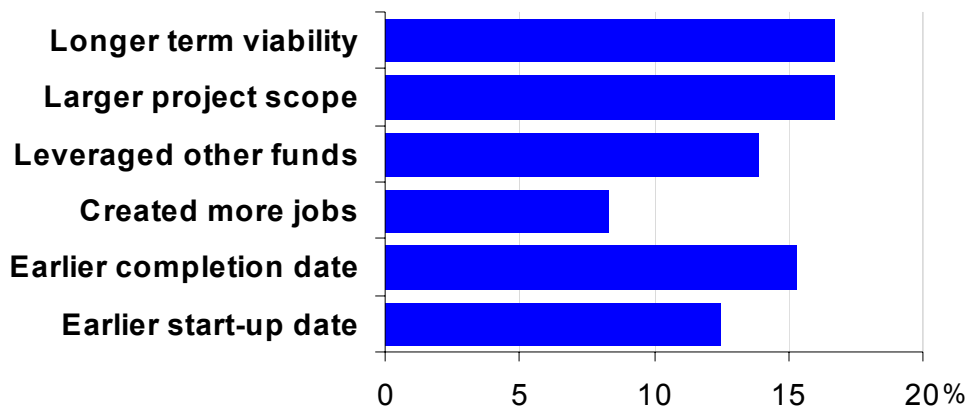
Overall, 76% of the projects associated with community capacity would not, or likely would not, have proceeded without WDP funding (Figure 42).

Figure 42: Community Capacity: Likelihood of Projects Proceeding without WDP Funds
Client/Partner Census, Q13



Of the projects that possibly would have proceeded without WDP funding, respondents reported that longer term project viability, larger project scope and earlier completion date were the three biggest incremental impacts provided by WDP support (Figure 43 on the next page).

Figure 43: Community Capacity: Incremental Impacts of WDP Funding
Client/Partner Census, Q14



4.4.5 Knowledge Infrastructure

An upgrading economy demands a steadily rising level of technology. Improvements in technology, broadly defined, are integral to improving efficiency, commanding higher prices through better quality, and penetrating new industries and segments, the underpinnings of productivity growth. Stimulating improvements in science and technology is a widely acknowledged role of government. Michael Porter, *The Competitive Advantage of Nations* (1990), pages 630 – 631.

WDP's 1988 Terms and Conditions specifically mandated funding assistance for R&D, and the program has consistently included support for research and associated activities. Over the past seven years, Strategic Initiatives and Special Projects have devoted about 17% of the total monies disbursed to investments in what the department now calls knowledge infrastructure (Figure 22, page 47). Research platforms, clusters and conferences feature as the core elements of the department's activities, as described in Figure 44 on the next page. In many cases, funding for these projects came from Western Economic Partnership Agreements, but WDP has contributed to smaller enabling projects which facilitated the major investments.

Figure 44: Examples of Knowledge Infrastructure Projects**Research Platforms and Clusters**

- Purchase of Gene Array Facility by Genome BC/Vancouver General Hospital to provide a platform technology necessary for major research
- The Canadian Light Source (CLS) Inc. will be Canada's national facility for synchrotron light research and is one of only a handful of "third-generation" synchrotrons in the world. A piece of Saskatchewan prairie the size of a football field is being turned into a "field of beams" that acts as a "super microscope". Both scientists and industry can use this platform to help design new drugs, examine the structure of surfaces for developing more effective motor oils, build more powerful computer chips, and help with clean-up of mining wastes, among other possibilities
- CCIT, located at the University of Calgary, is designed to facilitate a collaborative approach to research for dealing with engineering problems of the 21st century. It possesses specialized laboratory equipment essential for multidisciplinary research in advancing technology and maintaining sustainable development
- Part of the Medical Technologies Innovation Initiative in Western Canada, an integrated medical technologies cluster centred in Manitoba focuses on diagnostic and medical instrument technologies. A major new research initiative in the field of degenerative disorders associated with aging is an element of this initiative
- MSTRl supports pre-commercial research in micro-detection devices, bio-analytical instruments, health and diagnostics equipment, sensors, and micro-fluidic devices. Researchers undertake projects of a more fundamental nature based on these platform technologies. MicroFab, a key component, contains state of the art equipment that enables researchers to fabricate new micro-devices. It is a unique open-access facility available to academics and industry across Canada
- Major research advances in genomics, proteomics and other biological disciplines generate large quantities of data. The new area of bioinformatics has developed, using computer science to manipulate the data. The Canadian Bioinformatics Resource (CBR) is a network of National Research Council Institutes and associated not-for-profit research organizations across Canada that share resources and advance the field of bioinformatics. This project upgraded computing capability at the University of Calgary and at three western NRC institutes

Research Conferences, Forums etc.

- A series of research workshops to develop a strategic vision of what health research should resemble over the next five-year timeline
- Consultations to engage key stakeholders and decision-makers and build a base of support for a pan-Western strategy on health research and economic development

To assess the impact of WDP's knowledge infrastructure projects, the Macleod Institute asked respondents to the Client/Partner Census whether their project would have proceeded without WDP funding. In the event that the project would have proceeded anyway, respondents were asked about incremental impacts of the funding.

A sub-set of the Census data was created to evaluate knowledge infrastructure impacts, for the purpose of focusing results. The sub-set included all respondents who said they had conducted scientific and technical research; had applied for Records of Invention or patents; or whose project objectives included infrastructure for innovation; increased R&D; or build linkages and synergies. Out of a total 238 respondents, 113 fell within this category. The majority were non-profit or post-secondary institutions and three-quarters had fewer than 50 employees (Figure 45). WDP funding accounts for between 25 and 50% of over one-third of the projects, and one out of every eight reported 100% funding from government sources. Almost 90% received non-repayable contributions.

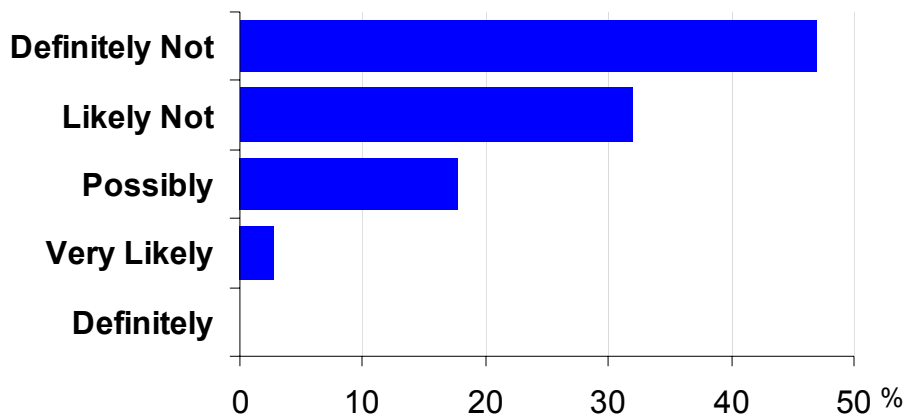
Figure 45: Profile of Respondents associated with Knowledge Infrastructure
Client/Partner Census, Q1 to Q9

Organizational Profile			Project Funding Profile			
Type	Non-profit	57.0	Government sources	... of total project funds	% WDP	% All Gov'ts
	Post-sec'y. institution	19.6		< 10%	14.2	0.9
	Hospital	2.7		10 – 24%	18.6	4.6
	For-profit	8.9		25 – 49%	35.4	22.2
	Gov't – federal	0.9		50 – 74%	14.2	23.1
	Gov't – provincial	4.5		75 – 99%	14.2	36.1
	Gov't – municipal	6.3		All	4.4	13.0
	Gov't – Aboriginal	0				
Size		%	Funding partners other than WD	... number of projects having	%	
	<10 employees	36.7		Private investors	53.1	
	10 – 49 employees	39.4		Own source	54.0	
	50 – 99 employees	2.8		Gov't – federal	42.5	
	> 100	19.2		Gov't – provincial	64.6	
Years in operation		%	Gov't – municipal	22.1		
	< 10 years	69	Gov't – Aboriginal	4.4		
	> 10 years	31	Fundraising / donations	20.4		
			Charitable organization	7.1		

The relatively high proportion of small, young organizations is likely due to respondents reporting organizational sub-units (as requested) rather than the umbrella institutions to which they belonged.

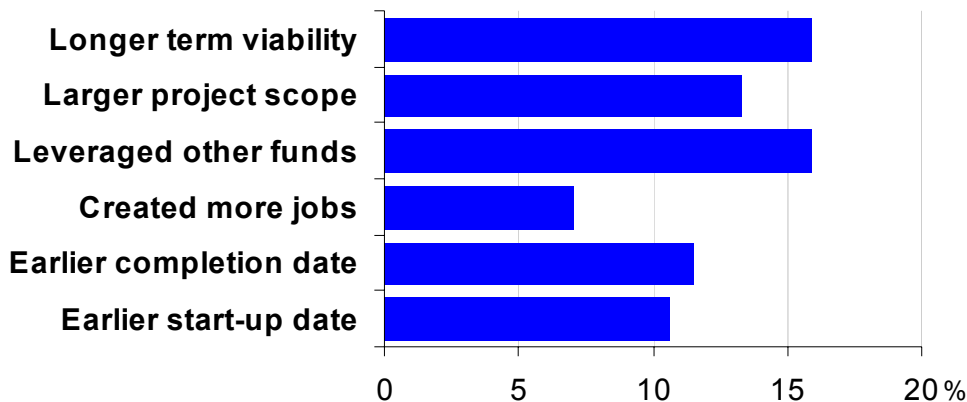
Overall, 79% of the projects associated with knowledge infrastructure would not, or likely would not, have proceeded without WDP funding (Figure 46).

**Figure 46: Knowledge Infrastructure:
Likelihood of Projects Proceeding without WDP Funds**
Client/Partner Census, Q13



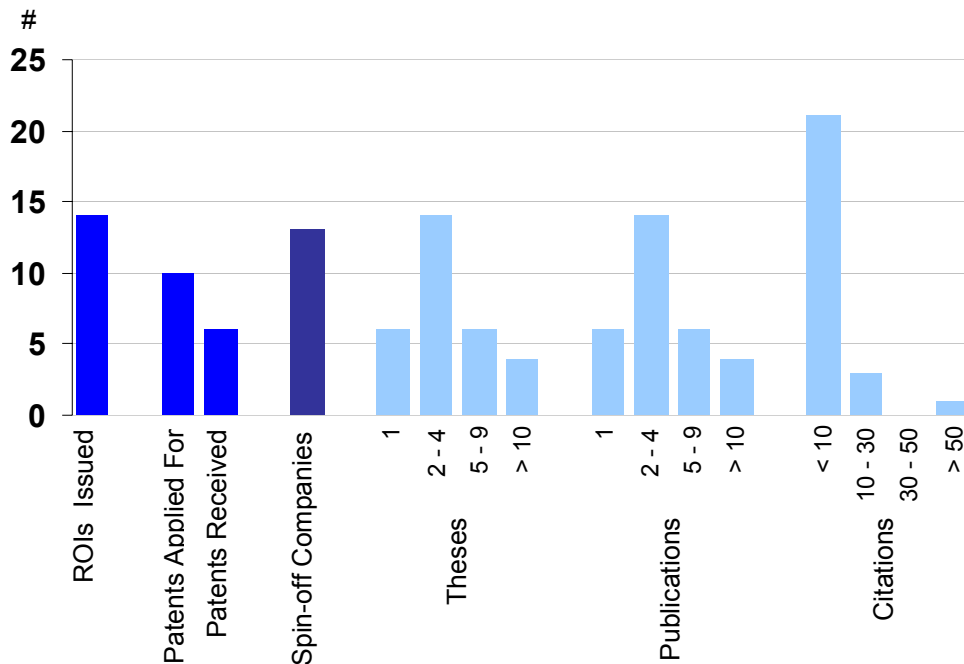
Of the projects that possibly or very likely would have proceeded without WDP funding, respondents reported that longer term project viability, larger project scope and leveraged other funds were the three biggest incremental impacts provided by WDP support (Figure 47).

Figure 47: Knowledge Infrastructure: Incremental Impacts of WDP Funding
Client/Partner Census, Q14



As another measure of impact, the Client/Partner Census also asked about Records of Invention and patents applied for and received; spin-off companies; and publications. Respondents associated with knowledge infrastructure provided the data summarized in Figure 48.

Figure 48: Knowledge Infrastructure: ROIs, Patents, Spin-offs and Publications
Client/Partner Census, Q20, Q22-23, Q27-29



Additional information is required before this level of activity can be put into any kind of meaningful context. Several factors need to be taken into account before reliable comparisons can be made regarding the 10 patent applications and six patents issued, for instance, including the total amount of R&D dollars invested in the projects that clients and partners reported on in response to Census questions; the specific number of individuals working on each project; and more precise data on the time frames involved. In general, however, it can be noted that the Canadian Intellectual Property Office received 1,383 applications for patents from western Canada in 2000 (roughly 28% of all Canadian patent activity), out of which 314 patents were granted (*Annual Report 2000-2001*, Table 12). In addition, R&D expenditures in Canada now total about \$20 billion each year (Industry Canada, *Investing in Excellence 1996-2001*, Table 1), meaning that on average five patents are issued for every \$100 million spent on R&D.

4.4.6 Policy Framework

One of government's most essential roles is signaling. It can influence how firms compete by identifying and highlighting the important priorities and challenges they face ... and can define issues of national importance. Michael Porter, *The Competitive Advantage of Nations* (1990), pages 681 – 682.

A primary motivation for creating WD in 1987/88 was foundational information and data. As stated in clause 6(e) of the *Western Economic Diversification Act*, the department was expected to “initiate, implement, sponsor, promote and coordinate policy research, policy development and economic analysis to support development and diversification of the economy of western Canada.” The OECD remarked on this fact in its recent report on Canada, noting that WD was intended to address the “lack of fundamental data about the important issues” which was widely believed to contribute to a lack of understanding about western Canadian needs, opportunities and aspirations (pages 105 – 106).

Since 1995, WDP has contributed approximately 1% from total Strategic Initiatives and Special Projects funds to socio-economic research (Figure 22, page 47). A few examples are provided in Figure 49. Most such projects took place in the last three years, and WD added the objective of “a better understanding of western Canada's needs, opportunities and aspirations” to WDP's *Terms and Conditions* in February 2002.

Figure 49: Examples of Socio-economic Research Projects

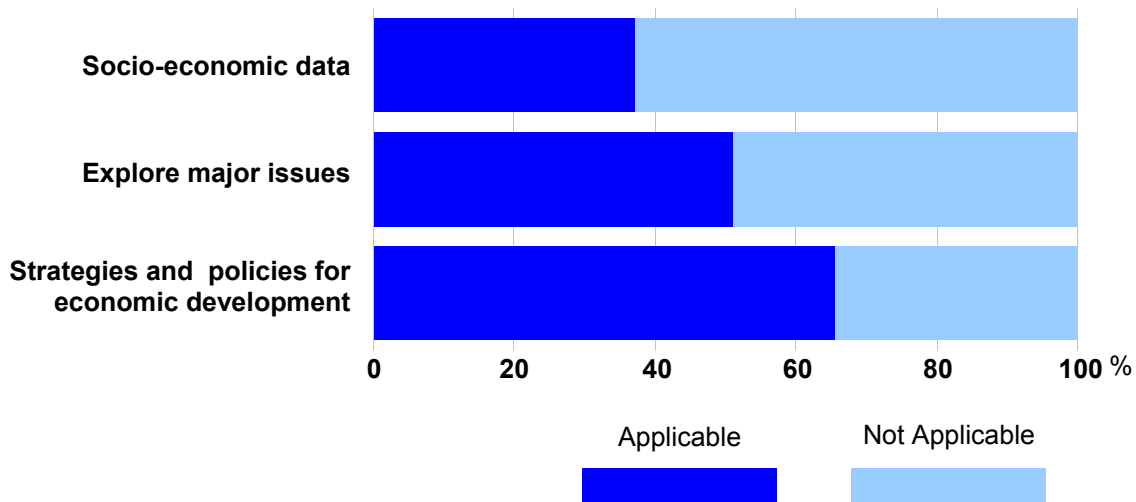
Socio-economic Research

- A series of research projects and conferences led by the Canada West Foundation. Publications to date include *Building the New West* and *State of the West* (1999-2002)
- Project Innovate – a diagnostic assessment of BC's key indicators regarding innovation and entrepreneurial, identifying and suggesting solutions for gaps in provincial performance (2001)
- A statistical report on the role and state of small businesses in western Canada by the Western Centre for Economic Research (2001)
- Contribution to a Longitudinal Aboriginal Mobility Study undertaken by the Institute of Urban Studies at the University of Winnipeg (2001-2002)
- In progress – a western Canadian version of *Performance and Potential* authored by the Conference Board of Canada (2002-2003)

To assess the impact of WDP's socio-economic research projects, the Macleod Institute asked respondents to the Client/Partner Census whether they used any of WD's research products (Census question 53). Only 47 responded to this question; 21 said yes and 20 said no (six answered not sure/not applicable).

Socio-economic data were not considered to be a relevant project objective for most of the organizations responding to the Census; respondents were more likely to regard major issues and economic development strategies as being germane (Figure 50). Asked whether their project had generated "any research related to socio-economic information about western Canada, or any major issues related to the western Canadian economy", 62 out of 225 (28%) respondents replied in the affirmative (Census question 49). These respondents were then asked whether their research had been published (Census questions 50 and 51). Two-thirds answered yes, the primary modes of publication being conference papers (11%) and Internet (10%).

Figure 50: Policy Framework: Objectives Applicable to Projects
Client/Partner Census, Q48



4.5 Unexpected Impacts

EVALUATION ISSUE	SUCCESS
EVALUATION QUESTION	Were there any unexpected or negative impacts?

Clients and partners, staff and key informants were all asked whether WDP had given rise to any unexpected or negative impacts – what happened as a result of WDP that was not anticipated? Positive and negative impacts were both reported, although most respondents emphasized beneficial outcomes. Highlights from the responses are summarized below.

4.5.1 Unexpected Impacts – Positive

The three most frequently mentioned positive impacts were increased collaboration and networking; enhanced reputation or opportunities for WDP clients; and increased strategic capacity at the community or regional level.

Increased Collaboration / Networking

Key informants particularly stressed the value of joint agreement and collaborative approaches to issues and initiatives. Their view was reinforced by clients and partners who mentioned collaboration as one of the most significant unexpected impacts that they had experienced. “Highly visible collaborative venture with six orders of government”, “increased connectivity between academic, investment, & private sector participants”, and “increased awareness of cooperation between bands and service providers to bands” were typical comments. WD staff agreed. “Increased co-operation amongst governments and with industry”, and “partnerships with major foreign companies, and commercialization of technologies” were both mentioned as positive unexpected impacts of the program.

Enhanced Reputation or Opportunities

Some clients said their expectations had been exceeded. For example, one respondent reported that increased aboriginal employment in trades and the use of technology was an unexpected, and welcome, side benefit of the project funded by WDP. Another client said his project had “generated interest of potential private sector partners not previously identified”, a comment that was echoed by several others.

Staff recognized this phenomenon as well: “The WDP is now frequently being used to lever more R&D funding from the private sector, federally supported research organizations, the provinces, and the private sector.” Enhanced reputation and status was another positive impact associated with WDP funding. “We became recognized as a national leader among other provincial organizations”, said one respondent, and another claimed “we now have an international reputation and have obtained further contracts to deliver [our product] on an international basis.” From a staff point of view, increased opportunity meant that other initiatives that support the department's priorities had been identified. Another said that “sometimes pilot projects will produce unexpected beneficial results such as innovations and spin-off ideas in other related areas.”

Increased Strategic Capacity at the Community or Regional Level

“International recognition of western Canada's advances in community capacity building” was the way one client characterized the unexpected benefits arising out of a WDP project. Cluster studies in particular were credited with helping to place a community on the forefront of economic development issues. Another client praised the benefits accruing from increased capacity among younger people by saying there was “more participation by youth than expected in terms of accepting leadership roles in communities.”

4.5.2 Unexpected Impacts – Negative

Very few negative impacts were articulated. Those that were tended to focus on resource issues. Several key informants regretted the lack of capacity to provide direct financial assistance to businesses, and the department's reduced budget capacity has caused concern because it raises uncertainty with regard to WDP's ability to fund priorities or follow through on long-term commitments. “Partnerships are hard to maintain without appropriate funding. It's much easier to influence when you bring dollars to the table.”

From the client's perspective, success can put a strain on the organization's normal resources. As one person said, “success stretched internal capacity to meet demand.” Resistance from the bureaucracy was also mentioned as a negative impact. The project “generated expectations on several public sector organizations, but they were not ready to consider change” was how one respondent expressed it.

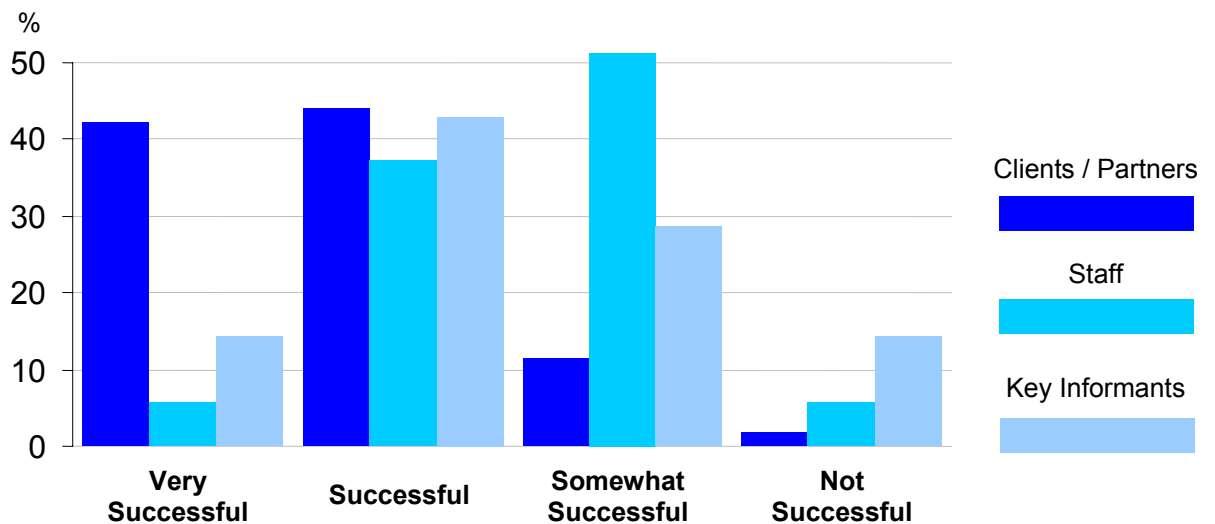
4.6 Achieving Overall Outcomes

EVALUATION ISSUE	SUCCESS
EVALUATION QUESTION	How successful was WDP in achieving overall outcomes?

Clients tended to be more generous than staff or key informants when asked to assess WDP's overall success (Figure 51). Support for WDP nevertheless far exceeded dissatisfaction for all three groups, although two key informants (i.e., 15% as shown in Figure 51) thought the program was not successful, largely on the grounds that it no longer provided direct business subsidies. Four staff members also commented that WDP's objectives are so broad (and subject to frequent reinterpretation) that success was hard to judge. When all was said and done, the total ratings for very successful, successful and somewhat successful equaled 98, 94 and 86% respectively.

Figure 51: Overall Success

Client/Partner Census, Q69; Staff Survey, Q21; Key Informants Interviews, Q19



Two recent reports on regional affairs tend to reinforce this finding of success. The *Harvard Report* was issued by the Prime Minister's Caucus Task Force on the Four Western Provinces in February 2000. After noting that economic development issues were at the top of the agenda for western Canadians, the chair (MP John Harvard) reported that "Western Economic Diversification has a good track record and continues to be the optimal vehicle for this activity" (page 14).

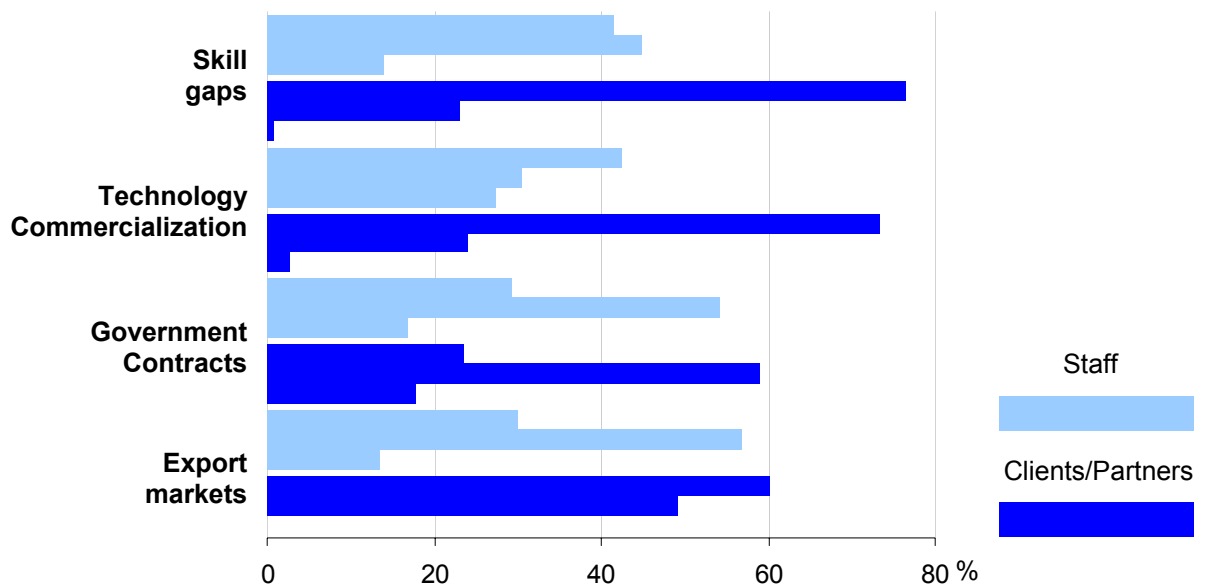
The OECD's *Territorial Review of Canada* (released in September 2002) gave a more measured evaluation. The review team concluded that WD "has significantly contributed to the upgrading of the business environment through the provision of services and advice. It has nevertheless been less successful in its attempt to improve the innovation culture of small business and interactions between public research and private firms" (page 119). Although neither of these reports addressed WDP in isolation of the department as a whole, their observations can be taken as indicative of program performance since WDP is broadly deployed in support of WD's economic development mandate.

Success with respect to WDP's overall objective – Improved Western Canadian Economic Potential (Evaluation Logic Model, Figure 15, page 36) – can also be inferred from performance ratings attributed to the program's intermediate outcomes. The term 'economic potential' has been chosen advisedly. As discussed earlier (at page 37), an economy's capacity for performance is likely to improve if economic fundamentals are improved. Michael Porter, one of the leading proponents of this view, describes the premise as follows:

The potential rate of upgrading in an economy is set by the rate at which the quantity and especially the quality of factors improve. To achieve high productivity, firms must have access to an improving pool of advanced and specialized human resources, scientific knowledge, economic information, infrastructure, and other factors of production. *The Competitive Advantage of Nations*, page 626.

Clients, partners and staff were asked to give their opinions regarding success as it relates to various aspects of WDP's intermediate outcomes. With respect to skills, product and market development, the questions were focused on skill gaps, technology commercialization, government contracts and export markets. Results were mixed, as can be seen in Figure 52 on the next page.

Figure 52: Success Ratings for Skills, Product and Market Development
Client/Partner Census, Q15, 38 and 39; Staff Survey, Q13 and Q14



Staff were once again more circumspect when grading WDP's success. In addressing skill gaps, about 40% thought the program very successful or successful (the top bar in each series), while 45% felt it was only somewhat successful (the middle bar in each series). Clients and partners, on the other hand, were solidly convinced that skill gaps had been successfully addressed; 76% rated this category either very successful or successful.

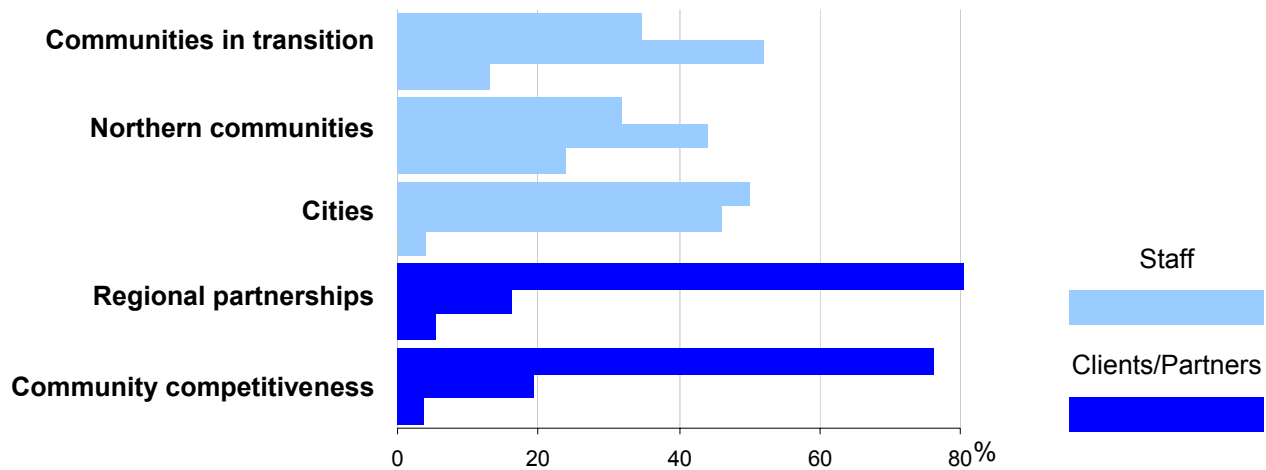
The pattern is similar for technology commercialization. Only 42% of the staff scored their performance as very successful or successful, compared to 73% of the clients. Moreover, technology commercialization received the highest negative staff rating of any category shown in Figure 52. Fully 27% thought that WDP was either not, or not at all, successful (the bottom bar in each series) in this field of endeavour.

Regarding government contracts, the majority of both staff and clients said WDP was only somewhat successful in securing additional business and 17% of both groups agreed that WDP was not or not at all successful.

As to export markets, staff thought WDP successful, on the whole. Clients, however, were unanimous in thinking WDP produced successful results; not one negative rating was received.

To test WDP's success in developing expert communities, the Staff Survey asked three questions designed to highlight differences between cities, northern communities and communities in transition, since staff would likely be engaged with all three and could make informed assessments taking the three community types into account. The Client/Partner Census, on the other hand, asked questions designed to elicit information from individuals whose experience likely encompassed just one type of community (i.e., the one he or she lived and worked in). Figure 53 illustrates the success ratings for each question.

Figure 53: Success Ratings for Expert Communities
Client/Partner Census, Q15; Staff Survey, Q15



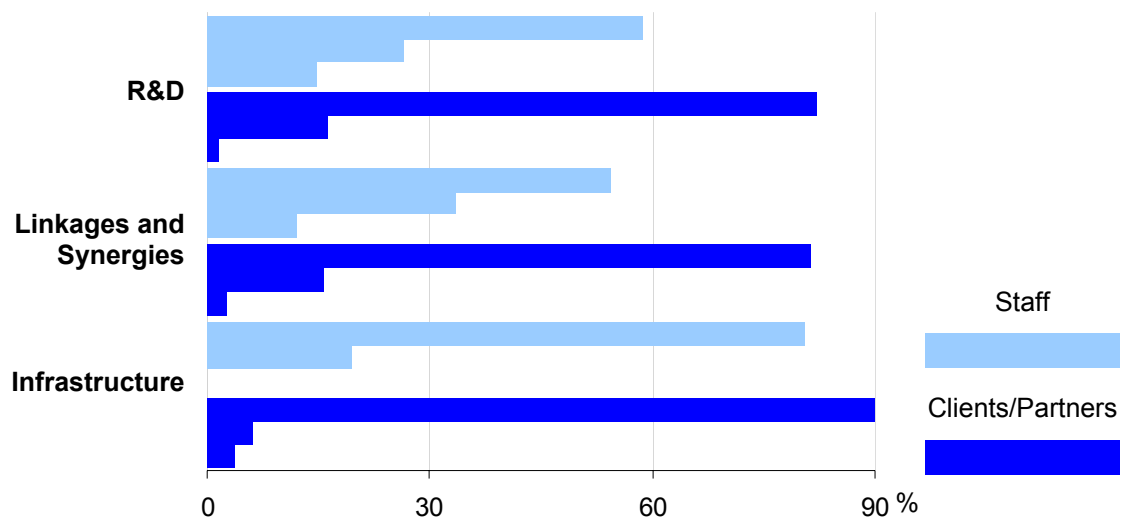
Staff were clearly most optimistic about WDP's success in addressing urban issues. Communities in transition ranked second, while 24% of the staff do not think the program is succeeding when it comes to northern communities. Clients and partners were much more enthusiastic in their response. Four out of five respondents believed that WDP is very successful or successful in encouraging regional partnerships, and almost that many are of the same opinion about developing strategies for community competitiveness.

Achieving goals for knowledge infrastructure is seen to be very successful or successful by the majority of both staff and clients (Figure 54 on the next page). They agree that R&D has been increased, although more clients registered a positive response than did staff (60% and 82%, respectively).

Similarly, 55% of staff and 82% of clients believe WDP has been very successful or successful in building linkages and synergies to further the research effort. The highest degree of consensus was around success in developing research infrastructure. On this subject, staff are unanimous that success has been achieved (80% consider WDP to be very successful or successful, and 20% consider it to be somewhat successful).

Figure 54: Success Ratings for Knowledge Infrastructure

Client/Partner Census, Q15; Staff Survey, Q13



The last economic fundamental in this series is the policy framework. To gain a sense of WDP's overall success in this realm, key informants, clients and partners were asked three central questions:

1. Did WD succeed in putting western Canadian issues on the national or federal government agenda?
2. How did the federal government respond? and
3. In your opinion, does the federal government understand western Canada better than it did six years ago?

Clients and partners answered straightforwardly enough (70% said yes to putting issues on the national agenda), but the issues they identified by way of example all reflected the clients' or partners' own project. Success in this regard may have been interpreted as participation in funding – a third of all projects received federal support in addition to an investment from WDP.

Key informants responded to the questions from a broader perspective. They generally distinguished between two types of issues – those requiring a fairly immediate and concerted reaction (national programs such as the Red River Flood were mentioned, for example), and those which must be championed in order to put them on the agenda. WD was given high marks for its performance in an issue response situation. Opinion was evenly divided between very successful and successful, but no one disagreed and opinions did not divide along central and regional perspectives. With respect to championing issues, key informants again demonstrated full agreement but in this case they gave WD a failing grade. As one person said, “WD has not been as proactive as they should have been on policy issues.”

Key informants uniformly recognized that Ottawa has not responded as well as it could to issues of importance to the west. A general concern was expressed that western Canada is being ignored and that the federal government’s national agenda, which is consistent across all regions, does not fully accommodate the needs and aspirations of the four western provinces. Nevertheless, both private and public sector representatives felt that they were much more successful at getting their concerns on the policy table themselves than by using a third party such as WD.

One message was consistently conveyed. Western Canada has a need (some would say an urgent need) for a more effective policy role based on a solid foundation of information and analysis – WD could, and should, play that role. At the very least, “if WD does nothing more than give the west a voice in Ottawa, then we should be encouraging them to do so.” At best, “WD should identify issues, gather extraordinary intelligence, gain input from several relevant departments, apply thoughtful analysis and offer positive solutions.”

Does the federal government understand the region’s economic needs better today? One quarter of the clients and partners responding said yes, and one half of the external key informants agreed. “We see some decrease in central Canadian biases and slightly more acceptance of [western] activity as innovative”, said one respondent. Another respondent said “there is a sense of understanding, but not necessarily sympathy for the regional issues.”

4.7 Effectiveness

EVALUATION ISSUE	EFFECTIVENESS
EVALUATION QUESTION	Is WDP the most effective way to achieve objectives?

The extent to which WDP is effective in working toward its planned results is the focus of this section of the evaluation. The Macleod Institute looked at two issues to assess effectiveness – funding leverage, and collaborative service delivery.

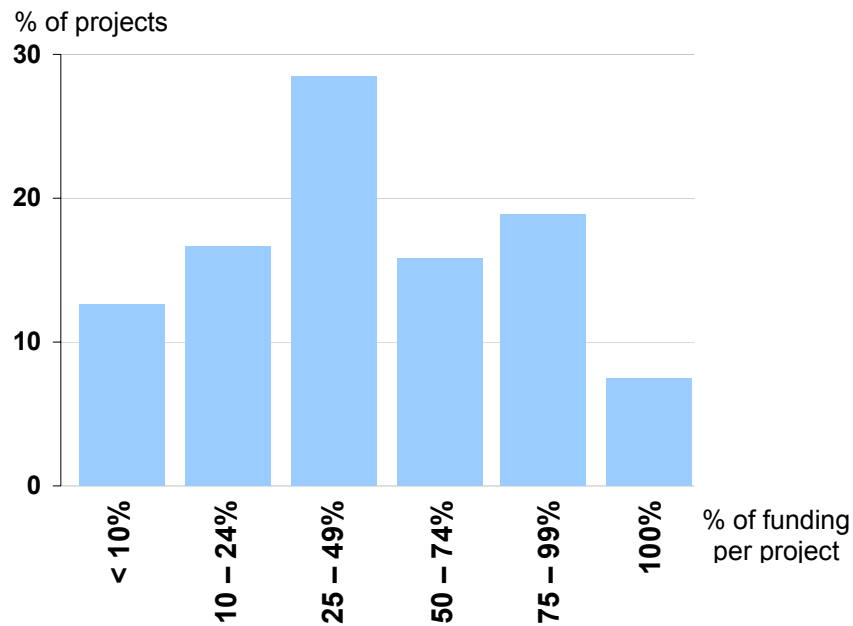
4.7.1 Leverage

The 1995 change in departmental directions challenged WD to deliver its legislated mandate with fewer capital resources and without making direct investments in businesses. WD responded by seeking funding partners to participate in its projects. As described earlier (at pages 40 and 41), an examination of the Strategic Initiatives and Special Projects database (1995 – 2002) revealed that, for every \$1.00 WDP expended an additional \$1.50 is raised from other government sources (Figure 18, page 41). Private sector and non-profit contributions are not recorded in the database, and to that extent the amount of leveraging associated with Strategic Initiatives and Special Projects is understated.

The Client/Partner Census also asked respondents to identify sources and approximate proportions of project funding. Table 4 (page 6) provides a full organizational and project funding profile for all respondents. A summary respecting WDP funding is presented graphically on the next page for ease of reference (Figure 55). In three out of five cases, WDP contributions represent less than 50% of total project funding.

ITPP and FJST funding is also leveraged. Corporations accessing the programs pay salaries at least equal to the contribution provided by WDP. The CFI Support Program by its very nature is leveraged, since its purpose is to assist western Canadian organizations to apply for substantial grants from the Canadian Foundation for Innovation.

Figure 55: Proportion of WDP Funding in Projects
Client/Partner Census, Q7



Finally, WDP sponsorships usually contribute to, rather than fully underwrite, events. A review of the Sponsorship project data base (code QCZ) revealed that for every \$1.00 of WDP funding expended on sponsorships, an additional \$1.72 was contributed by other governments (municipal, provincial and other federal agencies) over the past seven years. Private sector and non-profit contributions are not recorded in the database, and to that extent the amount of leveraging associated with sponsorships is understated.

4.7.2 Collaborative Service Delivery

The challenge confronting WD in 1995 precipitated fundamental changes in organizational culture and operating style. Part of the new directions involved assumption of responsibility for the Canada Business Service Centres (CBSCs); another was a new focus on SMEs. Meeting the challenge was no easy task and did not happen overnight. By 1998, although progress had been made, the transition was still incomplete. As noted in a contemporaneous report, "There is a prevalent assumption that most clients are seeking money, particularly grants. This ties in with the pre-set views of some WD staff that clients want what WD no longer offers" (Robin Ford, *Roles of Western Economic Diversification and CBSCs*, 1998, page 5).

The department's transformation from program management to partnered service delivery required participation and, perhaps more importantly, belief in viable networks. WD persevered in its efforts to complete the transformation, and indeed continued to use partnerships as a major organizing theme well into 2002.

To assess the effectiveness of WDP's collaborative service delivery, key informants, clients, partners and staff were all asked a series of questions about strategic alliances or networks. The questions were designed to elicit information regarding the breadth of WD's networks, as well as to develop some sense of their depth and dynamism. Figure 56 lists the alliances and networks reported by Census and Survey respondents and interviewees. In many cases, the responses were generic (as one survey respondent said, there were "too many to list"). Figure 56 includes both the general categories that were mentioned and the organizations which were specifically named.

Figure 56: WD Alliances and Networks

Client/Partner Census, Q57; Staff Survey, Q6; Key Informants Interviews, Q8

General	Specific
Economic Development Agreements	<ul style="list-style-type: none"> • Canada-Saskatchewan Northern Development Agreement • Urban Development Agreements (Vancouver, Winnipeg) • WEPA (Western Economic Partnership Agreements)
Business Service Network	<ul style="list-style-type: none"> • Aboriginal Business Network • CBSCs • CFDCs • WEIs (Women's Enterprise Initiatives)
Other Federal Agencies	<ul style="list-style-type: none"> • Ag Canada • Canadian Heritage MOU • CCRA • CETAC West • Housing • Industry Canada • National Research Council
Other Government Agencies <i>including...</i> <i>aboriginal communities and regional and urban economic development authorities</i>	<ul style="list-style-type: none"> • Cities (all provinces) • Economic development departments (all provinces) • St. Boniface Hospital • Saskatchewan Agrivision Corporation

Figure 56: WD Alliances and Networks (continued)

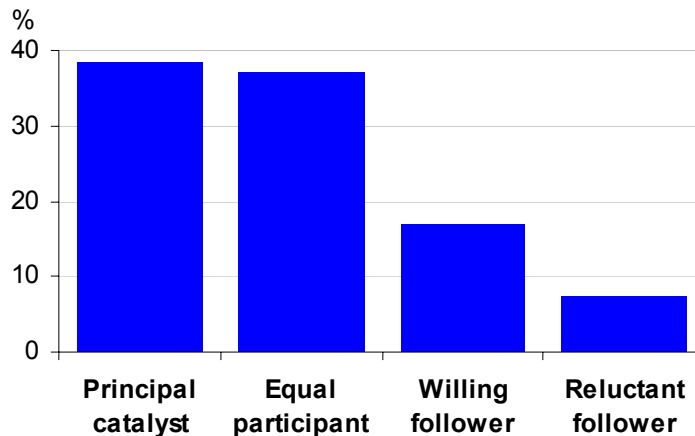
Client/Partner Census, Q57; Staff Survey, Q6; Key Informants Interviews, Q8

General	Specific
<p>Industry <i>including...</i> <i>aerospace, aquaculture, chambers of commerce, financial, food processing, marine industries, technology, tourism and transportation</i></p>	<ul style="list-style-type: none"> • BC Biotechnology Association • Canadian Alliance of Manufacturers and Exporters • Cluster groups (Edmonton Competitiveness Strategy) • Ernst and Young • ICET Alliance • Prairie Music Awards • Tourism Alliance for Western and Northern Canada • Vancouver Board of Trade • Western Aerospace Alliance
<p>Academic / Institutes <i>including...</i> <i>universities, colleges and research institutes</i></p>	<ul style="list-style-type: none"> • Advanced Systems Institute • Alberta Network for Proteomics Initiative • Canada West Foundation • Simon Fraser University
<p>Consortia</p>	<ul style="list-style-type: none"> • Fuel Cells Canada • Genome Canada and Genome Prairie • Innocentre (Edmonton) • SUCCESS • TRILabs • WestLink
<p>Special Interest</p>	<ul style="list-style-type: none"> • Francophone Economic Development Society • Francophone Tourism (CTFO) • Network of Entrepreneurs with Disabilities

Respondents were also asked to give their opinion regarding the role WD had taken in forming the alliances or networks. Figure 57 charts their responses. Clearly, the department is primarily seen to be either a principal catalyst or an equal participant in forming the alliances and networks.

Figure 57: WD's Role in Forming Alliances and Networks

Client/Partner Census, Q60; Staff Survey, Q8; Key Informants Interviews, Q9

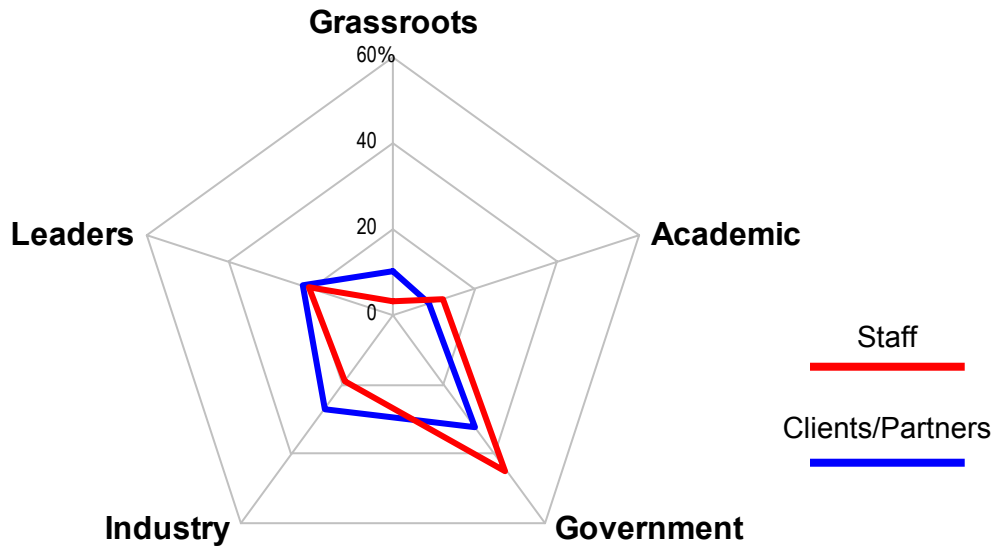


Respondents were further asked to identify their top three external contacts by organization and job title. Responses from clients and partners were compared to staff responses by charting both on a network or web graph (Figure 58 on the next page).

The two patterns are not dissimilar overall; both groups tend to favour contacts at the working level in government, with industry ranking second. Staff, however, network far more often with government contacts than clients and partners do. Indeed, staff named government contacts twice as often as industry contacts (45% to 19% respectively) which betrays a propensity to deal with public rather than private sector interests. Even allowing for the fact that one of WD's roles is to broker agreements with its colleagues in federal, provincial and municipal governments, this two to one ratio skews the balance too far for an economic development agency and a program which includes 'an expanded business sector' among its objectives.

Staff contact with the 'grassroots' is comparatively low. This result is partly an artifact of the way survey responses were coded. All members of the Western Canada Business Service Network (WCBSN) were included in the government category because they are government funded agencies and form part of WD's institutionalized network. Regular contact with WCBSN representatives is therefore likely to be a routine feature of most staff positions. Although some WCBSN contacts such as CFDCs would normally be classed as local community based organizations, by being part of WD's 'family' they do not serve to extend the reach of WDP staff networks beyond the group of organizations who are receiving funding from the program.

Figure 58: Most Valued Network Contacts⁶
Client/Partner Census, Q61; Staff Survey, Q9



Network dynamics were gauged by asking to what degree and how often the respondent interacted with his or her most valued external contacts. Three degrees of interaction were explored by describing a typical activity corresponding to each qualitatively different type of interaction,⁷ as follows:

	Type of Activity:	Type of Interaction:
First degree:	Exchange of information	Co-ordination
Second degree:	Change or alteration of work as a result of lessons learned or information produced from collaborative efforts with external contacts	Co-operation
Third degree:	Mutual support of goals	Collaboration

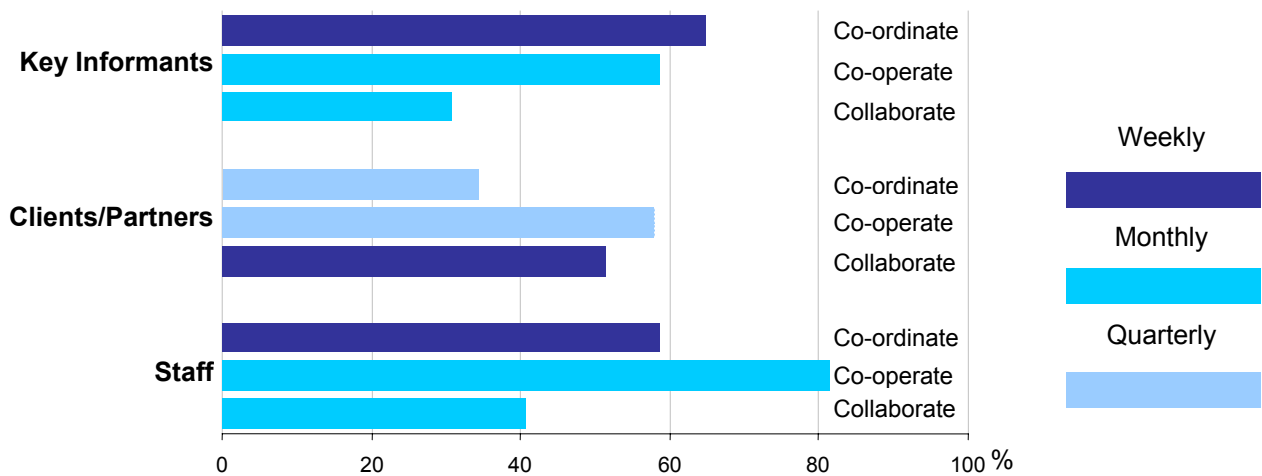
⁶ **Leaders:** Senior executives in industry, government or academic categories
Industry: Contacts at the working level
Government: Contacts at the working level of all governments and government funded agencies (including WD's WCBSN)
Academic: Contacts at the working level of universities, colleges, think-tanks and research establishments
Grassroots: Local, community based organizations

⁷ Adapted from Abraham Wandersman's work at the Department of Psychology, University of South Carolina.

Dynamics were measured as a function of two dimensions: intensity, and proportion of group members acting at a given level of intensity. Intensity of interaction was judged by the frequency (daily, weekly, monthly, quarterly, yearly) with which a respondent undertook an activity. The largest percentage in each activity was selected as being most representative of the whole group in terms of intensity. To compare results between key informants, clients/partners and staff, the highest level of intensity achieved in one type of activity was used as the benchmark for all three groups. The proportion of all groups acting at least at the benchmark intensity level was then calculated. Together, the two dimensions provide a measure of network dynamics (Figure 59).

Figure 59: Network Dynamics

Client/Partner Census, Q63-65; Staff Survey, Q10-12; Key Informants Interviews, Q11



The pattern of network dynamics that emerged demonstrates that clients and partners show a greater inclination to collaborate than either key informants or WD staff. Key informants are primarily occupied with co-ordination and co-operation and, although interviewees generally indicated a willingness to collaborate, they do so less frequently than the client group.

A considerable number of staff, on the other hand, are engaged in co-operative activities requiring a change or alteration of work due to information gathered from external contacts. This pattern fits well with the reputation WD has earned for flexibility and positive client relations. Comments made by respondents to the Client/Partner Census, for example, frequently complimented staff on their co-operative service delivery.

“WD has been very helpful to us”, said one person. “WD has been wonderful to work with” was another response, and a third individual enthusiastically wrote “We received excellent co-operation, courtesy and encouragement – I have nothing but good things to say about the WD team.”

The pattern of staff network dynamics also fits well with the fact that many clients and others reported increased collaboration as one of WDP’s *unexpected* impacts. Clearly, collaboration defined as mutual support of goals is not widely thought to be one of WD’s primary characteristics. This finding raises implications for future directions of the program, particularly since helping to create a common strategy and focusing WDP are two of the major themes raised by Census and interview respondents when asked to suggest improvements for the program (see section 4.8).

4.8 Alternatives

EVALUATION ISSUE	EFFECTIVENESS
EVALUATION QUESTION	What are the alternatives with respect to the design and delivery of WDP?

Five consistent themes arose in the context of alternatives for WDP design and delivery – streamlined contract administration procedures; program focus and criteria; strategic policy role; collaboration on setting priorities; and certainty around funding commitments.

4.8.1 Contract Administration Procedures

Both staff and clients reported frustration with procedures related to contract administration. As one respondent said, “The monitoring and payments department takes too long to get agreements signed and to process claims.” Clients almost always attributed the delays to “staff shortages – not skills or ability, but lack of time for them to do their jobs”; whether true or not, their responses indicated a reluctance to find fault with project officers with whom many clients have an ongoing relationship. Staff suggested that WD “ease up on the administration – payments and monitoring and delegate authority,” for instance, and “[give] greater delegation of program signing authority for projects.”

4.8.2 Program Focus and Criteria

Two out of every five staff members called for greater focus and specific criteria for WDP. Typical comments included the following:

- “Program should identify specific objectives to achieve on yearly and long term basis, then measure performance against goals.”
- “Program so broad and general that it is hard to measure performance or impact.”
- “Move from the latest fad to some real planning and implementing.”
- “Greater focus – still seems all over the map. Clear and measurable targets and increased attention to follow-up.”
- “Not sure why ICIP is separate from WDP.”
- “We need focused programs, not changing priorities.”
- “New measures of success besides dollars flowed and number of projects; leadership and strategic direction.”

Although the department is currently working on rationalizing its program activities, it would appear that many staff members either have not participated in the planning exercises or have yet to experience the results of planning efforts. Nevertheless, some confusion about criteria seems to be endemic. Five senior managers were asked “What criteria do you use to make decisions for the allocation of WDP resources?” While not mutually exclusive, their responses did not exhibit a high degree of consistency:

- “Diversification test – new product, technology, import replacement, improved system, quality of industry sector”
- “Increased economic activity, partners, high leverage”
- “There is no per province allocation, but a sense of equity. WD senior officials review allocations on an ongoing basis to ensure that things are not skewed”
- “Allocation across three pillars, sustainability, leverage, well supported by others, very measurable outcomes”
- “The operative term is ‘negotiated assistance level’, depending on need, sharing of risk etc. and contribution to diversification”

4.8.3 Strategic Role

Key informants listed a more strategic role as their first choice when asked “What other products and services would you like to receive from WD, or role you think WD should play?” The *Harvard Report* also called for WD to increase its presence in this field, as a way of strengthening relations with western Canadians. “WD provides a very visible and important federal presence in the western economy. Through its experience and partnership contacts, the department is uniquely positioned to provide government with advice on western Canadian issues. As such WD’s policy advisory role should be strengthened.” (*Harvard Report 2000*, page 37).

A necessary foundation for playing a strategic role is reliable research. As the OECD said when commenting favourably on the federal Policy Research Initiative, a solid policy research capacity helps government “ensure that it has the ability to identify, understand and address medium to long-term policy issues facing the country” (*Issues and Development in Public Management: Canada 2001*, page 5). The same point was made using more informal language by one of the key informants: “If you are going to be a leader, you must have intelligence to advocate.”

4.8.4 Collaboration on Setting Priorities

Two years ago, the WD Minister’s Business Advisory Councils were asked to comment on innovation and entrepreneurship. Three of the four provincial Councils raised the issue of developing a cohesive western strategy as something the investment and business community could count on. WD was encouraged to take a long-term (20 year) approach and bring westerners together in a plan that reflects the particular strengths and opportunities in each province. The department has embarked on this road, through western Deputy Minister Forums and by contributing substantially to the Canada West Foundation’s (CWF) “New West” program. As part of its program, CWF consulted in the spring of 2001 with over 250 community leaders from across the four provinces. The need to develop new ways of facilitating regional coordination was one of five major issues that emerged.

It came as no surprise, therefore, when the key informants suggested more collaboration on setting priorities as the second item on their wish list for improvements. They repeatedly pointed to the Western Economic Partnership and Urban Development Agreements as the model for future directions. When asked why, the reason was collaboration on setting priorities. One key informant put it this way: "The agreements forced everyone to come to a set of common priorities and goals, because the Ministers had to sign off on them." The result was a more productive environment in which explicitly stated objectives were valued by all parties (including the federal government).

4.8.5 Multi-year Funding Commitments

"I think that WD should have a stable funding base. The one-year funding regime since 1995 results in much wasted time and effort," is how the commitment issue was often expressed. Reliable program dollars provide a firm foundation for multi-year initiatives; such longer term commitments are important when addressing economic fundamentals the results of which may not bear fruit for some time. This view was shared by several respondents to the Client/Partner Census. For example, one person commented "The lack of community capacity to complete economic development activities and projects is a major weakness of current government programs."

5.0 SUMMARY AND CONCLUSIONS

The WDP evaluation was undertaken for two purposes: to educate the future delivery of the program, and to provide senior management with an independent examination and assessment of the program's relevance, success and cost-effectiveness.

The WDP is the department's flagship program. It comprises between 35% and 50% of WD's annual business lines other than National Programs (which generally represent Canada-wide initiatives or initiatives designed in response to crisis situations). Because this represents a significant proportion of what might be called WD's 'normal' activity, and since WD is currently engaged in realigning roles and objectives for the department as a whole, senior management felt that the WDP evaluation would provide useful information for guiding its future directions. The Macleod Institute has therefore placed more emphasis on strategic issues than might be found in routine program evaluations, which often place primary focus on factors such as client satisfaction, production of outputs and program efficiencies.

At the same time, the Institute addressed three typical evaluation issues: relevance, success and effectiveness. Several factors have weighed more heavily in this evaluation than they do in many routine evaluations.

First, the department's operating environment changed fundamentally in 1995 but the Terms and Conditions under which WDP was operated were not amended until 2002. Given that these were the very years that the evaluation was designed to address, a dilemma presented itself. The 1995 federal budget, and the WD Minister's contemporaneous news release, obviously affected the way WD conducted its business. However, these documents were never translated into a formal set of terms and conditions for the Western Diversification Program. On the other hand, a Results-Based Management and Accountability Framework (RMAF) had been finalized in July 2002 (which technically fell outside the evaluation's timeline), although it only reflected one year of the period to be covered by the evaluation (the four categories of activities and outputs it described had first been publicly reported in the department's *2001-2002 Report on Plans and Priorities*). The Macleod Institute therefore developed a Logic Model for the evaluation (Figure 15, page 36) which illustrated a results chain for the Western Diversification Program based on evidence elicited from the program's project database together with four factors reflecting WDP's current operational context (government support of broad-based economic fundamentals; the shift to a global, knowledge based economy; and certain principles enunciated by the Conference Board, Industry Canada and the OECD in recent relevant publications cited earlier at page 35).

Second, expenditures associated with WDP over the past seven years have not been large enough to exert a measurable influence on western Canadian economies taken as a whole. The smallest provincial GDP outweighs WDP's total annual contributions across all four western provinces by a factor of between 500 and 1,000. More elaborate evaluation methodologies might have been designed, but limitations in both time and resources militated against such options. A census of all projects representing the bulk of WDP expenditures over the past seven years (defined by the department as having SIZ and WZ codes in their project database) was therefore undertaken. Incremental impacts were assessed based on responses to this Client/Partner Census. Information about additional impacts was gleaned from respondents who chose to respond to specific questions although the resulting data were, in some cases, too insubstantial to draw reliable conclusions.

With respect to two fairly well-defined sub-programs (coded XHZ, and YDZ) which represented about 10% of total WDP expenditures, the department has kept records of primary outcomes and these summary data were used to report statistics such as the number of jobs funded.

A third factor influencing this evaluation is the range of Evaluation Questions posed by the Terms of Reference. The topics they covered were both very broad (needs identified in western Canada in 1995, changes over the past seven years and alternatives to WDP) and quite specific (individual project success in meeting its objectives). The experience of individuals from a variety of perspectives was therefore required in order to establish multiple lines of evidence to support credible evaluation findings. Senior representatives of western industries, provincial governments, the federal government and Aboriginal and francophone communities, chosen in consultation with WD as key informants, provided information and informed opinions of particular relevance to the broad based questions. Respondents to the Client/Partner Census, on the other hand, generally provided more specific information. The Staff Survey and sponsorship interviews provided perceptions of program success and offered insights into internal matters such as program design and delivery. The interviews, census and survey were supplemented by a detailed review of WDP's project database, document reviews and pertinent secondary sources.

One of the challenges encountered in managing evidence amassed from all these sources was endeavouring to distinguish between detailed data and information of importance from a strategic point of view. Specified project objectives and impacts could only be answered by project participants, for instance, while overall perceptions of success could be reported by a wider group including staff officers whose involvement in a large number of files over the years would blur recollections of individual cases. In some cases, however, it may be said that respondents failed to differentiate between WDP, the program, and WD, the department. This is a fair enough observation, and some caution in interpreting results must be exercised on certain issues. On the other hand, an equal amount of caution must be exercised with respect to narrowly based answers as well.

A case in point is the question that was put to both key informants and clients and partners as one facet of the overall success in creating a policy framework, an intermediate outcome stipulated in the Evaluation Logic Model as part of the results chain leading to an improved western Canadian economic potential. Respondents were asked whether WD put western Canadian issues on the national or federal government agenda. Key informants uniformly responded that WD did not put western Canadian issues on the national agenda except in cases requiring immediate reaction such as the Red River Flood (a National Program). Clients and partners said they did, and gave examples largely related to their own projects, although a few also mentioned Infrastructure Canada (another National Program). Caution must be exercised with respect to both sets of responses. Since WDP is the department's flagship program, informed observers such as key informants can be expected to have gained valid impressions based on WD's delivery of WDP. Their answers may be interpreted to mean that, in their view, National Programs rather than WDP have succeeded in achieving this outcome. Answers from the clients and partners, however, may have had more to do with WD facilitating or leading a federal funding initiative than with setting the national agenda.

A fourth factor is the fact that WDP has never before been evaluated. This factor is not unique by any means, but it does mean that some long-established suppositions have come under scrutiny. Many practices or decisions based on previously accepted norms have been tested in this evaluation in the light of current circumstances. For example, questions have been asked as to whether client needs have changed, and these questions naturally lead (in an evaluation designed to educate the future delivery of the program) to a consideration of who WDP's current clients are or should be. Whatever answers are generated as a result of such questions will inevitably lead to debate. This debate will, in and of itself, help to inform the future directions of the program.

Taking all these factors into account, the Macleod Institute has drawn a number of conclusions based on the multiple lines of evidence it reviewed in its evaluation of the Western Diversification Program. The conclusions are summarized below under the headings of Relevance, Success and Effectiveness.

5.1 Relevance

Relevance is determined if a program or initiative demonstrates that it answers a verified need. The general need for diversification in western Canada was established by reviewing various statistics regarding the four western provinces in comparison to the rest of Canada (section 3.2). These data are quite well known and need not be summarized in great detail. On the whole, they show that each of the provinces will be challenged to expand its economic potential over the foreseeable future in an increasingly knowledge-based global economy.

Although some indicators illustrate a capacity for adjustment (scientific, health and management degrees, reasonable levels of taxpayer supported debt), others point to the need for special attention (Aboriginal demographics, urban growth, reliance on commodities and transfer payments). Recent environmental and international issues such as drought, decline in fisheries, softwood lumber tariffs and the Kyoto Protocol pose particular threats to the regions most reliant on commodities as an economic staple.

Specific needs to address western economic diversification were identified by key informants. A comparison of federal and provincial priorities (Figures 19 and 20, pages 43 and 44) revealed a discrepancy between which issues were seen to be most important. This finding is not surprising, but it does point up the need for a regional presence that is sufficiently well-informed about local challenges and potentially effective solutions to be able to target appropriate responses.

WDP has been deployed to answer most of the significant needs identified for the period between 1995 and 2002 (Figure 17, page 40). Its current objectives (based on the 2002 *Terms and Conditions*) are, for the most part, consistent with current federal and provincial priorities. Its mandate and objectives could, however, benefit from a more logical articulation to show how its activities and outputs are expected to lead to the achievement of desired outcomes.

WDP's current objectives are also consistent with current WD priorities, overall. However very few projects (only about 1%) can be said to have been exclusively dedicated to "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" (2002 *Terms and Conditions*, section 4).

5.2 Success

Success can be determined in a number of ways. In the evaluation of the Western Diversification Program, two questions focused on specific project results (success regarding stated project objectives and project impacts), and two explored overall success (unexpected or negative impacts, and success in achieving program objectives generally).

Specific Project Results

The three most common types of objectives entailed facing systemic economic challenges, increased innovation and capacity for economic adjustment (Figure 23, page 48). Between two-thirds and three-quarters of the Client/Partner Census respondents identifying these as project objectives reported they were very satisfied or satisfied that the objectives had been achieved (Figure 24, page 49). Almost 30% of these respondents also reported productivity increases between less than 10 and more than 50%. Such increases seem to be somewhat overly optimistic, however, given the average annual total productivity growth rates (based on hours) for 1989 to 1994 as recorded by the Centre for the Study of Living Standards (BC, 0.9%; Alberta, 1.71%; Saskatchewan, 1.45%; Manitoba, 0.8%; Canada, 0.9%).

As to the ITPP and FJST projects, almost 2,000 jobs have been funded over the past seven years, two-thirds of which were in sectors other than primary production or extraction activities (Table 16, page 50). In addition, clients and partners reported that 1354.5 full and part time short term jobs, as well as 363 part time and 836 full time long term jobs had been created as a result of funding for Strategic Initiatives and Special Projects (Table 17, page 51). It is also fair to say that the Canada Foundation for Innovation Support sub-program is achieving its stated objective to the extent that it has been a catalyst for the observed increase in western applications to the Foundation (page 52).

Impacts were assessed according to the categories postulated as intermediate outcomes in the Evaluation Logic Model – New Skills, New Products and Technology, New Markets, Expert Communities, Knowledge Infrastructure, and Policy Framework.

The first five categories were all assessed by asking whether their project would have proceeded without WDP funding and, if it would have, what were the incremental impacts of such funding. Responses regarding the likelihood of proceeding were recorded as summarized in Table 18. All except projects having New Markets as an objective reported a very high likelihood of not proceeding without WDP funding, and even 64% of the respondents associated with New Markets stated they would probably not have gone ahead. The approximate WDP level of effort as estimated in Figure 22 (page 47) appears to be disproportionately high in relation to the percentage of respondents identifying New Markets as a project objective. This result could reflect the greater emphasis placed on market development projects in the years prior to 2000, which, together with their generally short project duration, might have led to fewer respondents to the Client/Partner Census in the New Markets category. On the other hand, market development may no longer need to be a priority for WDP, a conclusion that is supported by reference to the summary of current federal and provincial priorities listed in Figure 21 on page 45.

Table 18: Summary of Projects – Would Not, or Likely Would Not, Have Proceeded

Intermediate Outcome	Proportion of Respondents ¹	WDP level of effort (Figure 22)	Would not, or likely would not, proceed without WDP funding
	%	%	%
New Skills	20	12	83
New Products and Technology	37	40	78
New Markets	11	22	64
Expert Communities	30	12	76
Knowledge Infrastructure	48	17	79

Note:

1. The proportions do not add up to 100% since a respondent was free to choose more than one intermediate outcome as an objective which applied to his or her project.

Among all respondents, the three most frequently mentioned incremental impacts were longer term project viability, larger project scope and increased leverage of funding.

Additional information about results was requested from respondents identifying New Products and Technology, or Knowledge Infrastructure as being project objectives. The number of steps taken to commercialize a new product or technology were canvassed, for example. Only 13 of the 88 respondents in this category replied that they had taken any of the steps (Figure 35, page 61) – this number may reflect the fact that the New Products and New Technology category included both commercialization and ‘products’ such as tourist destinations. With respect to Knowledge Infrastructure projects, although information was gathered respecting records of invention, patents applied for and received, and other data of interest in assessing outcomes, additional details are required before the data can be meaningfully assessed (see page 73).

Impacts associated with the intermediate outcome called Policy Framework for the purposes of this evaluation were harder to gauge. On the one hand, very few clients and partners acknowledged they had used any of WD’s research products, but the fact that little such information is made available through the department’s website (directly or by links to other organizations) no doubt affected the responses. On the other hand, about 28% of the respondents said that their project generated research related to socio-economic or major western Canadian economic issues, and 17% said they had published the data (mostly in conference papers or on the Internet).

Overall Success

WDP is a broad program with few explicit limitations. WD has succeeded in applying WDP funds to a wide range of government priorities, as well as supplementing core budgets for CFDCs and other members of its Western Canadian Business Service Network. This diverse “investment portfolio” signals a degree of flexibility that the Macleod Institute considers to be one of WDP’s strengths. The fact that key informants, staff and clients and partners all rate the program very highly overall (success ratings vary between 86% and 98%; Figure 51, page 78) indicates that stakeholders place considerable value on WDP, regardless of whether they take issue with one or another aspect of the program. In addition, the Prime Minister’s Caucus Task Force (2000) observed that WD has a “good track record and continues to be the optimal vehicle” for western Canadian economic development. The OECD’s *Territorial Review of Canada* (2002) also commented that WD has significantly contributed to the upgrading of the western business environment.

However, strengths can also be weaknesses. WDP's investment portfolio is so diverse that an attempt to reconcile all funded projects under any one set of categories is bound to fail. A lack of clear program definition has characterized WDP since 1995, and its current *Terms and Conditions* have not introduced a basic logic or results chain to help in this regard. As one key informant said, "You cannot police the success if your terms are so wide and unfocused."

WDP's flexibility has also led to inconsistent messaging over the years, as evidenced by the department's public reports. Business lines are frequently described in terms of the most recent themes from a Throne Speech or major national program. This approach has an unfortunate result in that it can lead to confusion amongst stakeholders, leaving them with no clear idea of the value WDP adds to the western Canadian economy as a whole. Both key informants and clients and partners gave evidence to this effect when asked whether WD succeeded in putting issues on the national agenda. The former had a clear impression regarding WD's delivery of National Programs, but none with respect to its flagship program, WDP. Equally, clients and partners were clear only to the extent that they saw benefits accruing to their own particular area of interest. Staff have also commented on the lack of focus (see quotations on page 92).

On the whole, the Macleod Institute is of the opinion that, while it is important to maintain WDP's flexibility in the light of varied and different challenges facing each of the four western provinces, additional clarity would serve to multiply the program's inherent strengths.

5.3 Effectiveness

WD has managed to leverage WDP to a fairly high degree. It has consistently engaged partners as co-funders and routinely tracks other federal, provincial and municipal government participation in its projects. As a consequence, not only have more projects been implemented but the department has also built a solid network, particularly amongst its public sector colleagues (Figure 58, page 89).

However, partnered projects can exact a price, especially if the network dynamics are based on cooperation rather than collaboration as is the case with WDP program officers (Figure 59, and discussion on page 90). The tendency is to operate in a reactive mode rather than to set the agenda.

Several commentators have urged a more strategic role upon WD, including key informants, staff, Business Advisory Councils and the Prime Minister's Caucus Task Force which issued the *Harvard Report*. The term 'strategic' necessarily invokes leadership – it implies a good grasp of current and impending situations, thoughtful examination of options, discriminating choices and logical decisions.

The call for higher levels of strategic management in the federal government has been increasing ever since the federal government announced in 1995 that it was "acting on a new vision of the role of government in the economy" (as earlier quoted on page 11). The Policy Research Initiative, for example, was introduced in response to this demand for more and better strategic and competitive intelligence in Ottawa. In 1997, the Clerk of the Privy Council Office officially acknowledged "the need to pay greater attention to longer-term and strategic policy development ... and for every department to replenish its policy capacity in order to be in a position to provide the government with broad policy options in every field" (*Report to the Prime Minister on the Public Service of Canada, 1997, page 3*).

A strategic approach requires a good intelligence gathering system and a strong foundation in research and analysis. The department's *Report on Plans and Priorities* made the case for the latter requirement when it began a serious research effort in the 2001-2002 fiscal year. Under the heading Strategic Initiatives and Special Projects, it stated that:

... the department requires a detailed understanding of the economic issues and pressure points facing the economy. ...WD will be launching a number of research projects aimed at enhancing the department's understanding of the fundamental economic issues facing the region. (page 21)

If the department chooses to adopt a more strategic role, it will undoubtedly contribute more effectively to the creation of an appropriate policy framework for western Canada, which is one of the fundamental prerequisites for productivity growth (page 35).

There is some debate, however, as to whether WDP is or should be a vehicle for supporting fundamental economic research. Many point to the government's *Guide on Grants, Contributions and Other Transfer Payments* which restricts use of such instruments to situations in which "no goods or services are directly received" and the department is not delegating "a core service that ... staff are mandated to provide directly."

The fact is that WDP has been used a number of times over the past seven years to fund economic, demographic and other research of relevance to western Canada's needs, aspirations and opportunities. Such an application of the program appears to be justifiable. Section 6(1)(e) of the *Western Economic Diversification Act* explicitly empowers the Minister to "initiate, implement, sponsor, promote and coordinate policy research, policy development and economic analysis to support development and diversification of the economy of Western Canada." A distinction needs to be drawn between the policy making function (which WD and government obviously reserve to themselves) and the knowledge creation function (which cannot and should not be the exclusive preserve of any one organization, and is not a core service of the department). In the event that WD took the results of WDP sponsored economic research into account while planning its programs or making policy, the department would be in the same position it is in when applying lessons learned from any other funded project. Both intellectual capital and experiential knowledge are indirect benefits arising as a consequence of the program itself.

Limiting the program's availability to generate fundamental socio-economic research could unduly limit its flexibility and responsiveness to current federal and provincial government priorities. Furthermore, helping to establish an extensive network of researchers engaged in creating knowledge about the four western provinces could well prove to be an opportunity for WD to occupy a service niche which none of its partners has wholly appropriated.

6.0 RECOMMENDATIONS

Position WD and WDP for the Future

- Take a strategic approach (proactive rather than reactive)
- Identify primary customers (including those in the federal government) and conduct a customer needs assessment
- Choose priority areas for WDP funding, and define the rationale for each area. For example, determine whether WDP should be used to support
 - R&D (which already receives a lot of government funding) or product commercialization (which receives less government funding) or both, based on which assistance customers most need (funding gaps)
 - if both, decide what proportion of the total WDP fund should be applied to each area
 - market development projects, other than projects funded by the ITPP sub-program
- Develop a strong network of socio-economic researchers in western Canada

Build on Strengths

- Retain WDP's flexibility while increasing its operational focus on priority areas
- Expand WD and WDP's network of contacts and cultivate a more collaborative (rather than cooperative) culture. For example,
 - align WDP goals with those of provincial, industry and other regional leaders as well as with federal government priorities
 - engage western Canadian opinion leaders in an ongoing, agenda-setting dialogue
 - include more arms-length private sector contacts in the network

Optimize Performance

- Re-write WDP's Terms and Conditions in terms of measurable outcomes reflecting primary customers, their needs and consequent priority areas. For example,
 - specify increased R&D infrastructure and/or technology commercialization rather than "innovation system", if these are the desired outcomes
 - define goals rather than describe process – 'build strategic community capacity in support of economic development' rather than 'create or enhance partnerships', for instance
 - reduce duplication between WDP categories and between WDP and other WD programs
- Define the program mandate and objectives to show how WDP's activities and outputs are expected to lead to the achievement of desired outcomes
- Identify practical performance measures, include them in client reporting requirements and develop a process for regular staff reporting on these measures
- Review contract administration procedures to determine whether client/partner concerns are justified, and, if so, what can be done to streamline the procedures

FOLLOW UP: WD ACTION PLAN

The Senior Executive of Western Economic Diversification Canada (WD) met on February 26, 2003 to review the WDP Evaluation Report. After discussion, it was agreed that

1. The report be accepted as written,
2. Discussions with Treasury Board Secretariat (TBS) be held forthwith, and
3. The agreement with Treasury Board Secretariat will become part of the Action Plan.

On February 27, 2003 WD representatives met with TBS. It was agreed that

1. TBS accepts the Logic Model as detailed in the Report as appropriate and acceptable to start revising the WDP Terms and Conditions;
2. WD will revise WDP Terms and Conditions and better define them to assist the department to focus its efforts; the Logic Model will be reassessed in the light of the department's Strategic Objectives as outlined in its Report on Plans and Priorities; and
3. WD will provide the revised Terms and Conditions, the revised RMAF and RBAF to Treasury Board by the end of May 2003 for approval through a TB submission.



APPENDIX A:

TERMS OF REFERENCE



Western Economic Diversification Canada
Diversification de l'économie de l'Ouest Canada

Canada
Audit and Evaluation

DRAFT Terms of Reference

**Evaluation of WD's
Western Diversification
Program (WDP)**

Thursday, September 12, 2002



Table of Contents

TABLE OF CONTENTS.....	2
TITLE	3
PROJECT AUTHORITY.....	3
PURPOSE.....	3
OBJECTIVES OF THE EVALUATION	3
SCOPE OF THE EVALUATION	4
Evaluation Issues: Relevance of the WDP	5
Evaluation Issues: Success of the WDP	5
Evaluation Issues: Cost Effectiveness of the WDP	5
MANAGING THE EVALUATION	6
Responsibilities	6
Standards.....	6
Resources	6
Methodology	6
Time Frame	7
Reporting	7

1 Title

Evaluation of WD's Western Diversification Program

2 Project Authority

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The Project Authority will closely manage the evaluation work performed by the individual or firm contracted by Western Economic Diversification (WD) to conduct the evaluation.

3 Purpose

In accordance with the recent (January 2002) TB Decision renewing WD's Western Diversification Program (WDP) Terms and Conditions, WD has committed to an evaluation of the WDP with reporting on the evaluation in early November 2002.

Treasury Board guidance states that evaluation is expected to deliver timely, useful, relevant and credible information on the continued relevance of government policies and programs, on the impacts they are producing and on opportunities for using alternative and more cost-effective policy instruments or program delivery mechanisms to achieve stated objectives. Evaluation is expected to produce timely and pertinent findings that managers and other stakeholders can use with confidence.

The purpose of the evaluation project is to provide senior management with an independent examination and assessment of WDP, advising on the relevance, success and cost-effectiveness of the program.

4 Objectives of the Evaluation

T.B. Guidance states that the full range of evaluation issues should be considered during the conduct of an evaluation: (a) does the policy or program continue to be consistent with departmental and government-wide priorities and does it realistically address an actual need? (Relevance), (b) is the policy or program effective in meeting its objectives, within budget and without unwanted outcomes? (Success); (c) are the most appropriate and efficient means being used to achieve objectives, relative to alternative design and delivery approaches? (Cost-effectiveness).

This evaluation will address questions consistent with the current TB guidance on evaluation. In addition, WD Senior Management and Treasury Board have reviewed and approved the comprehensive Results-Based Management and Accountability Framework (RMAF – attached) produced for the renewed WDP by WD. The evaluation will be conducted in a manner consistent with the issues raised in the RMAF, with that framework forming the basis for the evaluation work.

5 Scope of the Evaluation

In addition to the conventional evaluation issues, this evaluation presents the challenge of recognizing the context and program changes for WDP from its inception through to the present period:

- Inception to 1993 – Programming based on the original Terms and Conditions;
- The period from 1993 through 1995 where Program Review, budget reductions and the decision to move out of direct assistance had its impact on both the budget and program approach;
- The 1995-1999 era that brought significant changes (for example; the elimination of most direct assistance, four "business lines", a focus on "strategic projects", the advent of a Client Services organization, the creation of the western business services network, and the acquisition of CFDC's and the expansion of the network); and
- The current era [1999-2001] which has evolved from the Medium/Long Term strategy work and new strategic directions.

The evaluation will provide insight on this historical context and its influence along with the evaluation issues of the relevance, success and effectiveness of WD's WDP. As the evaluation is meant to educate the future delivery of the program, the scope of the evaluation will be limited to an assessment of WDP projects initiated after the shift from direct delivery in 1995 through to 2001/02 - with a representative random sample of projects funded being examined.

The nature of WDP is such that the program is the sum of its component parts. As such, the evaluation will seek to examine WDP not only in terms of the components suggested in the RMAF, but also in terms of themes related to specific strategic objectives such as client service/network development, access to capital initiatives, or groupings of strategic projects around aboriginal initiatives, tourism or urban development.

Certain WDP sub-programs (e.g.: First Jobs in Science and Technology, International Trade Personnel Program) as well as WDP-inspired programs with separate Terms and Conditions (e.g.: Western Economic Partnership Agreements, Community Futures Development Corporations) have, and will continue to be evaluated separately. They will not be included in the scope of this evaluation but the evaluation should consider how those related programs have had an effect on WDP.

For the time period identified (1995 thru 2002), the bulk of WDP funding after excluding separately evaluated sub-programs, occurs under the Special Initiatives (SI) and Western Diversification Program (WDP) financial codes for WDP. It is proposed that this evaluation limit the scope of direct examination for this evaluation is limited to projects funded under either the SI or WDP financial codes.

5.1 Evaluation Issues: Relevance of the WDP

The program relevance question is whether WDP continues to be consistent with departmental and government-wide priorities and if it realistically addresses an actual need. The focus is on the continued relevance of the program in light of present social and economic conditions and government policy. Here the issues are:

- Is WDP still needed for current government policy, even assuming they are producing as expected?
- Does WDP continue to be accurately focused on the problem or issue they were addressing? And
- Are the WDP mandate and objectives adequately stated?

Comparing the current program activities with the mandated activities and examining the continued plausibility of the links between the program's activities and both its objectives and intended impacts and effects will develop an understanding of the rationale of the program.

5.2 Evaluation Issues: Success of the WDP

Program success issues deal with two sets of questions. First, success is assessed in terms of the achievement of the programs objectives; *Has the program achieved what was expected?* Second, program success is considered in terms of the program's results by asking the question; *What has happened as a result of the program?*

Consideration of the outputs produced and the intended immediate, intermediate and final outcomes (where possible) of WDP will help us determine what has happened as a result of the program. The evaluation however, will look at all of the results attributed to WDP (both intended and unintended) regardless of stated objectives. In this evaluation, we will consider success in terms of determining the manner and the extent to which stated and appropriate objectives are achieved as a result of the program.

5.3 Evaluation Issues: Cost Effectiveness of the WDP

Cost-effectiveness issues revolve around whether the most appropriate and efficient means are being used to achieve WDP objectives - particularly relative to alternative design and delivery approaches.

6 Managing the Evaluation

6.1 Responsibilities

The Project Authority together with the Director(s) responsible for WDP will co-chair and decide on the composition of an advisory committee that will provide input and direction for the evaluation. The Project Authority is responsible for directing and managing the execution of the evaluation in accordance with WD's approved Policy on Evaluation and the TB Evaluation Policy. The Director(s) responsible for WDP cover all roles related to program-oriented issues during the evaluation, with the remaining members of the committee providing further advice on those issues.

6.2 Standards

The evaluation of WDP will conform to the current Evaluation Policy published by the Treasury Board of Canada and the evaluation standards contained therein.

6.3 Resources

Resources for this project will be provided through Audit and Evaluation by contracting the evaluation out to an individual(s) or firm with appropriate evaluation knowledge and experience. As time is of the essence in this project, A&E may provide additional internal resources as required and warranted.

Ideally, the individual or firm contracted will:

- Have knowledge of the subject matter, including: WDP in general; federal-provincial economic cooperation efforts in Western Canada; WD's structure and mandate; and the Government of Canada's grants and contributions funding mechanisms;
- Provide equivalent service in both official languages during the project;
- Have past experience in conducting complex evaluations in the federal government environment that include elements of shared jurisdictional responsibility;
- Be familiar with client consultation and interviewing techniques;
- Have good communication skills;
- Be expected to work within the time constraints set for the contract; and
- Develop and submit an appropriate work plan for the evaluation.

A Request for Proposal process will be undertaken and submissions will be assessed on a points ranking system as applied by A&E and overseen by the Project Authority.

6.4 Methodology

The approach and methodology used for this evaluation project will be consistent with the attached WDP Results-Based Management and Accountability Framework (RMAF) developed by WD (draft attached).

The proposed evaluation will cover the operations of an appropriate sample (Based on criteria to be developed) of the population of SI and WDP financially coded WDP projects for the period FY 1995-96 through FY 2001-02.

6.5 Time Frame

The evaluation process will be initiated in the second quarter of FY 2002-2003 and will be completed during the third quarter of FY 2002-2003, with more specific timelines and milestones developed in the RFP and resulting proposals. The fieldwork report [see below] must be delivered by November 01 2002, with a final evaluation report from the consultant expected at the latest within 3 months of contract signing.

6.6 Reporting

Formal reporting occurs in three stages: a fieldwork presentation and report (in presentation format), a Draft Evaluation Report and lastly a Final Evaluation Report. The fieldwork presentation will be made to all stakeholders to ensure that findings and preliminary conclusions are factually correct. The Draft Evaluation Report - consistent with the reporting format contained in the attached A&E RMAF - will include consideration of issues raised at the fieldwork presentation and will be provided to A&E for distribution to all stakeholders for comment.

The Final Evaluation Report will be based on the Draft Evaluation Report and include consideration of the comments made on the draft report. The Final Evaluation Report will also be provided to A&E, and then distributed to program management and DAEC for approval and preparation of the management response and action plan. Final Evaluation Report (once approved, ATIP-cleared and translated) will be shared publicly in keeping with TB's Evaluation Policy.



APPENDIX B:

LIST OF KEY INFORMANTS

Key Informant	Title	Organization
Central Representatives		
Caron, Fred	ADM	Aboriginal Affairs Secretariat Privy Council Office
Christidis, George	Executive Assistant	Minister's Office Veteran Affairs Canada
Cleevely, Bill	Executive Director	Industry Portfolio Office Industry Canada
Drake, Bruce	Executive Director	Pacific Region Industry Canada
Fields, Glenn	Executive Director	Prairie and Northern Region Industry Canada
Hackett, Peter	Vice-President	National Research Council Canada
McColl, Velma	Senior Advisor	Minister's Office Industry Canada
Rawson, Bruce	President	Rawson Group
Regional Representatives		
Bond, David	Board Director	Canada West Foundation
Eliasson, Hugh	Deputy Minister	Economic Development Manitoba
Filmon, Gary	Former Premier	Manitoba
Hart, Frank	President & CEO	Crown Investments Corporation Saskatchewan
Lachambre, Phil	Executive Vice- President	Syncrude Canada
Leitch, Donald	Deputy Minister	Competition, Science & Enterprise British Columbia
Mehr, Barry	Deputy Minister	Economic Development Alberta
Mulaire, Mariette	Director General	Conseil de development economique des municipalites bilingues du Manitoba
Saari, Bob	Former Executive Director	Alliance of Manufacturers and Exporters Canada
Spannier, Larry	Deputy Minister	Industry and Resources Saskatchewan
Whitney, Roy	Chair	National Aboriginal Economic Development Board



Western Economic Diversification Canada

Lennie, Oryssia	Deputy Minister
Buffie, Orville	ADM
Ferguson, Judy	ADM
Gibson, Terry	ADM
Maley, Doug	ADM
Paxton-Mann, Ardath	ADM

Western Economic
Diversification Canada



APPENDIX C:

SURVEY & INTERVIEW QUESTIONS

- C1. Client/Partner Census**
- C2. Staff Survey**
- C3. Sponsorship Coordinators Survey**
- C4. Key Informant Interviews**

CLIENT/PARTNER CENSUS

#	Question
CP 1	Which of the following categories best describes your organization (where "organization" refers to the entity that is responsible for implementing the project funded by the Western Diversification Program)? <i>(10 categories)</i>
CP 2	Please briefly describe your organization's mandate and activities in the space provided
CP 3	Which of the following industry sectors (based on the North American Standard Industrial Classification system) best describes your organization? <i>(20 categories)</i>
CP 4	How many years has your organization been in operation?
CP 5	How many people, including both full and part time employees and yourself, are currently working for your organization? <i>(8 ranges)</i>
CP 6	What proportion of your organization's employees is based in western Canada? <i>(5 ranges)</i>
CP 7	What percentage of total project costs was provided by the Western Diversification Program? Please select the range that applies to your project. <i>(6 ranges)</i>
CP 8	What additional sources of funding, other than Western Diversification Program funding, did your organization obtain to help cover the costs associated with this project? (Please check all that apply.) <i>(8 categories)</i>
CP 9	What percentage of total project costs were provided by all government sources combined? <i>(6 ranges)</i>
CP 10	What proportion of the funding your organization received from the Western Diversification Program is considered repayable? <i>(6 ranges)</i>
CP 11	What percentage of the funding your organization received from the Western Diversification Program has already been paid back? <i>(6 ranges)</i>
CP 12	What proportion of the funding your organization received from the Western Diversification Program do you expect will eventually be repaid? <i>(6 ranges)</i>
CP 13	How likely is it that your project would have proceeded without WD funding? <i>(6 choices)</i>
CP 14	If your project would likely have gone ahead without Western Diversification Program funding, what were the likely incremental impacts of the funding from WDP? Please check all the effects that apply. <i>(6 choices)</i>
CP 15	For each of the following objectives that applies to your project, please indicate the extent that your project was successful in meeting its objective. Check "Not Applicable" for any items, which were not objectives of your project. You may comment on any of the objectives in the space provided. <i>(8 choices)</i>
CP 16	Are you aware of any new technologies that have been developed as a result of the project? (Whether developed directly by your organization, or developed by other participants in your project.)
CP 17	Please briefly describe these new technologies in the space provided.

#	Question
CP 18	Have you or your organization developed any new technologies as a result of this project?
CP 19	Did your organization, or anyone in your organization, file or otherwise create any Records of Invention (ROIs) as a result of this project?
CP 20	How many ROIs were filed as a result of this project?
CP 21	Did your organization, or anyone in your organization, apply for or obtain any patents as a result of this project?
CP 22	How many patents were applied for as a result of this project?
CP 23	How many patents were received as a result of work on this project?
CP 24	Which of the following steps have you or your organization taken to commercialize new technologies as a result of this project? Please respond to all of the steps below -- check "Not Applicable" if the step does not apply to you. <i>(6 categories)</i>
CP 25	Did your organization carry out any scientific or technical research as a result of the funding from WDP?
CP 26	How many graduate students participated in this scientific or technical research?
CP 27	How many graduated students published theses, or dissertations based on the scientific or technical research associated with this project? <i>(5 levels)</i>
CP 28	How many publications arose out of the project? <i>(5 levels)</i>
CP 29	How often have the publications that arose out of this project been cited?
CP 30	How many new companies were created as a direct result of the scientific or technical research that arose out of this project?
CP 31	How many new, short-term jobs were created in your organization for the duration of the project funding?
CP 32	Were any new long-term jobs created in your organization as a result of this project? Long-term means lasting for an indefinite period beyond the end of the WDP funding.
CP 33	How many new long-term full-time jobs were created in your organization as a result of this project? (Long-term means lasting longer than the project funding.)
CP 34	How many new long-term part-time jobs were created as a result of this project?
CP 35	What percentage of the long term jobs that were created were in each of the following categories: (Please enter your estimate of the percentage in each category, the percentages should total to 100) <i>(8 categories)</i>
CP 36	What was the highest educational level attained by the employees hired for the new long-term jobs? Please indicate the percentage of new employees whose highest educational level fits into each of the categories below. <i>(10 categories)</i>
CP 37	Is your organization primarily a commercial, for-profit enterprise?

#	Question
CP 38	<i>(If yes)</i> For each of the following objectives that applies to your project, please indicate the extent that your project was successful in meeting its objective. Check "Not Applicable" for any items, which were not objectives of your project. You may comment on any of the objectives in the space provided. <i>(11 categories defined)</i>
CP 39	<i>(If no)</i> For each of the following objectives that applies to your project, please indicate the extent that your project was successful in meeting its objective. Check "Not Applicable" for any items, which were not objectives of your project. You may comment on any of the objectives in the space provided. <i>(11 categories defined)</i>
CP 40	Has your organization increased sales within Canada as a result of this project?
CP 41	What is the approximate dollar value of the increase in your sales within Canada? Select the category that best describes the increase in your domestic sales. <i>(9 ranges)</i>
CP 42	Has your organization increased export sales as a result of this project?
CP 43	What is the approximate dollar value of the increase in your export sales? Select the category that best describes the increase in your export sales. <i>(9 ranges)</i>
CP 44	Has your organization increased productivity per worker as a result of this project?
CP 45	By approximately how much has your organization increased productivity per worker, as a result of this project? <i>(6 ranges)</i>
CP 46	Was funding for your project a result of a strategic federal/regional partnership to address priority economic issues? ("Region" may refer to a province or group of provinces, or a jurisdiction within a province, such as a municipality, regional district, or economic development district.)
CP 47	For each of the following objectives that applies to your project, please indicate the extent that your project was successful in meeting its objective. Check "Not Applicable" for any items, which were not objectives of your project. You may comment on any of the objectives in the space provided. <i>(8 objectives defined)</i>
CP 48	For each of the following objectives that applies to your project, please indicate the extent that your project was successful in meeting its objective. Check "Not Applicable" for any items, which were not objectives of your project. You may comment on any of the objectives in the space provided. <i>(4 objectives defined)</i>
CP 49	Did your project undertake research related to socio-economic information about western Canada, or any major issues related to the western Canadian economy?
CP 50	Were the results of your research published, or otherwise disseminated widely?
CP 51	Please provide more details about the publication of your research. For each of the following modes of publication or information dissemination, please indicate the approximate number of people who accessed the information (circulation, readers, viewers, listeners). Please check "Not Applicable" for each mode of delivery that does not apply to your project. <i>(8 categories)</i>
CP 52	In your opinion, does the federal Government of Canada understand western Canada better than it did 6 years ago"

#	Question
CP 53	Do you use any of Western Economic Diversification's research products?
CP 54	In your experience, has Western Economic Diversification succeeded in putting western Canadian issues on the national or federal government agenda?
CP 55	Please give one or more examples where Western Economic Diversification has succeeded in putting western Canadian issues on the national or federal government agenda.
CP 56	What was the response of the Government of Canada to these western Canadian issues? Please briefly describe the response(s) in the space provided.
CP 57	Are you aware of any strategic alliances or networks that Western Economic Diversification has developed in implementing the WDP?
CP 58	What strategic alliances or networks has Western Economic Diversification developed in implementing the WDP? Please list those you are aware of in the space provided.
CP 59	In your opinion, how successful are the alliances or networks? If you have any brief comments on your rating of the success of the alliances or networks, please enter them in the space provided.
CP 60	Generally speaking, what do you think has been the role of Western Economic Diversification been in forming these alliances or networks?
CP 61	Who have your most valued contacts been, outside of your own organization. In the space provided, please list your top three external contacts by type of organization and job title.
CP 62	About how often do you exchange information with your most valued contacts?
CP 63	About how often do you change or alter your work as a result of lessons learned or information produced from collaborative efforts with your external contacts?
CP 64	About how often do you and your external contacts support one another's goals?
CP 65	Did your project produce any significant unexpected beneficial results?
CP 66	Please describe the significant unexpected beneficial results.
CP 67	Did your project produce any significant unexpected negative results, or side effects?
CP 68	Please describe the significant unexpected negative results or side effects.
CP 69	Overall, how successful would you say your project was in achieving its stated objectives?
CP 70	Do you have any suggestions for improving the cost-effectiveness of the administration of the Western Diversification program? If so, please briefly describe them in the space provided.
CP 71	Do you have any suggestions for alternative programs or components that could be more cost-effective tools for developing, expanding or strengthening the economy of Western Canada? If so, please briefly describe them in the space provided.
CP 72	Do you have any general suggestions for improving the Western Diversification Program? If so, please describe them briefly in the space provided.

STAFF SURVEY

#	Question
S 1	In your estimation, what proportion of the projects you personally dealt with would likely have been implemented without funding from WDP?
S 2	Based on your knowledge of the needs of your clients, would you agree that the WDP is an appropriate response to those needs?
S 3	In your opinion, what are western Canada's top 3 needs today? Please describe these needs briefly in the space provided.
S 4	Have these needs (of western Canada) changed in the past 6 years?
S 5	Please briefly describe how western Canada's needs have changed in the past 6 years.
S 6	What strategic alliances or networks has Western Economic Diversification developed in implementing the WDP? Please list them in the space provided.
S 7	In your opinion, how successful are the alliances or networks? If you have any brief comments on your rating of the success of the alliances or networks, please enter them in the space provided.
S 8	Generally speaking, what do you think has been the role of Western Economic Diversification been in forming these alliances or networks?
S 9	Who have your most valued contacts been, outside of Western Economic Diversification? Please list your top three external contacts by organization and job title, in the space provided.
S 10	About how often do you exchange information with your most valued contacts?
S 11	About how often do you change or alter your work as a result of lessons learned or information produced from collaborative efforts with your external contacts?
S 12	About how often do you and your external contacts support one another's goals?
S 13	Based on your knowledge of the projects you personally dealt with, what is your estimation of the overall success that WDP had in achieving the following results. Please rate the success relative to the stated objectives of the projects. Check "Not Applicable" if the objective does not apply to projects that you dealt with. You may comment on any of the ratings in the space provided. <i>(6 categories defined)</i>
S 14	Based on your knowledge of the projects you personally dealt with, what is your estimation of the overall success that WDP had in achieving the following results. Please rate the success relative to the stated objectives of the projects. Check "Not Applicable" if the objective does not apply to projects that you dealt with. You may comment on any of the ratings in the space provided. <i>(6 categories defined)</i>
S 15	Based on your knowledge of the projects you personally dealt with, what is your estimation of the overall success that WDP had in achieving the following results through strategic partnerships, leadership and coordination. Please rate the success relative to the stated objectives of the projects. Check "Not Applicable" if the objective does not apply to projects that you dealt with. You may comment on any of the ratings in the space provided. <i>(6 categories defined)</i>
S 16	Based on your knowledge of the projects you personally dealt with, what is your estimation of the overall success that WDP had in achieving the following results. Please rate the success relative to the stated objectives of the projects. Check "Not Applicable" if the objective does not apply to projects that you dealt with. You may comment on any of the ratings in the space provided. <i>(4 categories defined)</i>

#	Question
S 17	Based on your knowledge of the projects you personally dealt with, did the WDP produce any significant unexpected beneficial results?
S 18	Please describe the unexpected beneficial results.
S 19	Based on your knowledge of the projects you personally dealt with, did WDP produce any significant unexpected negative results, or side effects?
S 20	Please describe the significant unexpected negative results or side effects.
S 21	Based on your knowledge of the projects you personally dealt with, what is your estimation of the overall success of WDP in achieving its objectives?
S 22	What, in your opinion, is the most successful type of initiative (program, sub-program, component, initiative) in the WDP? Please name the initiative in the space provided.
S 23	Please briefly describe why you believe the initiative you listed in the previous question is the most successful in the WDP.
S 24	In your opinion, has the WDP been a cost-effective way to achieve the objectives set out for it?
S 25	Do you have any suggestions for improving the cost-effectiveness of the administration of the Western Diversification program? If so, please briefly describe them in the space provided.
S 26	Do you have any suggestions for alternative programs or components that could be more cost-effective tools for developing, expanding or strengthening the economy of Western Canada? If so, please briefly describe them in the space provided.
S 27	Do you have any general suggestions for improving the Western Diversification Program? If so, please describe them briefly in the space provided.

SPONSORSHIP COORDINATORS SURVEYS

#	Question
SC 1	How many sponsorships were you responsible for from 1995 to date?
SC 2	What was the total value of the Sponsorships you were responsible for coordinating from 1995 to date?
SC 3	Overall, based on your knowledge of the Sponsorship projects you personally dealt with, how successful would you say the Sponsorship component has been in achieving its objectives? <i>(5 response options)</i>
SC 4	How successful would you say the Sponsorships have been in developing or enhancing linkages between the players in the innovation system? Please base your estimate on the Sponsorships that you personally dealt with. <i>(5 response options)</i>
SC 5	Please provide two or three specific examples of linkages among innovation system players, which were developed or enhanced through Sponsorships. Who are the players, and what is the nature of the linkages?
SC 6	How have these linkages contributed to innovation?
SC 7	How successful would you say the Sponsorships have been in increasing the level of awareness of new technologies throughout the region? Please base your estimate on the objectives of the Sponsorships that you personally dealt with. <i>(5 response options)</i>
SC 8	Please elaborate on your success rating. Why did you give the rating you did?
SC 9	Please provide two or three specific examples of Sponsorships that have increased awareness of new technologies. What were the technologies, and how was awareness increased?
SC 10	What effects, if any, has this increased awareness had on the commercialization of these technologies?
SC 11	How successful would you say the Sponsorships have been in encouraging clusters and networks, and other forms of inter-firm cooperation among small to medium enterprises in order to increase productivity, competitiveness, and adoption of sustainable development approaches? <i>(5 response options)</i>
SC 12	Please elaborate on your success rating. Why did you give the rating you did?
SC 13	Please provide two or three specific examples of Sponsorships that have helped encourage clusters and networks or other inter-firm cooperation among SMEs.
SC 14	What effects, if any, has the clustering, networking, or cooperation had on productivity, competitiveness, or adoption of sustainable development approaches?
SC 15	How successful would you say the Sponsorships have been in fostering e-business creation and growth in western Canada? Please base your estimate on the objectives of the Sponsorships that you personally dealt with. <i>(5 response options)</i>
SC 16	Please elaborate on your success rating. Why did you give the rating you did?
SC 17	Please provide two or three specific examples of Sponsorships that have helped foster e-business creation or growth. In what ways did the Sponsorships contribute to this e-business creation or growth?
SC 18	How successful would you say the Sponsorships have been in assisting western Canadian businesses with export readiness? <i>(5 response options)</i>
SC 19	Please elaborate on your success rating. Why did you give the rating you did?
SC 20	Please provide two or three specific examples of Sponsorships that have assisted western Canadian businesses to become export ready.

#	Question
SC 21	Please describe how the Sponsorships contributed toward either increasing the capacity of the western Canadian businesses to access export markets, or diversifying the types of products being exported.
SC 22	How successful would you say the Sponsorships have been in disseminating socio-economic information about western Canada, or any province or region within western Canada? <i>(5 response options)</i>
SC 23	Please elaborate on your success rating. Why did you give the rating you did?
SC 24	Please provide two or three specific examples of Sponsorships that have helped disseminate socio-economic information.
SC 25	What effects, if any, has the dissemination of this information had on the economic development of western Canada?
SC 26	How successful would you say the Sponsorships have been in addressing issues of strategic importance to western Canada, through pan-western or provincial conferences or workshops? <i>(5 response options)</i>
SC 27	Please elaborate on your success rating. Why did you give the rating you did?
SC 28	Please provide two or three specific examples of Sponsorships that have addressed issues of strategic importance to western Canada through pan-western or provincial conferences or workshops?
SC 29	What effects, if any, have these Sponsorships had on the development of government policies to respond to the strategic issues? Please describe the policies that were affected, and the way that the sponsorship influenced each policy.
SC 30	Based on your knowledge of the Sponsorship projects you personally dealt with, what is your estimate of the fraction of all projects or events that would not have proceeded without Sponsorship funding from WDP?
SC 31	Please provide some (two to four) specific examples of events that would not have proceeded without WDP support.
SC 32	Were there any unexpected negative effects of the Sponsorships you personally dealt with? If so, please describe these effects.
SC 33	Were there any unexpected beneficial effects of the Sponsorships you personally dealt with? If so, please describe these effects.
SC 34	Do you have any suggestions for improving the cost-effectiveness of the Sponsorship component of the WDP?

KEY INFORMANT INTERVIEWS

#	Question
KI 1	In your opinion, what are Western Canada's needs today? (list the top three or four)
KI 2	In your opinion, what are the priorities today for the federal government in the west?
KI 3	In your opinion, what are the priorities today for the provincial government in your region?
KI 4	Do you think Western Canada's needs have changed over the past 6 years? (Yes / No)
KI 5	If you responded "Yes" in the previous question, please explain how.
KI 6	What do you think WD has contributed to strengthening innovation?
KI 7	What do you think WD has contributed to developing business in Western Canada?
KI 8	What do you think WD has contributed to investment in federal and provincial priorities?
KI 9	Was WDP an appropriate response to the economic development needs of Western Canada?
KI 10	How well has WD contributed to: (6 response options) a. Strengthening innovation b. Developing business in western Canada c. Investment in federal and provincial priorities
KI 11	What strategic alliances or networks has Western Economic Diversification developed in implementing the WDP? Please give examples ... and ... In your opinion, how successful are the alliances or networks? (6 response options per example)
KI 12	Generally speaking, what do you think the role of the Western Economic Diversification in forming these alliances? (6 categories defined)
KI 13	Who have your most valued contacts been, outside of your own organization? (list organizations & titles)
KI 14	About how often do you: (7 time ranges defined) a. Exchange information with your most valued contacts? b. Change or alter your work as a result of lessons learned or information produced from collaborative efforts with your external contacts? c. And your external contacts support one another's goals?
KI 15	In your experience, has WD succeeded in putting Western Canadian issues on the national/federal agenda? (6 response options per example)
KI 16	How did Ottawa respond?
KI 17	How has your organization responded to issues that WD has put forward on the national/federal agenda? (6 response options) a. Overall b. Innovation c. Infrastructure d. Urban Development
KI 18	In your opinion, does the federal government understand the region's economic development needs better than it did 6 years ago? (6 response options)
KI 19	Do you use WD's research products? (Yes / No)
KI 20	What other products and services would you like to receive from WD, or role you think WD should play?
KI 21	Were there any significant unintended or unexpected POSITIVE impacts as a result of the WD Program? (Yes / No)
KI 22	What were these positive impacts?

#	Question
KI 23	Were there any significant unintended or unexpected NEGATIVE impacts as a result of the WD Program? (Yes / No)
KI 24	What were these negative impacts?
KI 25	In your opinion, how successful was WDP in achieving its overall objectives?
KI 26	What was the most successful type of initiative in the WDP?
KI 27	Why was your response to the previous question given as the most successful type of initiative in the WDP?
KI 28	In your opinion, has WDP taken a cost-effective way to achieve its objectives? (Yes / No)
KI 29	Do you have any suggestions for alternative programs or components that could be more cost-effective tools for developing, expanding or strengthening the WDP?
KI 30	<i>(WD officials only)</i> What criteria do you use to make decisions for the allocation of WDP resources?



APPENDIX D:

WESTERN ECONOMIC DIVERSIFICATION ACT,

R.S., 1985, c. 11 (4th Supp.)

Western Economic Diversification Act, R.S., 1985, c. 11 (4th Supp.)

An Act to promote the development and diversification of the economy of Western Canada, to establish the Department of Western Economic Diversification and to make consequential amendments to other Acts [1988, c. 17, assented to 8th June, 1988]

SHORT TITLE

[Short title](#)

1. This Act may be cited as the *Western Economic Diversification Act*.

INTERPRETATION

[Definitions](#)

2. In this Act,

"Department"
«*ministère*» "Department" means the Department of Western Economic Diversification established by subsection 4(1);

"Minister"
«*ministre*» "Minister" means the Minister of Western Economic Diversification;

"Western Canada"
«*Ouest canadien*» "Western Canada" means the Provinces of Manitoba, British Columbia, Saskatchewan and Alberta.

PURPOSE

[Purpose](#)

3. The purpose of this Act is 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.

DEPARTMENT

Department established

4. (1) There is hereby established a department of the Government of Canada called the Department of Western Economic Diversification over which the Minister of Western Economic Diversification, appointed by commission under the Great Seal, shall preside.

Minister

(2) The Minister holds office during pleasure and has the management and direction of the Department.

Deputy Minister

(3) The Governor in Council may appoint an officer called the Deputy Minister of Western Economic Diversification to be the deputy head of the Department.

POWERS, DUTIES AND FUNCTIONS OF THE MINISTER

Powers, duties and functions of the Minister

5. (1) The powers, duties and functions of the Minister extend to and include all matters over which Parliament has jurisdiction, not by law assigned to any other department, board or agency of the Government of Canada, relating to the promotion of the development and diversification of the economy of Western Canada and the advancement of the interests of Western Canada in national economic policy, program and project development and implementation.

Idem

(2) The Minister shall

(a) guide, promote and coordinate the policies and programs, including those related to industrial benefits, of the Government of Canada in relation to the development and diversification of the economy of Western Canada;

(b) lead and coordinate the efforts of the Government of Canada to establish cooperative relationships with the provinces constituting Western Canada, business, labour and other public and private organizations for the development and diversification of the economy of Western Canada; and

(c) compile detailed information on all programs and projects undertaken by the Minister for the purpose of measuring trends, development and progress in the development and diversification of the economy of Western Canada.

Further duties and functions

6. (1) The Minister may

(a) formulate plans and integrated strategies to support development and diversification of the economy of Western Canada;

(b) oversee the implementation of programs and projects in pursuance of plans and strategies referred to in paragraph (a) and, where those programs and projects will not be undertaken by another Minister or department or agency of the Government of Canada, initiate or implement those programs and projects;

Further duties and
functions
(continued)

- (c) plan, direct, manage and implement programs and projects intended to contribute directly or indirectly to
- (i) the establishment, development, support and promotion of enterprises, and more particularly, small and medium-sized enterprises, in Western Canada, and
 - (ii) the economic prosperity of that region;
- (d) plan, direct, manage and implement programs and projects to improve the business environment in Western Canada, including programs and projects
- (i) of support to business associations, conferences, studies, consultations, trade shows, demonstration projects and market research,
 - (ii) related to the development of business opportunity data banks and networks, and
 - (iii) to improve business communication and cooperation;
- (e) initiate, implement, sponsor, promote and coordinate policy research, policy development and economic analysis to support development and diversification of the economy of Western Canada;
- (f) with the approval of the Governor in Council, enter into any agreement with the government of any province, or with any agency of any such government, respecting the carrying out of the powers, duties and functions of the Minister; and
- (g) do all such other things as are necessary or incidental to the attainment of the purpose of this Act.

Financial
assistance

- (2) The Minister may, in accordance with terms and conditions approved by the Treasury Board, and with the approval of the Minister of Finance,
- (a) make loans to any person with respect to the establishment or development of enterprises, and more particularly, small and medium-sized enterprises, in Western Canada; and
- (b) guarantee the repayment of, or provide loan insurance or credit insurance in respect of, any financial obligation undertaken by any person in respect of the establishment and development of enterprises, and more particularly, small and medium-sized enterprises, in Western Canada.

Idem

- (3) The Minister may, in accordance with terms and conditions approved by the Treasury Board, make grants and contributions in support of programs and projects undertaken by the Minister.

GENERAL

Offices

7. (1) The principal office of the Department shall be in Edmonton, Alberta, but the Department shall maintain at least one office in each other province in Western Canada.

Government
services and
facilities

(2) The Department shall, where appropriate, make use of the services and facilities of other departments and of boards and agencies of the Government of Canada.

REGULATIONS

[Regulations](#)

8. The Minister may make regulations

(a) specifying programs and projects in addition to those referred to in paragraph 6(1)(d) to improve the business environment in Western Canada; and

(b) generally for carrying out the purposes and provisions of this Act.

ANNUAL REPORT

[Annual report](#)

9. The Minister shall cause to be laid before each House of Parliament on any of the first fifteen days on which that House is sitting after January 31 next following the end of each fiscal year, a report on the administration of this Act for that fiscal year.

TRANSITIONAL

[Appropriations based on Estimates](#)

10. The provisions made by any appropriation Act for the fiscal year in which this section comes into force, based on the Estimates for that year to defray the charges and expenses of the public service of Canada within the Department of Regional Industrial Expansion and the Department of Indian Affairs and Northern Development in relation to any matter in Western Canada to which the powers, duties or functions of the Minister extend by law, shall be applied to such classifications of the public service within the Department of Western Economic Diversification as the Governor in Council may determine.

[Transfer of powers, duties and functions](#)

11. Wherever under any Act, order, rule or regulation, or any contract, lease, licence or other document, any power, duty or function is vested in or exercisable by the Minister of Regional Industrial Expansion, the Deputy Minister of Regional Industrial Expansion or any other officer of the Department of Regional Industrial Expansion in relation to any matter in Western Canada to which the powers, duties or functions of the Minister extend by law, the power, duty or function is vested in and shall be exercised by the Minister of Western Economic Diversification, the Deputy Minister of Western Economic Diversification or the appropriate officer of the Department of Western Economic Diversification, as the case may be, unless the Governor in Council by order designates another Minister, deputy head or officer of a department or a portion of the public service of Canada to exercise that power, duty or function.

Deemed
appointment

12. Every indeterminate employee in the public service of Canada who is transferred to a position in the Department from the public service of Canada within ninety days after the day on which this section comes into force is deemed to have been appointed to the Department in accordance with the *Public Service Employment Act*.

CONSEQUENTIAL AMENDMENTS

13. to 17. [Amendments]

COMING INTO FORCE

Coming into force

***18.** This Act or any provision thereof shall come into force on a day or days to be fixed by order of the Governor in Council.

*[Note: Act in force June 28, 1988, see SI/88-119.]

APPENDIX E:

TERMS AND CONDITIONS

- E1. WESTERN DIVERSIFICATION PROGRAM – WDP
TERMS AND CONDITIONS, 1987/1988**
 - Appendix A: Definitions
 - Appendix B: Synopsis by Economic Sector
 - Appendix C: Indicators of Intelligible Activities
 - Appendix D: Questionnaire Concerning Possible
Conflict of Interest and the Code for
Former Federal Public Office Holders
 - Appendix E: Requirement for Project Audits

- E2. WESTERN DIVERSIFICATION PROGRAM – WDP
TERMS AND CONDITIONS, February 7, 2002**

E1. WESTERN DIVERSIFICATION PROGRAM, TERMS AND CONDITIONS, 1987/1988

1. DEFINITIONS

See Appendix A.

2. PURPOSE

The purpose of these Terms and Conditions is to establish the policies and procedures by which financial assistance under the Western Diversification Program (WDP) is to be administered. These Terms and Conditions reflect the departmental mandate and are, intended to facilitate the administration of the Program.

3. PROGRAM AUTHORIZATION

Amended by T.9. Decision 809563 dated November 17, 1988. In accordance with section 6(3) of the Western Economic Diversification Act, Bill C-113, assented to June 8, 1988, the Minister may, in accordance with terms and conditions approved by the Treasury Board, make grants and contributions in support of programs and projects undertaken by the Minister.

4. PROGRAM DESCRIPTION

WDP is not an entitlement program. Assistance under the WDP will be provided only to those projects that in the opinion of WD would not otherwise proceed in the proposed location, proposed scope or proposed time if such assistance were not provided. To the extent possible, WD will offer levels of assistance to eligible projects or activities commensurate with their assessment of the assistance level required to get the desired result. All applications will be assessed for their contribution to Western Diversification and in generating economic benefits for British Columbia, Alberta, Saskatchewan or Manitoba.

5. PURSUANT TO THESE TERMS AND CONDITIONS, WD MAY:

- i) Contribute directly through contributions including interest subsidies and grants, to the financing of the costs of eligible projects or activities, proposed by the private sector, which create additional employment and which offer significant potential benefit for the further diversification or expansion of the economy of western Canada;
- ii) In conjunction with existing programs of other federal departments and/or provincial governments, provide initial or topping up financial support to eligible project or activities including the initiation, promotion or expansion of enterprises, the establishment of new businesses, research and development activities, and development of business infrastructure which promote economic diversification or economic expansion in western Canada;
- iii) Support eligible projects or activities intended to enhance the business climate in the west and which may include projects promoting the competitiveness of established enterprises and projects or activities facilitating the establishment of new enterprises; and
- iv) In conjunction with other federal departments and/or provincial governments, support eligible projects or activities to address systemic or structural problems in the western economy which present major obstacles to western business development.

6. TYPES OF ELIGIBLE PROJECT OR ACTIVITIES

Without being restrictive, assistance under this program may be provided to the following types of projects. A synopsis by economic sector is provided in Appendix B.

- i) Development of proposals and studies;
- ii) R & D, including software development, innovation, new product identification, product design and development, commercialization of R & D results and the application of new technology;
- iii) Productivity improvement including, systems development and improvement, training, equipment and consulting;
- iv) Domestic and international market development including promotion and acceptance of Canadian standards and product specifications, publication and dissemination of information to promote Canadian products, market research and analysis, advertising, trade shows, seminars, field trials and other events, market development, import replacement and export, development; and
- v) Development and establishment of new business including new business concepts;
- vi) Establishment, modernization or expansion of physical plants.

7. PROJECT AUTHORITIES

The Assistant Deputy Ministers are responsible to the Deputy Minister for administering WDP, according to the guidelines contained herein.

Authority for the approval of WDP projects varies according to dollar value, percentage level of assistance, and delegations as determined by the Minister.

For all projects with a WD assistance level of \$15 million or more, the Minister will seek Treasury Board approval.

8. APPLICATION ASSESSMENT

- i) All project applications must be in writing and must be received at a designated office of WD or at such other location or by such other means as may be determined by WD.
- ii) The responsibility for the assessment of proposed projects and in determining project or recipient eligibility rests with the Deputy Minister of WD.
- iii) The analysis of project applications will be carried out in a number of ways, including by WD, by other federal departments or agencies, by contract, etc. The applicant will provide all information necessary to ensure a complete evaluation of the proposal.
- iv) An initial screening will be conducted in order to assess whether or not the proposal is consistent with the Western Diversification Program and is not ineligible according to the indicators identified in Appendix C. In addition, to the maximum extent possible, the availability of other government program support for the proposal will be assessed and the applicant will be informed accordingly.

9. CLASS OF ELIGIBLE RECIPIENTS

Contributions, repayable contributions, including interest rate subsidies, may be given for eligible projects consistent with the Western Diversification Program (WDP). Moreover, grants will be restricted to a non-commercial recipient to a maximum of \$1 million per recipient for purposes consistent with WDP.

10. LETTER OF OFFER

The Letter of Offer will constitute the only legally binding confirmation of assistance under WDP. Letters of offer (which may vary in contents according to the nature of the project, time to completion, etc.) will set out specific Terms and Conditions for the Financial support that WD is offering to the applicant. The applicant will have twenty-five working days from the date of the offer in which to respond. If no response is received by WD within this time limit, the Letter of Offer will be deemed to be withdrawn.

11. PAYMENT PROVISION AND INVOICING

- i) The maximum assistance levels for WD participation consistent with stacking guidelines are:
 - a) up to 50% of eligible costs for commercial projects involving the establishment, modernization or expansion of physical plants;
 - b) up to 75% of eligible costs for other commercial projects; and
 - c) up to 90% of eligible costs for all noncommercial projects.
- ii) No assistance will be provided for any period prior to the date of commencement of support indicated in the Letter of Offer.
- iii) Financial assistance received from WD by the recipient shall be used to cover only eligible costs as indicated in the Letter of Offer or by an approved amendment.
- iv) Costs, for which the recipient has or is intended to be reimbursed or compensated through another agreement or contract, shall not be covered through the WDP.
- v) The Minister shall normally pay to the recipient authorized progress payments on a quarterly basis pursuant to these Terms and Conditions, the Letter of Offer, and proponent progress reports, unless the project requires either advance or installment payments, as described below.
- vi) Progress payments shall be made only after the Minister is satisfied that the project is progressing substantially as described in the statement of work, based on reports submitted by the recipient or by other investigations where deemed appropriate.
- vii) Normally the recipient shall not submit a claim for costs until they have actually been paid for by the recipient. In the case of consultants or subcontractors, a copy of the claim marked "Paid in Full" over original signatures or authorized officers shall accompany the recipient's claim as proof of payment.
- viii) Contribution payments to a recipient in order to buy down interest costs will be based on up to six percentage points per annum on principal balance outstanding on a term loan in an amount of at least \$100,000 from an eligible lender for a project carried out by the applicant.

The maximum contribution available for any one project is six percentage points of interest costs, normally over a period of seven years of a term loan. In special circumstances, the Minister may allow a contribution to apply for longer than seven years. In such a case, the contribution can apply to interest costs for a maximum period equivalent to the term of the loan.

Where circumstances warrant, provision for advance payments will be included in the Letter of Offer.

Advance payments for contributions will be consistent, where possible, with the following schedule:

Total Contribution	Initial Advance	Subsequent Advances (conditional upon accounting for initial advance)
Up to \$24, 999	Up to 75% of the total contribution	
\$25, 000 to \$99, 999	Up to 75% of the total contribution	Quarterly
\$100, 000 to \$249, 999	The amount of the first quarter cash flow	Quarterly
\$250, 000 to \$499, 999	The amount of the first quarter cash flow	Monthly, beginning in 4 th month
\$500, 000 and over	First month's cash flow	Monthly

ix) Grants should normally be paid installments according to the following schedule:

Total Grant	Installments
Up to \$99, 999	One or more installments
\$100, 000 to \$499, 999	Two installments
\$500, 000 to \$999, 999	Quarterly installments
\$1, 000, 000	Monthly installments

Less than these minimum number of installments would only be permissible where the installments payments would not meet the recipient's cash flow requirements, or where it can be demonstrated that the added administrative costs of installments payments are greater than the additional interest costs of the government in paying faster than the originally agreed schedule set out in the Letter of Offer.

- x) Where advance payments or installment payments deviate from the schedules above, the associated costs to the government of imputed interest rate to be charged against the Western Diversification Fund. Imputed interest will be calculated by WD by taking into account the number and amount of payments exceeding the installment or advance payment schedule and the length of time in advance of the schedule at a rate of interest equal to the 90 day Treasury Bill rate as at the date on which the advance or installment payments are made to the recipients.
- xi) A recipient shall normally be required to submit claims each quarter to WD for work carried out in the previous quarter- such claims should reach WD in the first two-week period of each following quarter. Claims for work carried out in March, which is the last month of the WD's fiscal year, should be received by April 10 of that calendar year; otherwise the Minister may be unable to authorize payment.
- xii) Expenditures exceeding the amount approved for any fiscal year are the responsibility of the recipient, unless a request in writing for reprofiling of funds is approved by the Minister. If approved, and if within the limits of the total budget approval for the project, excess expenditures incurred by a recipient in one fiscal year may be charged against project funding, if any, in the subsequent fiscal year.
- xiii) The unspent balance of the approved funds for the project shall lapse on the date set out in the Letter of Offer. An exception to this rule is possible if the recipient receives written approval from WD, for an extension of the project completion date and a reprofiling of the project budget.
- xiv) Assistance under the WDP is conditional on there being an appropriation by Parliament for the Program and on performance satisfactory to WD by the recipient on the Project.

12. CONDUCT

- i) The recipient shall be required to exercise diligence in undertaking and pursuing the project.
- ii) The recipient shall be required to obtain prior approval from WD for changes in project scope, content, objectives or reporting schedule unless otherwise specified in the Letter of Offer.
- iii) The recipient shall be required to acknowledge that the work was assisted in part by WD and other participating government agencies, in all publications, press releases and presentations arising from the project, including annual reports.
- iv) In order to ensure that safeguards are in place to prevent conflicts of interest by former federal public Office Holders, applicants shall be required to respond to the questions outlined in Appendix D.
- v) No member of the House of Commons of Canada or Senate of Canada shall be admitted to any share or part of any agreement relating to WD assistance or to any resulting benefit.
- vi) All information provided by the applicant which is identified as commercially confidential shall be subject to the governing law and shall be treated as such by WD.

13. RECORDS, REVIEWS AND AUDITS

- i) The recipient shall be required to maintain records of personnel involved and expenditures incurred on the project, and upon reasonable notice from WD, these records will be made available to authorized representatives of WD with every facility for inspection, auditing and making copies.
- ii) The recipient shall be required to submit written progress reports to the Minister at any time and in such detail, as the minister considers appropriate and may request. Normally progress reports will be required on a quarterly basis. Such reports shall highlight project status and should accompany the recipient's claim for work carried out in the previous quarter.
- iii) Where relevant and upon reasonable notice, authorized representatives of the Minister are to be permitted to make inspections of the activities, facilities and plant of the recipient. The nature, extent and frequency of such inspections are at the discretion of the Minister, but, will not extend beyond twenty-four months following completion of the project.
- iv) Unless otherwise specified in the Letter of Offer, in each year of receipt of WDP assistance (except grants) the recipient will provide the Minister with a project Audit Report - This will be prepared by an external licensed public accountant in accordance with the Appendix E. A copy of the recipient's latest annual report and the Project Audit Report are required within three months and the latest annual financial report is required within six months or the end of the recipient's financial year.
- v) A written final report will be submitted by the recipient at the time set out in the Letter of Offer indicating the results, actual and expected benefits, and any follow-on activity planned.

14. PAYMENT RECOVERY PROVISIONS

Where assistance has been provided to a recipient under this program and, for any reason the recipient is not entitled to receive this assistance, or the amount exceeds the amount to which the recipient is entitled, then the amount of the overpayment together with interest computed from the date the payment(s) was made, is a debt due to Her Majesty in Right of Canada and may be recovered as such from the recipient. The rate of interest payable for these purposes will be at a rate of interest equal to the 90 day Treasury Bill rate in effect on the day the error(s) was made.

15. OWNERSHIP AND EXPLOITATION

- i) WDP assistance is conditional upon the recipient obtaining assignment to itself, from all staff, consultants and subcontractors associated with the project, of all rights to inventions, including patents that may relate to the project and arise during the project.
- ii) The recipient shall undertake to perform in Western Canada all technical development and/or production resulting from the work assisted by WDP unless prior written approval to do otherwise has been granted by the Minister.
- iii) Unless otherwise specified in the Letter of Offer, title and rights to information, patents and other results from the project are to be retained by the recipient. The recipient is expected to seek, at its own expense, appropriate patent protection for inventions resulting from any WDP-assisted work. If the recipient fails to file an application for patent within a reasonable time after making an invention or decides not to seek patent protection for an invention in a particular country or in any country the Minister may direct the recipient to assign to the Crown full rights to the invention in such countries. While publication is normally at the discretion of the recipient, the timing and content of publication must not prejudice intentions or efforts made to obtain patent protection. If the company does not intend to apply for patent protection for an invention for commercial reasons, agreement to refrain from doing so must first be obtained from the Minister.

16. GENERAL

If a recipient becomes insolvent or has a receiving order made against it, or passes a resolution for winding up, or takes the benefit of any statute for the time being in force relating to bankrupt or insolvent debtors or orderly payment of debts, it must immediately notify the Minister. Under such situations, the Minister may, terminate further WDP, assistance for the project and cease payment of any recipient claims outstanding.

- ii) During the period of the support and for two years thereafter, the recipient shall inform the Minister of any significant changes in recipient control and/or ownership as well as in any planned changes in the location and operation of project related facilities or WDP supported project personnel. Whether WDP assistance is continued or not, the recipient undergoing a change in ownership shall ensure that the successor organization, where appropriate, agrees to the Terms and Conditions set out in the Letter of Offer.
- iii) A request for a waiver of one or more of the Terms and Conditions in the Letter of Offer, in whole or in part, should be submitted to the minister in writing with suitable explanations. Waivers are at the sole discretion of the Minister- No offer to refund WDP financial assistance or other recompense will give a recipient any rights to a waiver.

- iv) Failure by the recipient to comply with any of the Terms and Conditions in the Letter of Offer shall be considered sufficient justification for suspension or termination of assistance for the project in which case the Minister may suspend or terminate assistance by giving in writing reasonable notice, not less than, ten days.

17. PROJECT EVALUATIONS

- i) Project evaluations will be carried out at the discretion of the Deputy Minister. An annual evaluation plan for selected projects will be prepared and submitted as part of the Fall MYOP. The evaluation plan will identify project names, responsibility for evaluation activity and data requirements.
- ii) Terms of reference for each evaluation will be approved by the Deputy Minister or the Deputy Minister's designate.

18. EXPIRY DATE

Ongoing authority exists for the Western Diversification Program.

APPENDIX A: DEFINITIONS

“application” means a written request by an applicant to the Minister for assistance under the WDP. It should describe:

- (a) the name of the applicant and distribution of ownership;
- (b) the purpose or objective of the project;
- (c) a statement of the work to be done,
- (d) the project commencement and completion dates, including critical factors in the proposed scheduling;
- (e) the benefits expected and, depending on the nature of the project, this may be elaborated to include projections of the net jobs to be created, increased sales, cost reductions, ancillary business/activities affected, etc.;
- (f) a business and financial plan, including a budget, and the shares to be borne by each of the applicant, WDP, and any other contributors;
- (g) the ownership and responsibility for the operation and maintenance of the project after completion, if other than the applicant;
- (h) all other sources of funds to which this project, or a substantially similar project, has previously been submitted or is currently under consideration;
- (i) where applicable, environmental impacts:

“commercial operation” means a party carrying on or about to carry on a business or activity whose objective is to be financially profitable.

“contribution” means a contribution authorized under these Terms and Conditions.

“eligible costs” means the cost necessary to carry out the project including working capital and capital cost.

“eligible lender” means any commercial lending institution.

“eligible project or activity” means a project or activity accepted for funding under the WDP.

“grant” means a non-conditional transfer payment authorized under these Terms and Conditions.

“Letter of Offer” means the letter issued under the authority of WD informing the applicant of a decision to provide assistance under the Western Diversification Program, and setting out the Terms and Conditions thereof.

“interest buy down subsidy” means a contribution to an applicant to buy down interest costs.

“manufacturer of processor” means a person engaged or about to be engaged in a manufacturing or processing operation in western Canada.

“Minister” means the Minister responsible for western Diversification.

“non-commercial operation” means a party carrying on or about to carry on an activity or business whose objective is to operate on a financial break-even basis.

"physical plant" means a place of activity, for example a building.

"recipient" means a person undertaking or about to undertake an eligible project under this program.

"repayable contribution" means a Contribution, an agreed portion of which will be repaid to WD at a future time as specified in the Letter of Offer.

"service industry" means activities encompassed by Divisions F, G, H, I, J, K, L and M in Statistics Canada Standard Industrial classification 1980, except those excluded by the ineligibility guidelines herein (refer to Appendix C).

"Statement of Work" relates to the information provided in the application.

"western Canada" means the provinces of British Columbia, Alberta, Saskatchewan and Manitoba or any one of them or any part of them.

"Western Diversification" means the department of Western Economic Diversification established pursuant to Bill C-113 order-in-Council P.C. 1987 – 1621 August 4, 1987.

"working capital" means all costs including capital and O&M required for a specific project for a specified period of time.

APPENDIX B: SYNOPSIS BY ECONOMIC SECTOR

The following types of sectoral activities illustrate generally but are not intended to limit, the activities and projects that may be considered under the Western Diversification Program (WDP). This section summarizes the current views of the federal government on the constraints and opportunities facing the Western economy on a sector-by-sector basis. Each part concludes with preliminary observations about the potential contribution of Western Diversification (WD), and the Western Diversification Fund (WDF) to progressive economic development and diversification. The first duty of the new organization will be to deepen its understanding of these opportunities through discussion with industry, producer associations, labor, and provincial governments. This synopsis refers to the pages in A Framework for Diversification in Western Canada, August 1987, which reflects the main conclusion to date.

1.
 - a) In agriculture the role of WD, working with producer groups, provincial governments and Agriculture Canada, will be to invest in projects with high economic payoffs that lead to new levels of international competitiveness.
 - b) Experiments to spread technological innovations more quickly, to speed the application of research funding, and to improve management skills in agri-business are all possibilities, as are focused efforts on the development of strategic products or processes. The office will help define federal sectoral policies with respect to trade, transportation and support to western producers.
2. In the energy field, it is fundamentally important that Canada maintain a technological edge and, that federal actions to support the oil and gas sector help maintain this advantage. WD will be interested in projects consistent with Canada's international trade policy which would help firms in the sector to broaden a commercially competitive capacity to apply their considerable expertise to other domestic sectors and to exports.
3.
 - a) Because of its strategic location, the forest industry (p.12) in the West has the potential to capture new markets in the Pacific Rim, the penetration of these markets will require an aggressive marketing strategy through a concerted effort by both governments and the industry. WD will join industry, the provinces and External Affairs in considering proposals to capture new markets.
 - b) Experience shows that the industry is capable of reducing its production costs and/or diversifying its product base. An enhanced R&D effort in the area of codes and standards, improved production methods, and new product development would allow the industry to be more competitive and to diversify away from the present product base of pulp & paper and lumber. WD will be interested in proposals from industry and provinces to reduce capita through targeted and well-disseminated research efforts.
 - c) The governments of the prairie provinces are looking to the forest sector as a vehicle to diversify an economic base dependent on agriculture and petroleum. One of the best opportunities available is to tap the large and under-utilized hardwood resource, found primarily in Alberta, northern Saskatchewan, Manitoba and parts of British Columbia, for the production of chemic-mechanical pulp, composite wood and specialty products.

4. a) Mining and mineral processing are an integral part of the western economy. The industry has survived through the ability to adapt to change and is now well positioned to take advantage of strengthened mineral and metal markets in the 1990's.

b) WD may consider, together with the industry and provincial governments, projects which would expand or speed dissemination of research efforts in geoscience, product or process development, and marketing.
5. Coal is a major economic sector in the West accounting for more than 90 percent of Canada's coal production. The government is already undertaking serious efforts to improve the competitiveness of western coal but through WD will do more. The office will consider projects to reduce risk through technology demonstrations, to promote Canada as a reliable and low-cost supplier and to educate the public about western Canadian coal's attractiveness as an energy source.
6. a) The major issue facing the fisheries of British Columbia is the continuing imbalance between available fish resources and the vastly larger capacity to catch and process fish. The federal government is taking action to address the circle of resource fluctuations, capacity imbalance, and competition for scarce resources by further investment in increased stocks. WD will provide \$53.7 million over the next five years for the Salmonid Enhancement Program.

b) WDO will be receptive to industry-sponsored fisheries development initiatives to increase the exploitation or finder-utilized species, develop new products and markets, and develop and test new technologies.

c) In the area of aquaculture, the office will consider contributing to the promotion of technology development and transfer to industry in the areas of nutrition, disease control and research supply of salmon eggs, vaccine development, biotechnology, genetic engineering, reproductive research and broad stock development. It will be important to coordinate federal and provincial initiatives in this regard to ensure that new private sector undertakings are best served
7. a) Over the past twenty years, service activities have played an extremely important role in generating employment and income in the western provinces. Further development of the specialized operational engineering and logistics capabilities existing in western Canada could form the basis for a new center of excellence. Alberta has developed advantages in technologies related to enhanced oil recovery, synthetic fuels, and engineering services in exploration and cold climate construction- This world leadership could be strengthened by WD support for the Cold Regions Laboratory.

b) In all service areas, the prime interest of WD, will be in sectors which operate in international markets, or are significantly exposed to international competition. The office will want to explore ways in which judicious investments in R&D, technology dissemination, specialized and mid-career updating for key professionals and market development efforts abroad might stimulate growth in high quality jobs.
8. WD will be interested in projects aimed at strengthening existing tourism markets, encouraging the establishment of new attractions, and increasing the skills and expertise which will help broaden the base of the Western tourism sector. Support for the establishment of a national park reserve on South Moresby and nearby islands is a good example of a cooperative investment from the Western Diversification Fund.

9. For the West in general, the federal industrial strategy will center on exploiting opportunities to add value to traditional resources, building on and expanding existing technology-based sectors and attracting new consumer goods production. WD will work closely with the new Department of Industry, Science and Technology in developing a dialogue with westerners about how federal programming can best promote western objectives

10. There are significant opportunities for industrial diversification in the further development and application of high technology strengths WD will explore the higher technology opportunities available to the western provinces and encourage greater interprovincial cooperation to take advantage of these opportunities.

APPENDIX C: INDICATORS OF ELIGIBLE ACTIVITIES

It can be expected that the following activities will generally not be eligible for funding from the Western Diversification Program. It is emphasized that these guidelines will be further developed through experience with specific cases. WD will endeavor throughout to inject positive content into the "flexibility and responsiveness" of Western Diversification, so that the establishment of a needed set of screening criteria will not lead to or be interpreted as a new rigidity. The list contains a mix of criteria, some of which might be applied as a screen at the beginning of the application process and others which are broad guidelines useful internally in reaching decisions on projects.

- i) Projects that represent no attractive projects for export development, or expansion into supply deficient regional markets, or diversification of the economic services or goods produced in the region.
- ii) Projects committed prior to August 4, 1987 by a federal department in a program area outside the authority transferred to the Minister of Western Diversification.
- iii) Projects whose economic and/or employment benefits would accrue primarily outside the western provinces.
- iv) Projects, the purpose of which is to sustain a business (e.g. bail outs, restructuring, recapitulating, financing through operating loans), or to transfer plant or workers, or ownership without generating additional business activity or employment in the western provinces.
- v) Projects which are eligible for other federal, provincial or municipal financial assistance programs that are not fully subscribed. Proponents must first seek maximum funding from other programs for which they are eligible before seeking WD funds or topping up assistance.
- vi) Municipal development, redevelopment or related projects and projects designed to create or renovate municipal infrastructure.
- vii) Purchases of retail franchises or projects to purchase or expand retail stores;
- viii) Projects whose activities are of a social service or personal service nature;
- ix) Projects to replace the existing capital or operating commitments of federal or provincial government departments, agencies or Crown corporations;
- x) Projects to assist the commercial operations of financial institutions;
- xi) Projects whose sole purpose is to ensure the successful completion of a contract that has already been won through a competitive bid selection process;
- xii) Projects that would unreasonably fragment an industry or create overcapacity;
- xiii) Projects which are not scientifically, technologically, or economically feasible, taking into consideration the technical risks involved, the capacities of the firm, the availability of relevant expertise, etc.;
- xiv) Commercial or industrial projects in which the proponent's net equity position in the specific project is unreasonably low.
- xv) Projects which, while they may diversify the products, processes or services of a particular practice or firm, do not offer significant diversification potential for the regional economy.

APPENDIX D: QUESTIONNAIRE CONCERNING POSSIBLE CONFLICT OF INTEREST AND THE CODE FOR FORMER FEDERAL PUBLIC OFFICE HOLDERS

1. Do you presently employ in your business or establishment a former Public Office Holder who left the federal government in the last twelve months?
2. Does your business have as a major shareholder a former Public office Holder who left the federal government in the last twelve months?
3. If you have answered yes to question 1 or 2 above, was this person at a SM (senior manager) level or above while in public office?
4. If you have answered yes to question 3, would you please ask that the employee/shareholder contact his/her former department to obtain written confirmation that he/she is in compliance with the post-employment provisions of the conflict of Interest and post- employment Code. A copy of the written confirmation must be provided to the WD office.

*Public Office holders are further defined in the Conflict of Interest and Post-employment Code for Public Office Holders, September 1995.

APPENDIX E: REQUIREMENT FOR PROJECT AUDITS

1. The objective of the audit will be to establish that:
 - the amounts claimed by the recipient are in accordance with the "Letter of Offer".
 - the financial information presented in the recipient's financial books, accounts, statements and progress claims, is presented fairly and consistently;
 - the costs of performing the work and the sources and amount(s) of funds received from external and internal sources applied in performance of the work are fairly-stated.
2. The Audit Report will:
 - identify the recipient by name, project title and project number;
 - identify the period covered by the audit;
 - identify the financial information examined;
 - contain a Summary Schedule of Project Casts and project Receipts for the audit period;
 - express an opinion as to whether:
 - i) the recipient's financial information is presented fairly and the amounts claimed were recorded on a consistent basis in the recipient's records and accounts and were incurred in accordance with the "Letter of Offer";
 - ii) the financial information presented in the documents attached to the Audit Report is fairly and consistently reported; and
 - Certify that the audit examination was performed in accordance with generally accepted auditing standards, and included such terms and procedures as were considered necessary in the circumstances.
3. In cases where the Auditor qualifies his/her opinion, or gives a denial of opinion, the reasons for such qualification or denial are to be explained in the Audit Report.
4. The auditor will obtain a Letter of Representation from the recipient stating to the best of the recipient's knowledge, all pertinent information has been disclosed.
5. Within three (3) months of completion of the Audit Period, the Audit Report, with attached schedules, is to be forwarded by the Auditor to the WD office.

E2. WESTERN DIVERSIFICATION PROGRAM, TERMS AND CONDITIONS, February 7, 2002

1. PURPOSE

The purpose of this document is to set forth the terms and conditions for the administration of financial assistance under the Western Diversification Program (the "Program") of Western Economic Diversification Canada (the "department").

2. AUTHORITIES

In accordance with section 6(3) of the Western Economic Diversification Act the Minister may, in accordance with the terms and conditions approved by the Treasury Board, make grants and contributions, in support of programs and projects undertaken by the Minister.

3. OBJECTIVE

The objective of the Western Diversification Program is 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.

4. EXPECTED RESULTS AND OUTCOMES

Funding under this Program is anticipated to result in:

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

5. ELIGIBILITY CRITERIA

5.1 Contributions, may be made to:

- A. Non-profit organizations,
- B. Postsecondary institutions, hospitals and regional health care centers engaged in research,
- C. Individuals,
- D. Cooperatives,
- E. Small and medium sized commercial, legally incorporated, for-profit enterprises,
- F. Federal Crown Corporations as per Section 7.2.2 of the Treasury Board Policy on Transfer Payments,
- G. Provincial Government Departments, agencies and Crown corporations such as provincially owned telecommunications companies,
- H. Municipal Governments and organizations created by them.

5.2 Grants will be for purposes consistent with the objectives of the Program and restricted to individuals, non-profit organizations, post-secondary institutions, hospitals and regional health care centers engaged in research.

6. ELIGIBLE COSTS

Contributions will be made towards eligible costs that are incurred by the recipient and which, in the opinion of the Department, are reasonable and are required to achieve the results to which they relate.

Examples of Eligible Costs are:

- Operations: maintenance,
- Personnel: salary and benefits,
- Equipment purchase and lease,
- Information management and information technology acquisitions,
- Legal, administrative, accounting, licensing, permits, consulting fees
- Rents, leases, leasehold improvements,
- Acquisitions of proprietary processes,
- Interest charges, insurance, fees, taxes,
- Supplies, transportation,
- Capital improvements related to projects,
- Other costs that are reasonable, incremental and directly attributable to activities necessary to achieve desired result, as specified by the agreement, will be supported.

7. ELIGIBLE ACTIVITIES

Grants and contributions under the Program will be made towards projects which support the development and diversification of the western Canadian economy and activities whose economic and/or employment benefits accrue primarily within Western Canada such as projects that:

- A. Strengthen the western Canadian innovation system, which connects western research strengths (universities, hospitals and other research institutions) with industry's commercialization focus. Projects that may be funded include those that build and sustain a critical mass of research, technology, financial and human resources in the west, enhance technology commercialization and forge linkages among innovation system players,
- B. Support the development and expansion of the business sector in western Canada through projects that:
 - Improve productivity including systems development and improvement, training, equipment and consulting
 - Increase domestic and international market development
 - Increase participation of western firms in selling their products and services to government
 - Support the enhancement of the business climate through projects such as those which support the dissemination of business information and skill development,
 - Promote the competitiveness of established enterprises such as the establishment, modernization or expansion of physical plants and/or development and establishment of new business including new business concepts, and/or
 - Otherwise address systematic problems such as those facing aboriginal peoples who wish to establish a business but lack the management skills to succeed; or structural problems in the western economy such as the fact that the vast majority of Western Canadian exports are done by a handful of western businesses.
- C. Create or enhance partnerships that promote the collaboration and investment in economic development and diversification through projects that:
 - Leverage provincial investment in federal priorities such as innovation, northern and urban development and trade and investment and urban development agreements,
 - Support aboriginal economic development,

- Build community capacity in support of economic adjustment such as community economic planning, economic viability studies and volunteerism,
 - Encourage economic development in northern and remote communities, and/or
 - Otherwise address key economic development issues facing the west such as industry closures or downsizing, rural depopulation.
- D. Support economic research and provide a sound basis for economic development in western Canada through projects that:
- Improve the quality and scope of basic socio-economic data and information on western Canada;
 - Identify and examine major issues related to western Canada and the western Canadian economy;
 - Promote linkages between research organizations, and/or;
 - Otherwise result in effective strategies and policies that address the economic development needs, opportunities and aspirations of western Canada.
- E. Otherwise promote the development and diversification of the Western Canadian economy.

8. MAXIMUM AMOUNTS AND SPECIAL CONDITIONS

- A. The maximum contribution per project per recipient under these Terms and Conditions shall not exceed \$10 million without the approval of Treasury Board. A decision by cabinet is required for any contribution over \$20 million.
- B. The maximum grant per project per recipient under these Terms and Conditions shall not exceed \$1 million without the approval of the Treasury Board. A decision by cabinet is required for any contribution over \$20 million.

9. STACKING OF ASSISTANCE AND OTHER GOVERNMENT ASSISTANCE

- A. Funding under the Program will be determined based on the minimum level required to ensure that the projects further the attainment of Program objectives and expected results and that the projects proceed in the timing, scope and location proposed. The assessment of the required level will take into consideration the Total Government Assistance (federal, provincial and municipal assistance) towards the project costs supported in the agreement. This includes assistance such as all grants and contributions being considered, implicit subsidies, forgivable loans, investment tax credits and any other grant or contribution.
- B. The Department will require all potential recipients to disclose all sources of funding for a proposed project before the start and at the end of a project.
- C. The maximum level (stacking limit of Total Government Assistance under the Program will be up to and including 50% of eligible capital costs for commercial projects including the establishment, modernization or expansion of physical plants; up to 75% of other eligible costs for commercial projects; and up to 100% of eligible costs for noncommercial projects or projects implemented by not-for-profit organizations. Project proponents will normally be expected to contribute a minimum of 10% towards costs or assets involved in the project
- D. The Department has a Quality Assurance Review process in place to monitor project progress. In the event that actual Total Government Assistance to a recipient exceeds the stacking limits, the level of assistance provided to the project will be adjusted.

- E. The Department may make exceptions to the limits on assistance to commercial for-profit organizations on a case-by-case basis. These exceptions would be made to ensure that the projects further the attainment of the stated program objectives and expected results, and proceed in the timing, scope and location proposed. The department will provide a Memorandum to Treasury Board in May of each year that lists any exceptions made. In no instances will the total government assistance exceed 100% of the eligible costs.

10. REPAYABLE CONTRIBUTIONS

- A. Contributions will be provided on a repayable or non-repayable basis in accordance with Sections 7.8 and 8.1.1.xiii of the Treasury Board Policy on Transfer Payments.

Upon review of the application, the Department will determine the status of potential contribution as Repayable or Non-Repayable. Should the contribution proceed as repayable, i.e. where a contribution to a business will allow it to generate profits or increase its value, the contribution agreement will describe the specific terms, which the Department will apply and to which the recipient will agree to its repayment.

In most other instances, contributions will be processed as non-repayable. However, as per the Treasury Board Guideline on Transfer Payment, Repayable Contributions 7.8.3 there are situations where a contribution will become repayable. In such a case, the Department will notify the recipient that such a situation has occurred and of the ensuing requirement for the recipient to make a repayment and the specific terms for repayment.

- B. Repayments of Contribution and Debts due to the Crown under this Program will be managed consistent with the Treasury Board - Transfer Payment Policy and the policies and procedures or Western Economic Diversification on repayable contribution and debt collection. As a regional development agency, the responsibility to monitor and to collect revenues and debts was delegated to the regions that follow established procedures to monitor projects, establish payment schedules, and send notifications and record payments. Where payments fall substantially into arrears and where the arrangements or repayment with clients are unsuccessful, the regions, in cooperation with the Canadian Customs and Revenue Agency, may use Set-offs against Income Tax and GST refunds.

11. PAYMENT PROVISIONS

11.1 Grants

- A. Grants will be paid in installments, based on the cash flow requirements or the recipient and in accordance with Annex B of the TB Policy on Transfer Payments - installment payments of grants.
- B. The Department will verify the continuing eligibility, entitlement and qualification of a recipient of a grant, normally prior to making any payment. Such verification may also be undertaken after payment has been made. Access to or provision of the information necessary for such verification will be required from the recipient.
- C. Through its due diligence practices, the Department will establish a reasonable expectation that grant recipients will use the funds for specified purposes or to meet specified objectives.

11.2 Contributions

- A. Payments will be made on the basis of documented claims for eligible costs incurred and paid and/or the fulfillment of conditions specified in the contribution agreement being met.
- B. Financial claims are to be accompanied by a report in the form and frequency prescribed by the Agreement.

- C. A portion of the contribution will normally be held back, prior to completion of the project and/or of the audits pursuant to Section 13 of these Terms and Conditions, consistent with Section 7.5 of the Treasury Board Policy on Transfer Payments. Exceptions may be made for contributions less than \$25,000 where there is minimal risk. This constitutes an exemption from the holdback provision of the Treasury Board Policy on Transfer Payments.
- D. The Department may require that any claim for payment be certified by the recipient's external auditors or by auditors of the Department's choice. The Department may request at any time that the recipient provide satisfactory evidence to demonstrate that the results claimed have been achieved and that all eligible costs incurred, on which a contribution was based, have been paid.
- E. The Department may make advance payments on account of contributions in cases where it is critical for the success of a project, in a manner consistent with Annex B of the TB Policy on Transfer Payments - Advance payments of contributions,

12. ADMINISTRATION

12.1 Agreement

Funding will be administered and paid according to written agreements. Contribution agreements will identify the conditions of the contributions, the rights and obligations of both parties and the conditions under which payments will be made.

12.2 Delegation of Authority

The delegation of authority for approval and amendments to agreements as well as the approval of payments for financial claims will be that which the Minister has authorized for the Program. Payment will be certified by officials of the Department as per the requirements of the Financial Administration Act.

12.3 Due Diligence

The Department has and will maintain adequate program and financial controls, systems, procedures and resources to ensure strict adherence to government policies and regulations, due diligence in approving transfer payments, verifying entitlement, eligibility and results achieved, and for management and administration and follow-up of the Program.

12.4 Information Requirements

Every prospective recipient must provide any pertinent information needed to assess the project including:

- A. A detailed description of the prospective recipient (ownership, management, involvement of former public servants or public office holders, business experience financial results, etc.);
- B. A detailed description of the project;
- C. The forecast cost of the project and details on its financing (including - all sources of proposed funding including the amount of any federal, provincial or municipal assistance or tax credit received or likely to be received for the project);
- D. Details on the contribution to Program Objectives that will result from the project;
- E. A disclosure regarding the Involvement of former public servants;
- F. A declaration that any person lobbying on behalf or the prospective recipient is registered pursuant to the Lobbyist Registration Act;
- G. A declaration of any overdue amounts owing to the federal government under legislation or contribution agreements; and
- H. Any other information that the Department requires to assess the eligibility of the prospective recipient and the project, to determine how the project would contribute to attaining the objectives of the concerned initiative, and to determine the benefits (for the prospective recipient and for Canada) to result from the project.

12.5 Monitoring

The recipient will be requested to submit data, schedules, plans and reports in sufficient detail to enable the Department to:

- A. Assess the progress of the project;
- B. Carry out the post-completion monitoring called for in the agreement;
- C. Determine continuing eligibility where a grant is paid by installments;
- D. Administer the repayment of the contributions where applicable; and
- E. Evaluate the effectiveness of the project in terms of results achieved.

12.6 Program Administration Cost

The cost of audit, evaluation, monitoring and administration of the Western Diversification Program will be charged to the existing operating vote of the department.

13. AUDIT

13.1 The Department retains the right to audit contribution recipient's books, records and financial statements for the purpose of validating claimed results, claims for reimbursement of eligible costs, and for the purpose of confirming amounts repayable to the Crown on the basis of the Contribution agreement. Such audits are to be performed by auditors satisfactory to the Department, including any of the following:

- The staff of the Department;
- The Audit Services Group of Consulting and Audit Canada (CAC), in a manner agreed upon between the Department and CAC;
- An independent auditing firm;
- The recipients' external auditors; and/or
- An audit performed by or on behalf of another department or government.

13.2 In keeping with the Policy on transfer payments, the Department will prepare a Risk-Based Audit Framework (REAF) and provide it to the Treasury Board Secretariat in sufficient time for its approval by March 31, 2002.

13.3 The Program will be audited in accordance with the approved RBAF and consistent with Treasury Board's Audit Policy as revised on April 1, 2001.

14. RECOVERY

14.1 Where for any reason

- A. The recipient is not entitled to the payment, or
- B. The amount of the payment exceeds the amount to which the recipient is entitled.

The amount of the payment or excess, as the case may be, constitutes a debt due to Her Majesty the Queen in Right of Canada and will be recovered as such from the recipient.

14.2 Where for any reason, the recipient has otherwise failed to meet or contravened a term or condition of the contribution agreement the Department, taking into account the circumstances giving rise to the contravention, may:

- A. Require that the recipient rectify the contravention within a prescribed period and inform the Department in writing that the recipient has done so;
- B. Amend the contribution agreement;
- C. Terminate the contribution agreement and request repayment of all or part of the contribution, including any applicable interest. The amount requested is a debt due to Her Majesty the Queen in right of Canada and will be recovered as such.

15. EVALUATION RESULTS BASED MANAGEMENT & ACCOUNTABILITY FRAMEWORK

- A. In keeping with the Policy on Transfer Payments, the Department will prepare a Results Based Management and Accountability Framework (RMAF) and provide it to the Treasury Board Secretariat in sufficient time for its approval by March 31, 2002.
- B. The Program will be evaluated in accordance with the approved RMAF and consistent with Treasury Board's Evaluation Policy as revised on April 1, 2001.

16. ENVIRONMENT

- 16.1 In administering the program, the Department will ensure that the environmental consequences of its policies, plans and programs are consistent with the Government's broad environmental objectives and sustainable development goals:
- 16.2 The provisions of the Canadian Environmental Assessment Act will apply to these terms and conditions.

17. OFFICIAL LANGUAGES

Funding for non-governmental organizations serving the members of both official language communities will be consistent with Treasury Board's Official Languages Policy entitled "Grants and Contributions", and with all relevant policies and regulations of the Official Languages Act.

18. CONFLICT OF INTEREST AND POST-EMPLOYMENT CODE

- A. Recipients of funding under these terms and conditions must respect and comply with the conflict of interest and Post-Employment Code for Public Office Holders and the Conflict of Interest and Post-Employment Code for the Public Service.
- B. Where an applicant employs or has a major shareholder who is either a current or former (in the last twelve months) public office holder or public servant in the federal government, compliance with the Code(s) must be demonstrated.

19. PUBLIC ACKNOWLEDGE AND RECOGNITION

Recipients of program funding will be required to give recognition and acknowledgment of the funding, satisfactory to the Department, in all promotional programs, advertising and related publications. Recognition of Canada's support of the project will be in accordance with the Federal Identity Program.

20. EFFECTIVE DATE AND DURATION

These Terms and Conditions will be in effect from 7 February 2002 (or such time as they are approved by the Treasury Board) until 6 February 2007. The Department may make payments on approved projects until 31 March 2008. Upon expiry Treasury Board approval will be required to replace or renew such terms and conditions. Such a Treasury Board submission will reference both audit and evaluation reports regarding the Program.

21. PROGRAM LITERATURES AND OTHER PROMOTIONAL MATERIAL

Contribution agreements will contain a provision that any payment of the contributions will be conditional upon them being an appropriation and necessary funding levels for the fiscal year in which the payment is to be made. Program literature and other promotional material will be exempt from the requirement to include this provision.



APPENDIX F:

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APPENDIX G:

EVALUATION TEAM:

Biographical Notes

Elaine McCoy, QC

Elaine McCoy is President of the Macleod Institute at the University of Calgary. A lawyer and former Alberta cabinet minister, Ms. McCoy has 30 years experience in regulation and policy development in the private and public sectors. She has directed and designed numerous policy and program evaluations at the government level and in the private sector. Among other achievements, Ms. McCoy pioneered and led the Alberta government in the use of business plans and initiated the use of delegated regulatory organizations in Alberta. She created and led *Reinventing Government* workshops that were later adopted at the provincial level. Ms. McCoy is Vice-Chair of Alberta's Climate Change Central, and serves on the Alberta Economic Development Authority. She also is a member of the Alberta Minister's Environmental Protection Advisory Committee, the Canadian Evaluation Society, and the Alberta Arbitration & Mediation Society.

Thom Stubbs, MA

Mr. Stubbs has senior and program management experience as a project team leader, senior official and Deputy Minister. He has developed policy development, analysis and evaluation proficiencies with government programs. Mr. Stubbs is known for his ability to work with large, multi-disciplinary teams and interests to help foster a collaborative and productive outcome. He is currently leading an oil and gas development impact strategy exercise for the Government of Northwest Territories. Mr. Stubbs was a founding Director of the Yukon Evaluation Society, and is a member of the Canadian Evaluation Society and the Alberta Arbitration and Mediation Society.

Georgine Ulmer

Ms. Ulmer has had over 25 years experience in economic development at the municipal and federal levels and policy development at the federal level (Industry Canada) in both Ottawa and Alberta. As President of Calgary's Economic Development Authority, she led the city's industry cluster study and refocused its economic development strategy. Ms. Ulmer previously developed, managed and implemented two successful federal-provincial agreements on tourism. She has also led a unique co-location initiative among the three levels of government to provide improved delivery of service to clients.

Richard Lloyd, MPA

Mr. Lloyd has over 20 years experience in public strategy, policy and program development, public consultation, research and program evaluation, including several years as a Director of Policy, Planning and Evaluation. He has extensive experience in economic development policies and strategies including infrastructure development, regional economic development programming, and trade policy. Mr. Lloyd has managed or directed many projects and has a solid background in team building, negotiating, and group facilitation. He has served as a member of the National Council of the Canadian Evaluation Society, and is a member of the Institute of Public Administration of Canada.

Ian Reid, BSoc

A past employee of the federal government with Industry Canada, Mr. Reid has extensive experience in program management at the federal level. He is an awarded, analytical, results-oriented professional with over 5 years experience conceiving, designing and managing a variety of programs and projects built upon extensive partnerships with the private, not-for-profit and government sectors. Mr. Reid wrote a Memorandum to Cabinet for consideration in the 1998 federal budget, providing the rationale and argument that led to expansion of the Community Access Program (CAP) to include urban communities.