

Evaluation of the Francophone Economic Development Organizations Program

Final Report

Prepared for:

Western Economic Diversification Canada

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Executive Summary

This document presents the findings and conclusions of an evaluation of the Francophone Economic Development Organizations (FEDO) Program of Western Economic Diversification Canada (WD).

FEDOs are independent entities that offer a full range of business development services to the Francophone community throughout each province. There are four FEDOs (one in each WD region). Each FEDO has a contribution agreement with WD and receives \$500K per year to support its operations and services. Support from WD enables the four provincial FEDOs to provide enhanced services to Francophones, including:

- Training;
- Business and community economic development;
- Access to capital;
- Information services;
- Marketing advice; and
- Networking and mentoring.

Objective of Evaluation

The overall objective of this evaluation is to assess the relevance, design, effectiveness of performance monitoring, and results of the FEDOs.

Methodology

The evaluation is based on a documentation review, key informant interviews and case studies. Key informant interviews (n=10) were conducted with representatives from WD and other stakeholders for fact-finding purposes and to gather views and opinions on most evaluation issues. Site visits of the four FEDOs were conducted as part of case studies. The case studies covered each FEDO and were based on in-person interviews. Interviews were conducted with management representatives, board members, employees, clients and community representatives. A total of 25 interviews were conducted for the case studies. Each site visit lasted two days.

Evaluation Findings

Rationale

- According to the evaluation evidence, there is a need for FEDOs to ensure that Francophone entrepreneurs and communities are served in the official language of their choice, supporting Section 41 requirements of the Official Languages Act (OLA). FEDOs help provide business and economic development services to Francophone entrepreneurs and communities that are comparable to those offered to the larger western business community.
- Demand for FEDO services has been limited in some areas, but higher (and rising) in others. There are no duplications with services provided by other organizations such as CFDCs.

Service Delivery

- The marketing efforts to make the FEDOs known are extensive. However, some observers feel that the number of clients and loans processed remains low, which may suggest that further marketing is required.
- FEDOs have been effective in establishing partnerships with other network members (WEIs and CFDCs), other federal departments, communities and other organizations. These partnerships have allowed the FEDOs to find new clients, diversify their funding sources and deliver initiatives for other entities, including training initiatives. These have been beneficial to both FEDOs and their clients.

Adequacy of Board Structure

- The approach to FEDO board member renewal is variable. Some FEDOs have an internally driven process; others have seats reserved for association representatives, while others are more open to external candidatures. Some ensure regional representation.
- Most agree that the boards are representative of their regions/communities.

Success

- According to findings, FEDO staff are very competent and contribute to fill gaps in the community in terms of business information and skills.
- Clients rate FEDO business services from medium to high. They appreciate the workshops, seminars, and the information and contacts provided by staff.
- Take-up for the loan-loss program has been highly variable. In BC, Alberta and Saskatchewan, loan activity has been lower than expected. High interest rates (compared to regular rates in financial institutions) and misunderstandings about the objectives of the reserves partly explain the lower than expected level of take-

up of loans.

- FEDO staff members have been very active in supporting clients to obtain financing and a number of clients have accessed loans from other financial institutions. The CDEM (Manitoba) has been more successful in coordinating business loans. It is reported that for each dollar invested, seventeen dollars were generated in Manitoba.
- FEDOs play a significant role at the community economic development level and have been catalysts of many CED projects. A number of economic development projects of wider scope have been coordinated by the FEDOs. Work with bilingual municipalities in Manitoba have also led to better community plans and the creation of additional local business loans programs.

Reporting

- FEDOs currently provide quarterly and ad hoc reports to WD. These reports describe activities and results about information services, technical and advisory services, training and development activities, administration and loan fund activities.
- The accuracy of the quarterly reports is questionable as results appear inconsistent from one FEDO to another. FEDOs feel that the reports only partly reflect their success. There is a desire to work with WD to improve the reporting format.

Cost-effectiveness and Alternatives

- Mixed opinions were gathered about the effectiveness of FEDOs in view of its costs. Some WD respondents said that the overhead costs of FEDOs may be above of what would be expected from such organizations. The wide geographic area covered by the FEDOs explain some of the added costs. However, the cost-effectiveness and leveraging effect of special pan-western projects and community economic development activities are high.
- A number of suggestions were made to improve the performance of the FEDOs. Respondents suggested that the FEDOs continue to develop partnerships with other organizations and departments. In particular, partnerships with financial institutions should be established to increase the volume of business loans to Francophone businesses.
- Other suggestions and recommendations include work to improve the relevance and accuracy of reporting; building a pool of experts for business clients; increase FEDO board representation; and defining/reviewing what should be the FEDOs' market niche.

Recommendations

- 1. Share best practices in terms of FEDO board renewal. WD should encourage FEDOs to share their lessons learned in terms of Board composition and renewal.**
- 2. Review the design of the loan-loss reserves based on a needs assessment study.** Evaluation findings suggest that there are issues with the design of the loan-loss reserve. New delivery options should be explored to better meet these needs. A needs assessment study should also be conducted to guide program design.
- 3. Improve the reporting format and, if necessary, information gathering processes for reports.** The evaluation indicates basic problems with ongoing (quarterly) reporting. WD and FEDOs should ensure that the FEDOs have the proper monitoring and tracking mechanisms to measure short and medium term results of projects.
- 4. Develop expertise in specialized areas.** While FEDOs need to develop generic business expertise to serve a wide range of clients, their value-added to the overall community (both Francophone and Anglophone) will be increased if they develop expertise and services in specific areas. These could be E-commerce and Tourism. This expertise, if recognized, will allow FEDOs to attract business clients and other partners. However, if this route is chosen, FEDOs will need to develop a specific HR strategy to develop and maintain this expertise. A marketing strategy will also be necessary.
- 5. Pursue and develop new partnerships with other network partners.** Considering the wide geographical area they need to cover and the wide range of business areas they are likely to cover in terms of information needs, the FEDOs would further benefit from partnerships with other network organizations (e.g., CFDCs and WEIs), as well as with financial institutions. As FEDOs develop areas of expertise and resources, it will become easier for them to find partners to exchange information and resources. One specific area where new partnerships will need to be developed is the area of business financing. However, FEDOs will only be successful in partnering with financial institutions or CFDCs if they can demonstrate their value-added to business plan preparation.

1.0 Introduction

This document presents the findings and conclusions of an evaluation of the Francophone Economic Development Organizations (FEDO) Program. The overall objective of this evaluation is to assess the relevance, design, effectiveness of performance monitoring, and results of the FEDO program.

This first section of the report describes the context of the evaluation, as well as the objectives, scope and methodology of the study. The second section describes the overall evaluation findings. The conclusions and recommendations follow in the third section.

1.1 Context

1.1.1 Origin and Parameters of Program

According to the TBS submission, discussions with Francophone communities in the West suggested that, for both language and demographic reasons, existing service delivery organizations were not organized and equipped to provide Francophones with a level of service that was comparable to that being delivered to other clients.

To bridge this service delivery gap and in recognition of its commitment to the objectives of Section 41 of the Official Languages Act (see box - WD and the Official Languages Act) and to the government's broader social policy agenda, WD worked with western Francophone communities to establish an economic development organization (FEDO) in each WD region. FEDOs are one of many components of WD's effort to meet Section 41 requirements.

WD and the Official Languages Act

Part of the Government of Canada's commitment to official languages includes support to the economic development of minority languages communities across Canada. With other departments, WD shares the responsibility for four parts of the *Official Languages Act (OLA)*:

Part IV: Communications with and Services to the Public;
Part V: Language of Work;
Part VI: Participation of English-speaking and French-speaking Canadians; and
Part VII: Advancement of English and French.

WD's contribution to the implementation of the *Official Languages Act* is guided by a four-year Action Plan, which targets Part VII: Advancement of English and French, particularly Section 41. The objectives of this section of the Act are to:

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

The FEDOs aim to provide, to the extent possible, a comparable type and level of service as WD's other service delivery partners (CFDCs and WEIs). FEDOs help ensure that relevant products and services are delivered in French speaking communities, both in urban and rural areas. They were provided with an annual budget of \$500K for a period of four years (2000-2004) through contribution agreements.

FEDOs operate in each of the four western provinces and include :

- La Société de développement économique de la Colombie-Britannique (BC);
- La Chambre économique de l'Alberta;
- Le Conseil de la coopération de la Saskatchewan; and
- Le Conseil de développement économique des municipalités bilingues du Manitoba.

These organizations are independent entities with Boards of Directors representative of the province, knowledgeable about entrepreneurship and the challenges/obstacles facing Francophone entrepreneurs in their respective provinces, and with the ability to offer a full range of business development services to the Francophone community throughout each province. All FEDOs employ full-time staff. Some FEDOs employ rural officers.

Support from WD enables the four provincial organizations to provide enhanced services to Francophones, including:

- Training;
- Business and community economic development;
- Access to capital;
- Information services;
- Marketing advice; and
- Networking and mentoring.

Loan Loss Reserve Fund

To help Francophone businesses access business financing, a loan-loss reserve fund was created. All FEDOs have a loan-loss reserve and have partnered with financial institutions to offer loans to businesses. The loan-loss reserve involved an initial WD investment of \$100,000 per region. The reserves are deposited in trusts and would be used by the financial institutions to cover losses if loans were unsuccessful. The financial institutions can recover up to 80 percent of the loan if the lender defaults. In addition, the CDEM (FEDO in Manitoba) manages an investment fund through which

business loans can be allocated. It should be mentioned that the loan loss reserves were implemented after the FEDOs themselves were created.

1.1.2 The FEDOs

The FEDOs include the four following organizations.

La Société de développement économique de la Colombie-Britannique (SDECB)

Located in Vancouver, British-Colombia, the SDECB offers services to Francophone businesses, other small businesses and community organizations. The mandate of the SDECB is to provide economic development services for the Francophone population of British Colombia.

Founded in 1998, the organization provides services to businesses in the process of starting-up or to community projects in the form of consultations, planning, forums, tools and workshops.

La Chambre économique de l'Alberta (CEA)

Located in Edmonton, Alberta, the CEA offers services to Francophone businesses, other small businesses and community organizations. Founded in 1997, the organization provides services to businesses in start-up phase, and support to community projects. Services includes consultations, forums, *Cellule des gens d'affaires*, workshops, a library open to the public, and public computer access via Industry Canada.

Le Conseil de la Coopération de la Saskatchewan (CCS)

Located in Regina, the CCS offers services to Francophone small businesses and community organizations. Founded in 1947, the organization provides services to businesses in the process of starting-up, and to businesses in the process of diversifying or expanding their activities. CCS also supports community projects. These services include consultations, forums, planning, workshops, round tables, one-on-one counselling, business diagnostics, and a library open to the public with a full spectrum of documents and materials.

Le Conseil de développement économique des municipalités bilingues du Manitoba (CDEM)

Located in Saint-Boniface, the CDEM offers services to bilingual businesses, community organizations and bilingual municipalities. Founded in 1996, the organization provides services to businesses and individuals seeking French services and to community projects within designated bilingual municipalities.

Services include work and training programs, consultations, forums, workshops, mentorships, Manitoba Best, Business Start and a public library containing a full spectrum of documentation and materials.

1.1.3 Results of Section 41 Action Plan Evaluation

WD has recently evaluated (March 2004) the Action Plan of WD to address the requirements of the Section 41 of the Official Languages Act. As the FEDOs are a key instrument of WD to meet these requirements, the results of this evaluation provide useful background information. Some of the key results include:

- FEDOs are key in helping WD establish economic development projects providing concrete results for the Francophone communities. A number of projects supported by the Action Plan are expected to produce long-term results. Examples of successful projects include the Corridor touristique francophone de l'Ouest (CTFO) and La Maison du Bourgeois. The objective of the Corridor touristique is to effectively promote the four Western Canadian provinces as tourist attractions for Francophone communities in Quebec and Western Canada. The project developed and coordinated promotional tools and events. Evidence shows that it has contributed to the increase in the number of Francophone tourists in selected sites in Western Canada.
- FEDOs are key partners for WD in providing assistance to Francophone entrepreneurs. However, FEDOs are less successful in coordinating fund provision to Francophone SMEs and entrepreneurs.
- The evaluation also shows that the Action plan has contributed to the strengthening of the relationship between WD and the Francophone communities. Challenges in achieving this include lack of awareness of FEDOs in the community and dispersion of Francophone communities across large distances.

1.2 Evaluation Objectives and Issues

The overall objective of this evaluation is to assess the relevance, design, effectiveness of performance monitoring, and results of the FEDOs. The evaluation was guided by the following issues:

Relevance

- Is there a need for FEDOs?
- Are the objectives and activities of the FEDOs consistent with WD's mandate?

Service Delivery

- Is the governance structure of the FEDOs appropriate? Are they representative of the Francophone communities?
- Are the FEDO's well marketed? Is their geographic location/coverage appropriate?

Results and Impacts

- Are FEDOs effective in providing:
 - > Small business information;
 - > Referrals to government programs;
 - > Information sessions, workshops and exhibits to strengthen the skills of Francophone entrepreneurs and to allow them to explore business opportunities;
 - > Business management skill development, including marketing and bookkeeping; and
 - > Assistance in community economic development.
- Are FEDO clients satisfied with these services?
- Are FEDOs and their financial institutions partners delivering an appropriate amount of loans?
 - > Is it increasing the availability of loans to Francophone entrepreneurs? Are FEDOs effective in supporting entrepreneurs to decrease the risk-level of loans?
 - > How effective is the loan-loss reserve model in BC, Saskatchewan and Alberta compared to the Manitoba FEDO loan fund?
 - > Is the current way of coordinating funding to Francophone entrepreneurs (through financial institutions) effective? Is the role of each partner clear and appropriate? Is the risk-level of loans appropriate?
- What are the economic impacts of the FEDOs on Francophone entrepreneurs, the communities, and western Canada's economy overall? (e.g., businesses created, jobs created, etc.)

Reporting

- Are the FEDO reports to WD timely and complete? Do they allow WD to monitor the performance of WD's investment in FEDOs?

Cost-Effectiveness and Alternatives

- Are FEDOs cost-effective?
- Are there alternatives to be considered to improve service delivery and impacts of FEDOs?

1.3 Evaluation Scope

The evaluation covers the four western FEDOs and assesses their activities and results for the last four years. As explained below, most of the information is based on key informant interviews with WD representatives, FEDO staff and a limited number of clients. The interview results with clients are therefore not be representative of all FEDO clients. However, the views collected from WD and FEDO staff are representative of the views of these two key respondent groups.

It should also be mentioned that the emphasis on this evaluation is on rationale and design/process issues. While some outcome information is collected and assessed, it was considered more important to focus on rationale and design/process considering that the FEDOs are still considered as being in their developmental stages.

It should be noted that some issues were not entirely addressed by the evaluation for the following reasons:

- The issues regarding the management and risk level of loans was not entirely addressed due to the fact that the actual volume of loans processed was deemed too low to truly address these issues.
- The level of impacts of the FEDOs on entrepreneurs and the communities was only partly assessed due to the fact that the program output data involved more limitations than expected (this is further discussed later).

1.4 Methodology

The evaluation is based on three sources of information/evidence: A documentation review, key informant interviews, and case studies.

Documentation Review

The following documents were reviewed for background information for the evaluation:

- TBS submission;
- Evaluation of the Action Plan for Section 41 of the OLA;
- Pan-West Performance Report (FEDOs) (2003); and
- Program documentation (information sheets, WD Website).

Key Informant Interviews

Representatives (n=10) from WD and other stakeholders were interviewed for fact-finding purposes and to gather views and opinions on most evaluation issues. These interviews lasted between 30 and 60 minutes each. Interviews were mostly conducted over the phone. As three evaluations were being conducted in the same timeframe (evaluations of WEI, WCBSN and FEDOs), some key informants were interviewed only once for all three evaluations to reduce the burden on them.

Case Studies

Site visits of the four FEDOs were conducted as part of case studies of each of the organizations. The case studies covered each FEDO and were based on in-person interviews. Interviews were conducted with management representatives, board members, employees, clients and community representatives. A total of 25 interviews were conducted for the case studies. Each site visit lasted two days.

Following the field work, case study reports were prepared. To ensure that the information was accurate, copies of the case studies were forwarded to FEDO representatives to vet them. Based on their feedback, the case studies were revised.

2.0 Evaluation Findings

This section presents the evidence gathered for the evaluation. It is presented by main issue area, including relevance, design, success, reporting, and cost-effectiveness and alternatives.

2.1 Relevance

Evaluation Issues:

- Is there a need for FEDOs?
- Are the objectives and activities of the FEDOs consistent with WD's mandate?

One of the objectives of this evaluation is to assess the relevance (or need) of the program under review. Findings relating to the above issues are presented below.

Key Informant Interview Findings

A majority of WD respondents felt strongly that there is a need for FEDOs. According to them, FEDOs are needed to help WD meet Section 41 of the OLA. One respondent said that the FEDOs are needed to ensure that Francophone entrepreneurs and communities are served in the minority language of their choice. FEDOs also help provide business and economic development services to Francophone entrepreneurs and communities that are comparable to those offered to the larger western business community.

One respondent noted that if the CFDCs were required to deliver services to the Francophone business community in French, it would involve much higher costs. FEDOs are also needed as no other organization can play their role at a regional level (versus a local level). FEDOs are also key in helping various levels of government collaborating on common projects for the western Francophone community.

A minority (two) of WD respondents felt that there was an 'average' need for FEDOs as their services could be delivered by other organizations. One mentioned that the level of demand may not be sufficient in some areas to justify a FEDO. Another respondent, however, said that the demand is rising in Manitoba.

Asked whether there were duplications between FEDOs and other organizations, respondents generally agreed that while services are similar with those provided by the CFDCs and the WEIs, the FEDOs are unique in the sense that they deliver services in both French and English. The focus on pan-western economic development projects in French and for the Francophone business community is also unique to FEDOs.

Consistency of FEDO Program With WD's Mandate

Overall, key informants agreed that the program was consistent with the mandate of WD as it helps develop businesses and community economic development.

Summary of Findings:

- There is a need for FEDOs to meet Section 41 of the OLA and help WD support business and community economic development. A minority of respondents said that the demand for FEDO services has been limited in some areas, which raises the issue whether they are relevant. Most respondents said that there are no duplications with other organizations.

2.2 Service Delivery

Evaluation Issues:

- Are the FEDO's well marketed
- Is their geographic location/coverage appropriate?
- What are the relationships with WD and other organizations?

Marketing of FEDOs

The success of the FEDOs depends on their capabilities to make themselves known in the community. WD respondents were asked if the marketing efforts of the FEDOs have been effective from their point of view. Two respondents said that the FEDOs have been very active in promoting their activities. The CDEM (Manitoba) is said to be well known, thanks to their larger field staff that helps the organization cover a lot of ground. The CDEM receives funds from multiple sources, which allows them to hire more staff. Two other respondents were unsure: the client volume seems to be low in many FEDOs, but they are unsure whether it is due to ineffective marketing or due to a small client base to begin with.

Most FEDOs are challenged by the regional distribution of their clients. One FEDO representative pointed out that geographical coverage is one of their major delivery challenges as the clients of his organization are widely spread across the province. This has a major impact on the effectiveness of all of their operations, including outreach activities.

Relationships with WD and Other Organizations

The reach and success of the FEDOs is also reflected by their capacity to partner and leverage resources from other organizations. Overall, all FEDOs have been effective in establishing partnerships with federal government departments, Francophone organizations, and some community economic development organizations. The following partners and partnerships were identified:

Western Economic Diversification. WD is the primary partner of the FEDOs. WD has been a key player in supporting the FEDOs financially, providing direction, and in helping the FEDOs obtaining funding from other sources, including the Department of Canadian Heritage.

Other Network members. Partnerships with the WEIs and some CFDCs have been developed. Network partners have referred clients to each other and have exchanged program information. In Alberta, the CEA reports having relationships with seven CFDCs.

In some cases, organizations have partnered to obtain funds to deliver training, the FEDOs delivering the training in French. However, these partnerships have been challenging at times. For example, as FEDOs and WEIs share some clients (i.e., bilingual women), “turf wars” have occurred in reaching and serving them. Some CFDCs have also proven to be difficult partners to work with. In other cases, such as the Canada Business Service Centres, excellent working relationships have been established to funnel information to entrepreneurs.

Other Federal Departments. FEDOs have partnered with Human Resources and Skills Development Canada (previously Human Resource Development Canada) to deliver training and services in areas such as new technologies and the integration of youth in the entrepreneurial workforce. They also partner with the Department of Canadian Heritage for specific community projects.

Provincial Departments. Some FEDOs (BC, Manitoba) have established partnerships with provincial departments such as BC Tourism. These have involved exchanges of information and in some cases service delivery agreements.

Other Organizations. Many other organizations have also established working relationships with the FEDOs, including Francophone associations, school boards, post-secondary educational institutions, chambers of commerce, and business organizations in Quebec. The CDEM in Manitoba also has a strong partnership with a “one-stop shop” access to government information service, the *Centre de services bilingues*, that can provide useful information to FEDO clients. The FEDOs also partner with each other for large economic development projects.

FEDOs also work to establish a network of contacts within the government and industry to better serve clients with specific needs. The Western Committee of FEDOs is also considered an effective forum to exchange information, ideas and

establish collaborative projects.

Communities. In Manitoba, the CDEM has extensive partnerships with sixteen bilingual municipalities. These partnerships have allowed parties to refer clients, leverage funds and develop economic development plans.

Summary of Findings:

- The marketing efforts to make the FEDOs known are extensive. However, some observers feel that the number of clients and loans processed remains low, which may suggest that further marketing is required.
- FEDOs have been effective in establishing partnerships with other network members (WEIs and CFDCs), other federal departments, communities and other organizations. Despite some challenges, these partnerships have allowed the FEDOs to find new clients, to provide services to Francophone clients, diversify their funding sources and deliver initiatives for other entities, including training initiatives. These have benefited both to FEDOs, their clients and WD in respect to the Official Languages Act.

2.3 Adequacy of FEDO Board Structures

Evaluation Issues:

- Is the governance structure of the FEDOs appropriate? Are they representative of the Francophone communities?

As FEDOs are meant to be representative and strongly rooted within the communities they represent, FEDO board structure and renewal were key issues addressed by this evaluation.

Case Study Findings

BC

In the SDECBC (FEDO in BC), the twelve-member Board of Directors comprises seasoned business people with combined experience in a variety of areas of expertise such as business and finances. Other members are nominated by external organizations. This includes two associative members with a lifetime mandate (as long as they are appointed by their association); four regional members with a lifetime mandate (as long

as they are appointed by their association or region); and three honourable members with a four-year mandate.

Regular board members are elected at the Annual General Meeting. In order to recruit Board members, the SDECB has established a sub-committee for nominations. This sub-committee invites qualified candidates to submit their candidatures, while associative and regional members must be appointed. Other potential candidates are invited to be introduced by members of the Board of Directors. Overall, FEDO representatives feel that they are representative of the communities.

Alberta

The ten-member Board of Directors of the CEA includes seasoned business people with combined experience in a variety of areas including tourism, insurance, business and consulting. The CEA has established a formal policy to encourage provincial representation on the Board. Two members out of ten are currently from Edmonton. It is felt that Board members are knowledgeable and sensitive to regional concerns and issues affecting Alberta entrepreneurs.

Board members are elected on a rotational basis with two-year terms lasting up to a maximum of six years. Members leaving the Board recommend qualified candidates to fill vacancies. The President and the Chief Executive Officer actively recruit the candidates. Staff and board report a good working relationship.

Saskatchewan

The CCS is headed by a nine member Board of Directors. According to case study respondents, the Board members are experienced and sensitive to issues and concerns of Saskatchewan entrepreneurs. It is felt that they are representative of the entire province of Saskatchewan.

Board members are elected with a three-year mandate on a rotational basis with no maximum. There is an internal committee responsible for recruiting candidates to the Board. The organization has noted difficulties to recruit qualified members. However, some respondents noted that the fact that the candidates are recruited internally and that there is no limitation to the terms raises issues. For example, this can sometimes affect the organization's vision and the potential for new ideas or creativity.

Manitoba

The twenty-two member Board of Directors heading the CDEM includes members with combined experience in a variety of areas. It is felt that Board members have a good understanding of the local economy of Manitoba.

Board members are elected on a rotational basis with a two-year mandate. Recruitment for Board members is done via recommendations from municipal councils (from bilingual municipalities). Board members have stated that the current structure of the CDEM ensures full representation of the Francophone communities in Manitoba.

Key Informant Interview Findings

Three WD staff members commented the board structure of the FEDOs. Two respondents felt that they were representative of their communities. As mentioned above, some FEDOs have members from outside communities, both urban and rural. One respondent felt that some FEDO Boards are not representative and that the nomination processes should be reviewed. A board that is not representative may not set appropriate priorities, according to the respondent.

Summary of Findings:

- The approach to the FEDO Board of directors member renewal is variable. Some FEDOs have an internally-driven process, others have seats reserved for association representatives, while others are more open to external candidatures. Some ensure regional representation.
- Most agree that the boards are representative of their regions/communities.

2.4 Success of FEDOs

Evaluation Issues:

- Are FEDOs effective in providing:
 - > Small business information;
 - > Referrals to government programs;
 - > Information sessions, workshops and exhibits to strengthen the skills of Francophone entrepreneurs and to allow them to explore business opportunities;
 - > Business management skill development, including marketing and bookkeeping; and
 - > Assistance in community economic development.
 - > Are FEDO clients satisfied with these services?
- Are FEDOs and their financial institutions partners delivering an appropriate amount of loans?
 - > Is it increasing the availability of loans to Francophone entrepreneurs? Are FEDOs effective in supporting entrepreneurs to decrease the risk-level of loans?
 - > How effective is the loan-loss reserve model in BC, Saskatchewan and Alberta compared to the Manitoba FEDO loan fund?
 - > Is the current way of coordinating funding to Francophone entrepreneurs (through financial institutions) effective? Is the role of each partner clear and appropriate? Is the risk-level of loans appropriate?
- What are the economic impacts of the FEDOs on Francophone entrepreneurs, the communities, and western Canada's economy overall? (e.g., businesses created, jobs created, etc.)

Although there are some grey areas, the services provided by the FEDOs can be divided in three categories: (1) Provision of business advice, information and training; (2) Provision/coordination of business loans; and (3) Assistance in community economic development. The success in delivering these is discussed in the following paragraphs.

2.4.1 Business Advice, Information and Training

Key Informant Interview Findings: WD

Overall, WD respondents generally agreed that FEDO staff is competent in providing useful business information and advice to clients. There is a need to support the development of management skills in the community and that the FEDOs have resources to address these.

In particular, the partnerships with other organizations have helped the FEDOs expand their range of services. The partnerships with the WEIs, for example, has allowed the FEDOs to coordinate high level seminars in French. One respondent, however, mentioned that many services are informal, one-on-one, and could be further formalized.

Evidence from Case Studies

According to case study findings, the FEDOs have been successful overall in providing a variety of services, including:

- General one-on-one counselling;
- referral services;
- business plan preparation assistance;
- training;
- workshops;
- forums; and
- conferences.

Overall, clients interviewed rated FEDO services from medium to high. For example, clients in Saskatchewan rated the workshops there as “useful, well structured and precise”. Other FEDO service strengths mentioned by clients include “community oriented”, “global thinking”, and “constant source of information to other organizations”. The fact that many FEDOs are free of charge is another strength as many other organizations charge clients a fee for material and information.

Other clients interviewed mentioned that FEDO staff constitute an excellent source of contacts to public and private sector organizations and professionals. FEDOs can also help build a client base for those starting a business by directing them to potential clients.

Few sources of dissatisfaction were mentioned. Lengthy delays and the lack of specialized information and/or training especially in regards to accounting, mentorship, work programs and reference materials were mentioned as problematic

areas.

2.4.2 Business Loans (Loan Loss Reserves)

Business financing is a key service for economic development organizations. They are key development resources for existing and new businesses. They also help economic development organizations attract business clients, as capital funding is a very strong attracting factor.

As mentioned earlier, there are basically two mechanisms through which the FEDOs can help their client access business loans: loan-loss reserves and an investment fund (Manitoba only). All FEDOs have a loan-loss reserve and have partnered with financial institutions to offer loans to businesses. The loan-loss reserve involved an initial investment of \$100,000 per region. In addition, the CDEM (Manitoba) manages an investment fund through which business loans can be allocated.

According to findings, a number of loans were processed in Manitoba (see further below). Loan activity has been low, however, in BC and Alberta to date. In Saskatchewan, a few loans were processed early on when the loan mechanism was implemented, but no other loans were given since then.

Key Informant Interview Findings

WD respondents generally noted that client take-up for the loans program has been generally low everywhere except in Manitoba. A financial analyst at WD mentioned that clients have complained that the interest rates on the loans (approximately prime plus three percentage points) are too high. The WD analyst said that this rate is normal for last-resort situations. The rates are similar to the loans offered by the CFDCs and WEIs.

One respondent noted that there was a misunderstanding between some FEDOs and the financial institutions about the type of loan that would be eligible. It was also mentioned that some FEDO representatives did not fully understand the purpose of the reserve. As a result, some of the representatives did not encourage clients to use it.

One respondent mentioned that the loan loss reserves were created by WD in response to the FEDOs' request for loan funds. The loan loss reserve model was not the preferred choice of the FEDOs. However, FEDOs do assist clients in obtaining financing through other channels, but this is not reported in the quarterly reports.

Case Study Findings

BC

The SDECB coordinates loans through the Francophone Self-Reliance Loans Program. The program was established in partnership with Van City.

To date, no loans have been processed through the program (although two applications were in process while the evaluation was conducted). Eleven clients were referred from the FEDO to the financial institution, but all were refused because they did not meet the criteria. According to the SDECB, lack of available staff to administer and monitor the process explain the low take-up for the loans. The referral process requires market analysis and studies that the SDECB's staff cannot produce due to lack of resources. The SDECB did however have success helping clients to obtain traditional loans via other financial institutions.

Alberta

In Alberta, the CEA partners with the five independent credit unions (Capital City) to offer business financing. CEA prepares clients to obtain loans by helping them prepare a business plan and by providing supporting materials.

Since its inception (2000), only two loans have been processed. According to CEA staff, the loan program lacks clear guidelines, contrary to other similar programs in other organizations such as the CFDCs.

Most clients have actually been offered a traditional loan from the financial institutions (which involve a lower interest rate). Apparently, many have requested the assistance of CEA staff in negotiations with financial institutions in lieu of the actual CEA loan program.

A FEDO representative suggested that the loan-loss reserve would be more effective if the FEDOs would be allowed to set up partnerships or arrangements with the financial institutions of their choice. This could be done on a case-by-case basis and the loan-loss reserve could actually be administered directly by the FEDOs themselves.

Saskatchewan

The CCS partners with Page Credit Union to help clients obtain business financing. An internal committee was created to review applications and make recommendations to Page Credit Union. Since the creation of the reserve, three loans were approved by the credit union, but only two loans were processed, one in the amount of \$75,000 and another in the amount of \$25,000. In the first year of operation, the committee recommended twelve loans to Page Credit Union valued at approximately \$250,000 to \$300,000. As a result of the limited use of the loan program, the committee was dissolved.

The CCS later initiated a second loan program, the "Small Business Loan". This program was established with the help of the province almost two years ago. The maximum loan is \$10,000 and to date, no loans have been approved. The CCS is still in the process of organizing the structure of this program. The performance of the fund to date is attributed to insufficient marketing funds.

The CCS is currently without a WD loan program because the agreement lapsed in March 2003. It is felt that a review of clientele needs and profile must be undertaken before program renewal.

Manitoba

As mentioned earlier, the CDEM has a loan-loss reserve and a loan investment fund. Overall, CDEM's loan program is considered to be successful. In addition to its own investment fund, the CDEM created partnerships with the *Caisses Populaires* and with the Business Development Bank of Canada (BDC) to assist businesses with loans.

The CDEM has processed twenty-five loans since the inception of the program in 1998 with a budget of \$500,000.00. The CDEM now awaits repayments to proceed with new loans. To date, ten loans have been repaid and the monies collected have been reinvested in the program. The CDEM has to date created and/or participated in projects valued at \$137 million. According to staff, for each dollar invested, seventeen dollars are generated by businesses.

The CDEM would like to increase loan capacity by creating an incubator program oriented towards youth entrepreneurs.

2.4.3 Community Economic Development

The FEDOs have been actively involved in various economic development projects, including pan-western projects and the development of tools and plans for the business community and targeted municipalities.

According to key informant interviews, the FEDOs have been very effective in coordinating pan-western projects for WD. The priorities set for these projects are deemed appropriate. Projects in the area of tourism are of note. In terms of tools, the FEDOs have developed a number of guides for entrepreneurs as well as a directory of Francophone businesses. The directory will help promote the businesses and encourage them to network and exchange resources.

Working with key associations and communities has been a key CED strategy for FEDOs. According to key informants, they play a significant role at that level and have been catalysts of many CED projects. This has allowed them to help start various projects (see section about partnership development). At the municipal level, the CDEM (Manitoba) has been very successful in supporting economic development by partnering with bilingual municipalities; The "Visions" project facilitates long-term planning for 16 bilingual municipalities which are now believed to have the required tools to further develop their communities. The "Visions" project has reportedly created 130 spin-off projects in Manitoba.

In addition to economic development planning, the CDEM has supported the development of a business loan program administered by bilingual municipalities, the Community Works Loans Program. This municipal program provides loans up to \$10,000 to entrepreneurs.

Summary of Findings

- FEDO staff are very competent and contribute to fill gaps in the community in terms of business information and skills.
- Clients rate business services from medium to high. They appreciate the workshops, seminars, and the information and contacts provided by staff.
- The business loan program has yielded mixed results. In BC, Alberta and Saskatchewan, loan activity has been low. Interest rates are said to be high.
- FEDO staff, however, has been very active in supporting clients to obtain financing and a number of clients have obtained loans from other financial institutions. The CDEM (Manitoba) has been more successful in coordinating business loans. According to evidence, for each dollar invested, seventeen dollars are generated.
- A number of economic development projects of wider scope have been

coordinated by the FEDOs. Corridor touristique and the Francophone business directory are two of many examples of successful projects with pan-western impacts. Work with bilingual municipalities in Manitoba have also led to better community plans and the creation of additional local business loan programs.

2.5 Reporting (Accountability)

Evaluation Issues:

- Are the FEDO reports to WD timely and complete? Do they allow WD to monitor the performance of WD's investment in FEDOs?

As part of good governance, WD needs to report on the effectiveness of its programs to demonstrate the difference it is making in the western economy. One of the issues addressed by this evaluation is therefore effectiveness of the reporting process for the FEDO program.

According to the respondents and the documentation reviewed, FEDOs provide quarterly reports on their results and activities. The information reported is presented in Appendix A. They are divided in the following categories:

- Information services (visits and referrals);
- Technical and advisory services (including business planning assistance);
- Training and skills development;
- Marketing/visibility (publications and events);
- Administration / management (partners and administration activities); and
- Loan fund (loan activities and results).

According to key informant interview respondents, the reports are less detailed than those delivered by the CFDCs.

One challenge has been to distinguish results from WD funding from those provided from other departments. As one respondent noted, it is difficult to establish a link between results and specific funding sources. The CDEM, for example, actually increased staff capacity thanks to other sources of funding, which makes it difficult to untangle the results from the various funding programs.

Nevertheless, WD respondents are satisfied with the quantity of information yielded by the quarterly and ad hoc reports provided. However, the accuracy

of results is questioned by some¹. The significant variance of results in terms of number of clients, for example, raises the question whether the methods used to count clients are consistent across FEDOs. In all cases, one WD respondent said that FEDOs will need to show concrete results in the future in order to demonstrate the need for them.

Point of Views of FEDOs

A number of FEDO representatives thought that the reporting format is overly structured and formalized. They feel that the statistical information does not convey the results they are achieving, such as the results of their pan-western projects and of their networking activities. Some also mentioned that it would be unfair to benchmark the FEDOs between each other as each individual organization face different and unique challenges.

In BC, the SDECB would like to explore with WD a reporting system that would show a more complete picture of the organization's activities and services. This is needed to allow the organization to demonstrate clearly the economic impacts of its services and activities in the province. The organization is hoping to receive support from WD in order to develop and implement this mechanism. Once implemented, it is believed that government will have a clear understanding of the organization and its impacts.

Summary of Findings

- FEDOs currently provide quarterly and ad hoc reports to WD. These reports describe activities and results about information services, technical and advisory services, training and development activities, administration and loan fund activities.
- The accuracy of reports appears to be an issue. FEDOs feel that the reports are mostly statistical and only partly reflect their success. There is a desire to work with WD to improve the reporting format.

¹ Goss Gilroy shares that opinion. For this reason, no results from these reports will be used for this report.

2.6 Cost-Effectiveness and Alternatives

Evaluation Issues:

- Are FEDOs cost effective?
- Are there alternatives to be considered to improve service delivery and impacts of FEDOs?

In program evaluation, the concept of cost-effectiveness refers to the degree of effectiveness of a program in terms of results, in view of its costs. For this project, key informant interview respondents were asked to assess the effectiveness of the FEDOs considering the amount of WD investments in them. They were also asked to suggest alternatives for the future.

2.6.1 Cost-Effectiveness

WD interview responses were mixed as to the degree of cost-effectiveness of the FEDOs. In terms of special projects, it was generally felt that projects such as Corridor touristique were very cost-effective. According to findings from a previous evaluation report, significant increases in tourism from Quebec (20-30 percent increases) are reported from that project alone. As well, the community economic development initiatives are seen as very cost-effective as they usually involve good leveraging from other organizations (e.g., contributions from municipalities) and have considerable impacts at the community and regional levels.

The cost-effectiveness of the FEDOs themselves, however, was questioned by some WD respondents. Some mentioned that the number of clients was low in view of the budget of each FEDO. Some felt that the internal effectiveness of the FEDOs could also be improved in terms of infrastructure, equipment and HR costs (which are significantly higher than what they would expect). However, one FEDO representative (Saskatchewan) noted that his organization is challenged by a very dispersed clientele. Traveling to see clients can involve many transit hours, which has a direct impact on costs.

2.6.2 Alternatives and Suggestions for Improvement

A number of alternate approaches, strategies and priorities were suggested by the respondents. They include the following:

- FEDOs should engage in more formal partnerships with provincial organizations and other WD network members.
- FEDOs should build tighter relationships with financial institutions to increase loan activity.
- Reporting needs to be improved to more accurately reflect the FEDO's work.
- FEDOs could further build a pool of experts that could either mentor or help entrepreneurs before and after the start-up phase.
- Tourism and E-commerce could be permanent speciality and project areas for the FEDOs.
- The FEDOs should ensure that their Boards are representative.
- The FEDOs should find out what their niches should be and what they can add to their communities.

Summary of Findings

- WD observers expressed mixed opinions about the cost-effectiveness of FEDOs. The volume of loans and clients remain limited in most FEDOs, and the internal overhead costs are higher than in other comparable organizations.
- The cost-effectiveness of special pan-western projects is said to be high considering their outcomes/results.
- A number of suggestions were made to improve the performance of the FEDOs. Respondents suggested that the FEDOs continue to develop partnerships with other organizations and departments. In particular, partnerships with financial institutions should be established to increase the volume of business loans to Francophone businesses.
- Other suggestions and recommendations include work to improve the relevance and accuracy of reporting; building a pool of experts for business clients; increase FEDO board representativeness; and defining/reviewing what should be the FEDOs' market niche.

3.0 Conclusions

The key evaluation findings are summarized as follows.

Rationale

- According to the evaluation evidence, there is a need for FEDOs to ensure that Francophone entrepreneurs and communities are served in the official language of their choice supporting Section 41 requirements of the Official Languages Act (OLA). FEDOs help provide business and economic development services to Francophone entrepreneurs and communities that are comparable to those offered to the larger western business community. However, demand for FEDO services has been limited in some areas, which raises the issue whether there is a need for them in some areas. On the other hand, the success of some FEDOs, namely in Manitoba, indicate a high need. There are no duplications with services provided by other organizations such as CFDCs.

Service Delivery

- The marketing efforts to make the FEDOs known are extensive. However, some observers feel that the number of clients and loans processed remains low, which may suggest that further marketing is required.
- FEDOs have been effective in establishing partnerships with other network members (WEIs and CFDCs), other federal departments, communities and other organizations. These partnerships have allowed the FEDOs to find new clients, diversify their funding sources and deliver initiatives for other entities, including training initiatives. These have been beneficial to both FEDOs and their clients.

Adequacy of Board Structure

- The approach to FEDO board member renewal is variable. Some FEDOs have an internally-driven process, others have seats reserved for association representatives, while others are more open to external candidatures. Some ensure regional representation.
- Most agree that the boards are representative of their regions/communities.

Success

- According to findings, FEDO staff are very competent and contribute to fill gaps in the community in terms of business information and skills.
- Clients rate FEDO business services from medium to high. They appreciate the workshops, seminars, and the information and contacts provided by staff.

- The loan loss program has yielded mixed take-up. In BC, Alberta and Saskatchewan, loan activity has been lower than expected. High interest rates (compared to regular rates in financial institutions) and misunderstandings about the objectives of the reserves partly explain the lower than expected level of take-up of loans. One FEDO representative suggested that the reserves would be more effective if the FEDOs were allowed to set up partnerships or arrangements with the financial institutions of their choice.
- FEDO staff have been very active in supporting clients to obtain financing and a number of clients have accessed loans from other financial institutions. The CDEM (Manitoba) has been more successful in coordinating business loans. It is reported that for each dollar invested, seventeen dollars were generated in Manitoba.
- Overall, FEDOs play a significant role at the community economic development level and have been catalysts of many CED projects. A number of economic development projects of wider scope have been coordinated by the FEDOs. Corridor touristique and the Francophone business directory are two of many examples of successful projects with pan-western impacts. Work with bilingual municipalities in Manitoba have also led to better community plans and the creation of additional local business loans programs.

Reporting

- FEDOs currently provide quarterly and ad hoc reports to WD. These reports describe activities and results about information services, technical and advisory services, training and development activities, administration and loan fund activities.
- The accuracy of the quarterly reports is questionable as results appear inconsistent from one FEDO to another. FEDOs feel that the reports only partly reflect their success. There is a desire to work with WD to improve the reporting format.

Cost-effectiveness and Alternatives

- Mixed opinions were gathered about the effectiveness of FEDOs in view of its costs. Some WD respondents said that the overhead costs of FEDOs may be above of what would be expected from such organizations. The fact that some FEDOs deal with a very dispersed clientele explains why costs may be higher than in other organizations. However, the cost-effectiveness and leveraging effect of special pan-western projects and community economic development activities are high.
- A number of suggestions were made to improve the performance of the FEDOs.

Respondents suggested that the FEDOs continue to develop partnerships with other organizations and departments. In particular, partnerships with financial institutions should be established to increase the volume of business loans to Francophone businesses.

- Other suggestions and recommendations include work to improve the relevance and accuracy of reporting; building a pool of experts for business clients; increase FEDO board representation; and defining/reviewing what should be the FEDOs' market niche.

4.0 Recommendations

Considering the evaluation results, the following recommendations are proposed.

1. **Share best practices in terms of FEDO board renewal.** The independence of the FEDOs in terms of board nomination should be maintained and respected by WD. However, WD should encourage FEDOs to share their lessons learned in terms of Board composition and renewal. CFDCs may also have lessons learned as well.
2. **Review the design of the loan-loss reserves based on a needs assessment study.** Evaluation findings suggest that there are issues with the design of the loan-loss reserve. New delivery options should be explored to better meet these needs. A needs assessment study should also be conducted to guide program design. The study should measure:
 - a. The profile of the clients, in terms of sector, age, gender, area, etc.;
 - b. The current sources of information and capital of clients;
 - c. The information and capital needs of clients; and
 - d. Support for various service delivery options, including new services delivered for other departments/governments.

The study should be based on a survey using the Francophone business directory that was developed by the FEDOs.

3. **Improve the reporting format and, if necessary, information gathering processes for reports.** The evaluation indicates two basic problem areas with reporting: (1) The format is inadequate to meet the needs; and (2) The information is potentially inaccurate. It is suggested that the reporting mechanism be revised to ensure that (1) They accurately report the performance and reflect

the program's objectives; (2) And that they include outcome information (i.e., the difference they are making for clients and the communities). For this, WD and FEDOs should go back to the initial objectives of the program (perhaps design a logic model), and identify key indicators that they should report on. They should also ensure that all FEDOs share a common approach to data collection. Finally, WD and FEDOs should ensure that the FEDOs have the proper monitoring and tracking mechanisms to measure short and medium term results of projects.

- 4. Develop expertise in specialized areas.** While FEDOs need to develop generic business expertise to serve a wide range of clients, their value-added to the overall community (both Francophone and Anglophone) will be increased if they develop expertise and services in specific areas. These could be E-commerce and Tourism. This expertise, if recognized, will allow FEDOs to attract business clients and other partners. However, if this route is chosen, FEDOs will need to develop a specific HR strategy to develop and maintain this expertise. A marketing strategy will also be necessary.

- 5. Pursue and develop new partnerships with other network partners.** Considering the wide geographical area they need to cover and the wide range of business areas they are likely to cover in terms of information needs, the FEDOs would further benefit from partnerships with other network organizations (e.g., CFDCs and WEIs), as well as with financial institutions. As FEDOs develop areas of expertise and resources, it will become easier for them to find partners to exchange information and resources. One specific area where new partnerships will need to be developed is the area of business financing. However, FEDOs will only be successful in partnering with financial institutions or CFDCs if they can demonstrate their value-added to business plan preparation.

Appendix A: Content of FEDO Activity Reports

Results reported by FEDOs in quarterly and annual reports include the following fields:

Information services

- Number of requests for basic business information services
- Number of web site visits
- Number of clients referred to other organizations

Technical and Advisory Services (including business planning assistance)

- Number of businesses receiving business planning assistance
- Number of business plans completed
- Number of orientation sessions
- Number of businesses created/ expanded
- Number of jobs created/ maintained
- Value of leveraged investment

Training and Skills Development

- Number of clients receiving entrepreneurial training
- Number of clients receiving export training
- Number of clients receiving management training
- Number of clients receiving marketing training
- Number of symposia/ workshops
- Number of hours of training

Mentoring

- Number of mentoring relationships put in place
- Number of positive evaluations of participants
- Cost per mentoring relationship

Networking

- Number of events in which your organization participated
- Number of events organized

MARKETING/VISIBILITY

Number of events in which your organization participated

Number of events organized/ sponsored

Number of Trade Shows Participated in

Number of other marketing events

Number of publications distributed

Number de publications distribuées

Number of presentations

Number de participants

List of major events/ trade shows, other marketing activities anticipated:

Number of client contacted as a result of these activities

Number of references to these activities in the media (paid or unpaid)

ADMINISTRATION / MANAGEMENT

Number of financial partners

Number of planning sessions

Number of staff meetings

Number of board members

Number of board meetings

Number of volunteers

Number of volunteer hours

LOAN FUNDS

Number of loan requests received by officers

Number of loans approved

Number of loans approved and accepted

Total dollar value of loans approved and accepted

Dollar value of loans pending

Dollar value of loans lost