

FEDNOR BUSINESS PLAN 2006-2007

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Canada 

FedNor 

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MESSAGE FROM THE DIRECTOR GENERAL

As Director General of FedNor, I am both pleased and proud to tell you how 2006 represents a significant milestone. It was 20 years ago that FedNor was created to administer a five-year regional adjustment fund and it was 10 years ago that FedNor refocused away from non-repayable direct contributions to businesses towards more community-based strategic investments that would provide a solid foundation for communities and businesses that are facing the challenges of today's new economy.

As we reflect on FedNor's accomplished past, 2005-06 was a particularly pivotal year. FedNor received approval for renewed, ongoing funding for its two core programs: the Northern Ontario Development Program and the Community Futures Program, sending a clear message as to the importance of our role in Northern and rural Ontario. With this funding, FedNor invested \$97 million in projects in 2005-06 alone, leveraging more than \$110 million in additional funds from other sources.

With stable, ongoing funding in place, FedNor was able to refocus its efforts and become more strategic, investing in longer-term planning and development strategies. This included an historic \$6 million investment in the Northern Ontario School of Medicine to enhance its research capacity and major commitments to telecommunications and related ICT applications. FedNor also had an opportunity to sharpen its strategic priorities, and focus on achieving results in these areas as we move forward.

Our success to date was confirmed in an independent evaluation conducted on the Northern Ontario Development Program. Results from the evaluation were quite positive and concluded that the program is relevant, successful and cost-effective. In 2006-07, we will respond to findings from the evaluation to make FedNor even more accountable and effective.

Finally, FedNor has developed a new Human Resources Plan, included in the 2006-07 Business Plan. The HR plan will outline efforts to ensure sound HR decisions are made and that FedNor has the best qualified people to continue delivering its programs this year, and for the years to come.

We will continue to promote community economic development, diversification and job creation in Northern and rural Ontario in an effort to build self-reliant communities through the delivery of our programs. It is this 21st Century vision that keeps communities and businesses looking to FedNor for leadership and partnership in facilitating the transition to a knowledge-based economy while building a stronger Northern and rural Ontario. It is this vision that is reflected in our business plan for the year ahead.

OVERVIEW

FedNor is a regional development organization in Ontario that promotes economic development, diversification, job creation and sustainable, self-reliant communities in Northern and rural Ontario. As an organization within the Operations Sector of Industry Canada, FedNor plays a role similar to that of the three regional development agencies that operate in other parts of Canada. Like the regional agencies, FedNor has its own Minister, The Honourable Tony Clement, who has been given full authority for FedNor's programs. FedNor provides advice and support to Minister Clement in fulfilling this mandate.

FedNor uses an integrated regional development strategy that maximizes the potential of communities to succeed in the new economy by building on their assets and strengths. The keys to this strategy are FedNor's flexibility, staff, local presence and the partnerships it helps develop. By working with a variety of businesses and community partners through its programs and services, FedNor, as both a facilitator and catalyst, improves access to capital, information and markets that helps create an environment in which communities can thrive, businesses can grow and people can prosper.

Originally created in 1987 to administer a five-year regional adjustment fund, FedNor has evolved into an organization that delivers several regional development programs across Ontario. While much progress has been made in achieving its objectives, communities in Northern and rural Ontario continue to face ongoing structural challenges that necessitate a stable, long-term regional development effort.

In Northern Ontario, these challenges include:

- geographic isolation from large urban markets to the south;
- inadequate telecommunications infrastructure and transportation;
- a declining and aging population and low educational attainment;
- low employment growth and high unemployment rate;
- low per capita income;
- inadequate access to capital;
- youth out-migration and a regional youth unemployment rate 51 percent higher than the national average; and,
- distinctive barriers facing Northern Ontario's Aboriginal population such as social assistance dependency and at-risk youth.

Rural Southern Ontario, like other rural areas of Canada, faces similar socio-economic challenges including:

- dependency on declining resource industries such as agriculture and manufacturing;
- out-migration of youth;
- insufficient telecommunications capacity;
- infrastructure deficiencies; and,
- the need for collaborative strategies and implementation capacity to achieve its sustainable potential in the global knowledge-based economy.

FedNor's programs are an important resource to Northern and rural Ontario communities' ability to respond to these challenges and pursue opportunities for their long-term sustainable future.

CURRENT ECONOMIC ENVIRONMENT

Overall in Ontario, employment growth in the public sector in 2005 resulted in the lowest unemployment rate in thirty years, despite the loss of 52,000 jobs in the manufacturing sector. However the current outlook for Northern Ontario and rural Ontario remains mixed.

The continuing trends of urbanization, globalization and dependency on resource industries are ongoing challenges. Overlaying these are concerns about a possible worldwide economic slowdown (perhaps in 2007), influenced by the huge U.S. foreign debt and a possible depreciation of the U.S. dollar.

The increasing economic importance of China and India create both challenges, due to increased competition based on much lower labour costs, as well as opportunities due to increased demand for our resources.

Another continuing problem is that Canada continues to lag the U.S. and other G8 nations in productivity while the higher Canadian dollar makes our exports more expensive.

Although the unemployment rate in Northern Ontario in January 2006 was the same as for the province as a whole, this is due largely to a 4% decrease in the size of the North's labour force in 2005.

The forestry sector in Ontario continues to face a severe crisis due to high energy costs, high cost of wood fibre, the high Canadian dollar and increased global competition. These conditions have resulted in over 4,500 Ontario job losses since 2003, impacting the economies of 42 Ontario communities that rely heavily on the forest industry.

In contrast, the mining sector in Ontario is experiencing an upswing. Positive indications include:

- continuing strong commodity prices;
- 2,700 mining-related jobs created in 2005-06;
- increased exploration for diamonds, nickel, copper and palladium group metals; and
- announcements of new mine development.

Northern Ontario also has some of the best technical mining expertise in the world and the largest mining cluster of its kind in Canada. While the mining industry is experiencing an upswing, this is a cyclical industry that requires diversification for long-term economic viability. Mining technology and innovation is an area where Northern Ontario has inherent comparative advantages on a global scale. FedNor has championed the creation of the Centre of Excellence in Mining Innovation at Laurentian University, which will benefit from a \$10 million investment from the Province of Ontario as announced in the recent provincial budget, as well as investment

from the mining industry.

To build on our knowledge and expertise in the resource sector, investment in education, research, infrastructure and innovation are key. Innovation, fuelled by research, new technology and value-added product development is essential to the long-term economic competitiveness of rural and Northern Ontario.

KEY PROGRAMS

FedNor is well positioned to help its partners build a healthy future for Northern and rural Ontario and promotes economic growth through the delivery of two core programs:

NORTHERN ONTARIO DEVELOPMENT PROGRAM

The Northern Ontario Development Program (NODP) is an ongoing program, created in 1987. It promotes economic growth, diversification, job creation and sustainable communities in Northern Ontario – from the District of Muskoka to Hudson Bay, and from the Manitoba border to Quebec – a large and diverse geographic area, through a community-based approach. The NODP invests in projects focussed on one or more of the following six priorities: Community Economic Development; Information and Communications Technology (ICT); Innovation; Trade and Tourism; Human Capital; and Business Financing Support.

COMMUNITY FUTURES (CF) PROGRAM (ONTARIO)

The Community Futures Program is an ongoing national program administered by FedNor in Ontario. The CF Program supports a network of 61 Community Futures Development Corporations, or CFDCs, throughout rural Ontario - 24 located in the Northern Ontario, and 37 in rural Southern Ontario. CFDCs are incorporated, not-for-profit, community-based development organizations, governed by local boards composed of volunteers that serve all rural areas in the province.

CFDCs offer a variety of services supporting community economic development and small business growth. They operate local investment funds that provide repayable financing for local small businesses and social enterprises. In addition, CFDCs provide strategic community planning and socio-economic development, including: support for community-based projects; business information; and advisory services.

In Northern Ontario, CFDCs are an integral part of FedNor's program delivery network and play an important role in the delivery of FedNor/IC priorities such as youth, trade, and telecommunications through separate agreements under the Northern Ontario Development Program.

OTHER PROGRAM DELIVERY

As Industry Canada's main point of presence in Northern and rural Ontario, FedNor has the organizational capacity and established networks necessary to effectively deliver national initiatives and expanded program delivery opportunities in Ontario.

FedNor delivers funding for economic development of Official Language Minority Communities (OLMCs) in collaboration with IC's Ontario Regional Offices.

FedNor delivers the Eastern Ontario Development Program which promotes socio-economic development in Eastern Ontario, leading to a competitive and diversified regional economy and contributing to the successful development of business and job opportunities, as well as sustainable self-reliant communities. The program targets five priority areas including: business and community development; access to capital; skills development; retention and attraction to youth; and technological enhancement.

SERVICE DELIVERY MODEL

With 140 staff members, FedNor dedicates over 80% of its resources to supporting a decentralized field network to deliver its programs. FedNor uses a community-based approach to development that focuses on local capacity-building initiatives targeted to strategic priorities and key economic sectors in order to build stronger communities and help businesses grow. It ensures that national initiatives and priorities are delivered in a way that is tailored and adjusted to local needs, and that local strategies are able to take full advantage of national programs.

This "bottom-up meets top-down" approach gives communities access to knowledgeable FedNor officers who are able to establish a network of local contacts, build working relationships based on trust with community leaders and guide the development of viable and strategic project proposals.

FedNor has three main offices strategically located in Sudbury, Sault Ste. Marie and Thunder Bay. As FedNor's headquarters, the Sudbury office also houses the Director General, corporate services (including finance and human resources), policy and planning, communications and claims processing for all of FedNor's programs. As a result of its location on the U.S. border, Sault Ste. Marie is also home to FedNor's International Business Centre.

FedNor also has satellite offices in geographically strategic locations to serve its clients and help officers "keep their finger on the pulse" of the community.

OFFICE LOCATIONS AND STAFF DISTRIBUTION:

Northern Ontario	
Sudbury	71
Sault Ste. Marie	22
Thunder Bay	20
North Bay	5
Timmins	3
Parry Sound	2
Kenora	<u>2</u>
Total	125
Southern Ontario	
Ottawa	4
Peterborough	3
London	7
Toronto	<u>1</u>
Total	15
Total FedNor Staff	140

STRATEGIC DIRECTIONS 2006-07

FedNor has made some significant strides in responding to the economic development opportunities and challenges in Northern and rural Ontario, but there is much left to be done to reach its ultimate goal of long-term sustainable economic development in these regions (See Appendix A).

To move in this direction, FedNor will continue to lead and support efforts to facilitate community economic development, diversification and job creation by working towards the following outcomes:

- **CREATION AND/OR STRENGTHENING OF BUSINESSES AND COMMUNITY ORGANIZATIONS**

Northern and rural businesses and community organizations must be positioned to thrive and succeed in the marketplace, particularly in the knowledge-based economy. To achieve this, FedNor will make strategic investments to CFDCs, not-for-profits (NFPs), small and medium-sized enterprises (SMEs), social enterprises, financial institutions and communities, in line with key FedNor and Industry Canada priorities that support initiatives that bring new jobs and economic benefits to Northern and rural Ontario.

DEVELOPMENT OF STRATEGIC PARTNERSHIPS

FedNor believes in bringing key partners together to empower and stimulate growth. Therefore, support will be provided to long-term, developmental initiatives with broad applications, designed to create synergies and share outcomes among community and regional stakeholders. Examples of these are regional tourism marketing initiatives, regional telecommunications infrastructure builds and other modern economic infrastructure. Also included are initiatives where the focus is on broad socio-economic development involving a number of partners.

- **IMPROVEMENTS IN SKILLS DEVELOPMENT AND NETWORKING**

Opportunities must exist for clients to improve skills and networking to ultimately increase Northern and rural Ontario's ability to compete in the global market place. For SMEs, FedNor will improve business and trade skills by providing knowledge and networking opportunities that will have a recognizable incremental benefit to their organization's business performance.

For individuals, FedNor will also help develop a highly skilled workforce through initiatives such as youth internships, which provide valuable work experience to recent post-secondary graduates that can act as a springboard to secure future employment in Northern and rural Ontario.

- **COMMUNITY ECONOMIC DEVELOPMENT PLANS ACCEPTED BY COMMUNITIES**

Community planning is essential to the success and long-term sustainability of economic initiatives. Enabling communities to determine their own futures entails assisting them in preparing plans based on realistic goals and the assets they have at their disposal, and helping fill gaps in capacity and infrastructure. The acceptance of a community economic development plan by a community indicates that it is well thought out, meaningful, and representative of those in the community. This creates cohesive buy-in that, in turn, empowers a community to successfully direct its own future. FedNor can assist with community economic development plans through advice and funding for the plan itself, as well as resulting proposals.

FedNor delivers these intended outcomes through its programs. The following outlines the rationale of each of the core programs, the focus, activities, the intended results and the resources allocated for 2006-07.

- A. NORTHERN ONTARIO DEVELOPMENT PROGRAM**

The Northern Ontario Development Program is designed to promote economic growth, diversification, job creation and sustainable communities in Northern Ontario. FedNor's efforts to meet this mandate focus on six strategic priority areas that act as a framework to guide investments: Community Economic Development; Information and Communications Technology (ICT); Innovation; Trade and Tourism; Human Capital; and Business Financing Support.

Eligible recipients will include not-for-profit organizations, businesses, Aboriginal organizations, municipalities, and economic development organizations. A broad range of not-for-profit organizations located across Northern Ontario can apply. For-profit businesses and social enterprises can apply for human capital and innovation support.

1. COMMUNITY ECONOMIC DEVELOPMENT (CED)

THE REASON

The economic health of its communities is essential to the prosperity of Northern Ontario. Community economic development helps engage and empower communities to take responsibility for managing their own futures and seizing opportunities that will result in long-term economic benefits, including job creation, economic diversification and enhanced business competitiveness, supporting sustainable development. This decentralized approach allows communities to build capacity, make informed decisions and implement development strategies at the local level that have measurable impact.

THE FOCUS

In 2006-07, FedNor will refocus its community economic development efforts to be more proactive and strategic, focusing on three priority areas that will result in long-term economic benefits and wealth creation - community strategic planning, implementation of community plans and community economic infrastructure.

ACTIVITIES

- Support the development and implementation of strategic plans and feasibility studies that are based on realistic goals and community assets that will strengthen or diversify the local economy.
- Contribute to economic infrastructure that is integral to the implementation of community strategic plans.
- Provide support to CFDCs so that they, in turn, can provide financial support to local/regional community economic development projects that facilitate socio-economic development at the local level.
- Provide special economic adjustment assistance to Northern Ontario communities that have been adversely affected by sudden or severe downturns in their local economy, allowing them to develop and implement recovery or diversification strategies.
- Support capacity building and partnerships within Northern and Aboriginal communities.

INTENDED RESULTS

- Northern Ontario communities assisted to develop their capacity to undertake strategic planning
- Enhanced community services or facilities that attract investment
- Economic crises mitigated

2. INFORMATION AND COMMUNICATIONS TECHNOLOGY

THE REASON

Modern telecommunications is an essential component of infrastructure for the knowledge-based economy, and is critical in Northern Ontario to overcome challenges of vast geography and distances between major centres. To ensure that Northerners can compete on both a local and global scale, FedNor helps connect Northern Ontario communities to the world by developing and enhancing telecommunications infrastructure, networks, and information and communications technology (ICT) applications. This serves as a gateway to economic opportunities for local business, and provides access to key services such as health care and education including distance education applications, videoconferencing, Picture Archiving and Communication System (PACS), tele-health suites and emergency services (Geographic Information Systems).

THE FOCUS

FedNor has made substantial investments in telecommunications infrastructure, networks and the promotion, development and implementation of ICT applications. Efforts will need to continue to deliver its \$10 million commitment to connect Northern Ontario communities to broadband infrastructure. FedNor will also deliver the second year of a three-year, \$10 million commitment to enhance Northern Ontario's networked capacity by expanding ICT applications that make more effective use of the broadband network.

FedNor will continue to be strategic to ensure that ICT investments provide maximum impact. Whenever possible, FedNor will give priority to ICT projects that are pan-regional and/or pan-Northern in scope, are focused on future wealth creation, and where the project outcomes seek to advance innovation, competitiveness and the knowledge-based economy.

ACTIVITIES

- Connect Northern Ontario communities to broadband infrastructure through the support of capital projects by broadband champions.
- Support ICT applications in priority areas including health ICT initiatives, GIS Networks, e-Learning, Aboriginal ICT, and pan-Northern or pan-regional seminars on ICT opportunities.
- Revisit FedNor's *Guiding Principles for Health-related Projects* to ensure that health investments advance the innovation / productivity agenda.

INTENDED RESULTS

- "Point-of-presence" and high-speed Internet provided to additional Northern Ontario communities
- ICT applications supported particularly in the areas of tele-health, tele-education and e-business

3. INNOVATION

THE REASON

Innovative companies are growing companies. They create jobs and new opportunities for businesses faster and more successfully than their less innovative and technologically savvy counterparts. Building an environment where more companies can fully participate in - and contribute to - the global knowledge-based economy is key to Northern Ontario's long-term competitiveness. FedNor recognizes that in order to stay globally competitive, Northerners must find ways to support innovation and consider knowledge a strategic asset in boosting productivity.

THE FOCUS

FedNor has positioned itself to strengthen the innovation capacity and performance of the Northern Ontario economy in six key areas:

- Support high quality innovation infrastructure and education/training programs to help develop/upgrade workers in every sector;
- Invest in knowledge-based activities and new productivity-enhancing technology/new forms of work organization that are sources of value-added growth;
- Foster export development and international competitiveness;
- Help stakeholders come together more effectively to develop strategic clusters, encourage linkages among research/post secondary education institutions, business, communities and government;
- Encourage competition in ideas, technologies and solutions; and partnerships that connect new ideas/solutions to societal challenges and market opportunities; and,
- Help stakeholders stay connected by providing access to advanced telecommunications services, including education, training and e-commerce opportunities, facilitating the flow of new knowledge, ideas and innovations.

ACTIVITIES

- Implement an integrated business plan, in partnership with the province, academia and industry, in support of the Centre of Excellence for Mining Innovation.
- Develop partnerships with NRCan and the Federated School of Mines to enhance awareness of, and address, value-added opportunities and innovation in resource industries.
- Provide technical assistance to the forest industry and promote collaboration between pulp, paper and sawn lumber industries.
- Engage in dialogue with post-secondary institutions to identify mid-term and long-term research, programming and capital development priorities.
- Target market demand and product design through research and development.
- Develop a Far North strategy, identifying key priorities and opportunities in resource development and community capacity.
- Support biotechnology innovation and sustainable health research.

INTENDED RESULTS

- Knowledge commercialized through collaboration between education and the private sector
- Biotechnology, forestry and mining clusters developed
- Investments in value-added forest product development

4. TRADE AND TOURISM

THE REASON

Export and trade are an important means for Northern Ontario SMEs to create wealth and sustainable employment in Northern Ontario. Trade fuels economic growth, building business opportunities and generating jobs. At the same time, increased foreign direct investment accelerates the development of new commercial opportunities and industrial infrastructure necessary to create a critical mass of business expansion.

Tourism is also a key component of Northern Ontario's economy. Capitalizing on the region's tourism potential both promotes Northern Ontario in important external markets, and provides significant employment and business opportunities at home.

THE FOCUS

Since 2003, FedNor has implemented its trade strategy including the creation of FedNor's International Business Centre (IBC), implementation of the "*Team Northern Ontario*" (TNO) trade network of community-based trade organizations and advisors, and support for trade missions. With these networks well in place, FedNor will refocus the work of the IBC in 2006-07 to concentrate on more direct assistance to business such as business counselling, youth internships and skills development to build export and business management competencies in Northern Ontario firms.

While demand for tourism funding is expected to increase as emerging priorities such as nature-based tourism gather momentum in Northern Ontario, FedNor support will be strategically focussed toward projects that stimulate higher levels of tourism activity and tourism revenues in the North, particularly by visitors from outside the region, and lever additional private and public sector investment. These tourism offerings must be unique to the North, and of high quality, to meet the expectations of high yield visitors. By ensuring that clients focus on these expected results, FedNor will still maintain a broad degree of flexibility in the types of activities it supports.

ACTIVITIES

- Support the Team Northern Ontario Trade Network with a stronger focus on client management and increased export activity.

- Work with the Canadian Consulate in Minneapolis to develop an Enhanced Representation Initiative project in Northwestern Ontario.
- Track Inward Investment Attraction activities and continue to work with International Trade Canada on the promotion and monitoring of Community Investment Support Program (CISP) projects.
- Continue to encourage communities to become investment-ready by supporting the development of community profiles, industrial parks and other business infrastructure, as well as industrial marketing and investment attraction promotional efforts.
- Upgrade existing tourism attraction venues.
- Support tourism management planning, education and capacity building initiatives.
- Continue to support partnerships with tourism stakeholders through the IBC, including the third year of the Strategic Tourism Development and Marketing Partnership for Northern Ontario and the Culinary Tourism Strategy.
- Provide support for community-based initiatives.

INTENDED RESULTS

- Increased export activity by Northern Ontario firms
- Northern Ontario's world-class tourism industry effectively promoted

5. HUMAN CAPITAL

THE REASON

Northern Ontario's success depends on its people. Investment in human capital is important to ensure that the region has enough people with the right skills to do what communities, industry and entrepreneurs need to innovate, increase productivity and compete in the global marketplace. Northern Ontario suffers from a relatively low proportion of the population with post-secondary qualifications - particularly in knowledge-based economy fields - and high levels of youth out-migration and regional youth unemployment compared to the national average. To meet these challenges, investments that support education, skills, internships, professional development and networking are key.

THE FOCUS

Through the NODP, FedNor will continue to support initiatives that help attract, develop and retain the highly skilled people required to succeed in today's economy and to provide opportunities for life-long learning.

For institutions, FedNor will continue to support strategic partnerships that increase capacity to develop highly qualified graduates, particularly in innovation-related programs in key sectors such as mining and forestry, industrial or bio-medical research, as well as others that address key labour market skill shortages.

For entrepreneurs and enterprises, FedNor will improve business management skills by providing knowledge and networking opportunities that will increase business growth, competitiveness and productivity.

For individuals, FedNor will help develop and retain a highly skilled workforce through initiatives such as youth internships, providing valuable work experience that can act as a springboard to secure future employment in Northern Ontario.

For special population groups facing barriers, including Aboriginal people, Francophones, women and youth, FedNor will continue to support their active participation in the economy.

ACTIVITIES

- Bring post-secondary institutions together to discuss key areas for collaboration and to develop a pan-Northern framework to assess future investments in the post-secondary sector.
- Engage in dialogue with individual post-secondary and technical institutions to identify mid-term research, programming and capital development priorities.
- Continue delivery of the FedNor Youth Internship Program in the not-for-profit and the private sector.
- Continue to deliver of the Francophone Tele-Learning Pilot Project Initiative in collaboration with IC's Ontario Region.
- Through the Government of Canada Action Plan for Official Languages, work to promote the economic development of OLMCs and enhance their capacity to participate in the knowledge economy.
- Explore opportunities to expose Aboriginal youth to future career opportunities.
- Facilitate partnerships between Aboriginal and non-Aboriginal communities and organizations based on common priorities and opportunities.

INTENDED RESULTS

- Youth interns gain valuable work experience leading to long-term employment in Northern Ontario
- Entrepreneurship is promoted and developed
- Participation in the knowledge-based economy is increased
- More skills development opportunities are made available to Northern Ontario educational institutions and businesses
- More economic and employment opportunities available for special population groups including Francophones, Aboriginals and women.

6. BUSINESS FINANCING SUPPORT

THE REASON

Small-and medium-sized enterprises are the engines of growth. Traditional sources of business financing do not provide adequate access to capital in Northern Ontario. Therefore, many Northern businesses need help in accessing the financing they need to support their start-up, expansion, and/or modernization.

THE FOCUS

FedNor stimulates investment in higher risk enterprises through the establishment of loan loss reserves with financial institutions, and by providing capital to community-based investment funds that enhance access to capital for small-and medium-sized enterprises (SMEs).

While FedNor will continue to deliver initiatives supporting debt financing such as loan loss reserves, it will also provide repayable direct assistance to SMEs in areas such as applied research and development, and explore ways to facilitate access to patient and venture capital.

ACTIVITIES

- Capitalize investment funds of Northern Ontario CFDCs to assist local businesses through loans, loan guarantees or equity investments.
- Continue to promote existing loan loss reserve agreements with Northern Ontario credit unions (Northridge Savings and Credit Union Ltd. Loan Loss Reserve).
- Support the Northern Ontario Enterprise Gateway, a new initiative to help the development of angel investment networks across Northern Ontario.

INTENDED RESULTS

- Financial investments in Ontario SMEs
- Enhanced access to patient and venture capital
- Increased leveraged capital and investment partners

B. COMMUNITY FUTURES PROGRAM

THE REASON

The Community Futures Program has been a cornerstone of federal support for rural economic development across Canada. Since program inception in 1986, the Community Futures Program provides a place sensitive, community focus to investment, strategic planning and community economic development activities that support self-reliance and the capacity of communities to realize their full human and socio-economic potential. A network of 61 CFDCs in Ontario continues to help develop and diversify local economies.

THE FOCUS

Through the CFDCs, FedNor will continue to provide repayable financing for local small businesses and social enterprises and strategic community planning and socio-economic development including support for community-based projects, business information and advisory services. Enhancements made to the program's Terms and Conditions in 2005-06 will allow the CFDCs to deliver a broader range of socio-economic development services to their communities. Increased operational contributions to CFDCs will help them keep pace with increased challenges such as costs related to communications and delivering services to OLMCs.

ACTIVITIES

- Increase operating contributions to CFDCs where appropriate to strengthen their core capacity and response to increased pressures resulting from their success.
- Respond to the additional demands on the CF program arising from the social economy sector.
- Strengthen the Ontario Association of Community Futures Development Corporations (OACFDC) and regional networks to encourage sharing of best practices, collaborative planning and development.
- Support additional cost of providing services to OLMCs.
- Work with Aboriginal CFDCs to enhance their capacity to provide support for community planning.
- Help market the CF Program in Ontario and improve CFDC capacity to manage their communications and improve federal visibility.
- Establish and support investment capital pools to more effectively utilize the existing capital base of CFDCs to meet local and regional demand for investment.
- Seek opportunities to enhance the role of CFDCs, particularly in rural Southern Ontario where broader regional development programming is lacking.

INTENDED RESULTS

- Financial investments in rural Ontario SMEs and social enterprises
- Increased leveraged capital
- Job creation and maintenance
- Viable new business start-ups and strengthened or expanded existing businesses
- Improved business practices and increased entrepreneurship
- Strengthened community capacity for socio-economic development

C. EASTERN ONTARIO DEVELOPMENT PROGRAM

THE REASON

Rural Eastern Ontario, like other rural areas of Canada, faces socio-economic challenges including dependency on declining resource industries, out-migration of youth, insufficient telecommunications capacity, infrastructure deficiencies and the need for collaborative strategies and implementation capacity to achieve their sustainable potential in the global knowledge-based economy. The Eastern Ontario Development Program (EODP) enables rural communities in Eastern Ontario to become more sustainable and self-reliant over the longer term by creating, building and developing the necessary conditions for increased business and employment opportunities in the area.

THE FOCUS

Delivered through the fifteen CFDCs in Eastern Ontario, EODP provides resources that enabled investment in community economic development initiatives including business development, skills development, access to capital, retention and attraction of youth and technological enhancements.

ACTIVITIES

- Continue financial support for EODP activities through contribution agreements with the fifteen CFDCs in Eastern Ontario.
- Act as a resource to the fifteen CFDCs in Eastern Ontario to assist in carrying out their activities related to EODP including advice, information, monitoring and support.

INTENDED RESULTS

- Viable new business start-ups and strengthened and expanded existing businesses
- Increased leveraged capital
- Strengthened community capacity for economic development
- Improved business practices and increased entrepreneurship
- Work experience gained by youth leading to long-term employment and reduced out-migration in rural Eastern Ontario
- Labour force skill development that will meet the needs of the business community
- Equitable and affordable access to broadband services and enhanced capacity for ICTs

TABLE ONE PROGRAM RESOURCES SUMMARY (\$ millions)	
Northern Ontario Development Program	
Community Economic Development	9.1
Information and Communications Technology	9.4
Innovation	7.2
Trade and Tourism	3.3
Human Capital	3.6
Business Financing Support	3.6
Total - Northern Ontario Development Program	36.2
Community Futures Program	20.3
Eastern Ontario Development Program	9.6
Total Program Resources	*66.1

*Any discrepancies are due to rounding.

OPERATIONS SECTOR-WIDE PRIORITIES

As part of the Business and Community Development Cluster in Industry Canada's Operations Sector, FedNor's business plan also addresses sector-wide priorities for 2006-07.

RIGOROUS STEWARDSHIP OF RESOURCES AND SOUND BUSINESS AND FINANCIAL PLANNING

FedNor continues to demonstrate sound management practices. Efforts to improve financial knowledge throughout the organization has ensured timely, high quality reporting and proven results in aligning and re-aligning budgets and available funds to emerging priorities within forecasted expenditures.

To ensure effective stewardship in the delivery of program contributions to clients, FedNor continually contracts audits on recipient agreements. These audits:

- ensure that claimed expenditures are in accordance with the terms and conditions of the governing contribution agreement and central agency guidelines;
- verify and report on the costs incurred and claimed and identify costs not eligible according to the terms and conditions of the agreements; and,
- highlight other matters considered important to sound financial management.

Through these audits, FedNor continues to improve the methods in place for review and the utilization of risk management. In a recent Departmental Audit of Financial Controls, FedNor's guideline for the completion of a Risk Assessment Checklist for each contribution project was highlighted as a best practice for determining a risk mitigation strategy.

FedNor received positive results from the 2004-05 Post Approval Integrity Review conducted by

Industry Canada's Comptrollership and Administration Sector. FedNor's performance record was higher than average within Industry Canada with fewer than average variations per file. In 2005-06, FedNor communicated the audit findings with the program delivery staff and will continue to implement the recommendations in order to improve its program management.

FedNor is also part of the Audit of the Management of Transfer Payment Programs. The outcome of this audit will provide insight into commonalities with other sectors of Industry Canada and guidance on best practices that can be implemented as they relate to FedNor.

GOVERNMENT-WIDE SHARED SERVICES INITIATIVE

The federal government continues to standardize and streamline systems and processes. As part of Industry Canada, FedNor is participating in these processes where relevant. FedNor will ensure a smooth transition to these changes, resulting in minimal impact to clients.

FedNor is working with other sectors within Industry Canada on developing an E-Claims system for grants and contributions as well as determining the requirements for a replacement to the existing grants and contributions system.

FedNor will be making changes to its travel procedures as part of the Shared Travel Services Initiative. This will be managed to ensure that the initiative is effectively implemented and processes adjusted where required. All employees will receive customized training.

FedNor recognizes that the Operations Sector wishes to pursue the development and negotiation of Service Level Agreements (SLAs) with the CIO corporately. FedNor will work with the Sector over the course of 2006-07 in developing an SLA that responds to the organization's IM/IT business requirements.

Through *The Way Forward*, the Government of Canada continues to introduce fundamental changes to purchase goods and services smarter, faster, and at a reduced cost. FedNor is making changes to its internal purchasing processes to dovetail with this new initiative.

POLICY - PROCESS, CAPACITY, HORIZONTAL INITIATIVES

In 2006-07, FedNor will undertake a number of activities related to policy support for programs, research, performance management, program evaluation, and the provision of strategic analysis/advice on priority files.

Northern Ontario Development Program (NODP)

A Treasury Board Submission to seek renewal of the NODP Terms and Conditions has been completed and signed off by the department, and will be presented to Treasury Board at the earliest possible date. FedNor will also seek approval of a revised Results-based Management and Accountability Framework (RMAF) for NODP to update its performance measurement and evaluation systems.

A summative evaluation was conducted on the Northern Ontario Development Program (NODP) in 2005. Results from the evaluation were quite positive concluding that NODP is relevant, successful and cost-effective. FedNor will continue to implement recommendations from the evaluation and work to ensure that appropriate performance measurement systems support management decision-making and are integrated into the operational cycle of its activities. Implementation will include refinements to the existing Results-based Management and Accountability Framework.

Community Futures Program

In accordance with the new Terms and Conditions approved in 2005, FedNor will continue to develop and refine working tools for CFDCs and CF program delivery staff, as well as explore ways to continuously improve CFDCs' engagement in strategic community planning and socio-economic development, business services, access to capital and community-based projects and special initiatives. Best practices will be shared through regional CFDC networks, the Ontario Association of CFDCs and regular meetings with the Regional Development Agencies.

Forest Strategy

FedNor will respond to the crisis in the forestry industry in Ontario through its own existing programs and participate in the development of national initiatives that will address current challenges facing the forest industry, its workers and affected communities. These initiatives will involve collaboration with IC's Industry Sector, Human Resources and Social Development Canada (HRSDC), International Trade Canada and the Regional Development Agencies.

Regional Development in Eastern and Southern Ontario

FedNor will continue to respond as required to policy development issues related to the absence of regional development programming in Southern Ontario and the role of CFDCs in this context. A notable development in this regard is the expiry of the Eastern Ontario Development Program on March 31, 2006.

Horizontal Initiatives

FedNor will continue to forge new partnerships and participate in initiatives that are important to the development of Northern as well as rural Ontario. In 2006-07, this will include collaboration with the following:

- RDAs to collaborate on best practices and policy development in regional and community development, on delivery of national economic development and adjustment initiatives within a common national framework for regional development.
- Natural Resources Canada to ensure effective responses to the needs of the mining, forest products and energy industries.
- Province of Ontario regarding a variety of initiatives including the Ontario Mining Industry Cluster Council, the forest industry, rural development and the Northern Ontario Heritage Fund.

- AAFC and other federal departments on the Rural Team Ontario (currently chaired by FedNor) to advance rural issues in Ontario and influence development of a national Rural Policy Framework.
- Ontario Federal Council on collaboration on horizontal issues such as OLMCs, Aboriginal issues and industrial transformation.
- HRSDC regarding community adjustment and labour force programming, social economy policy development and sharing of economic and labour market information.
- INAC and ABC regarding collaboration on community economic development and resource development involving Northern Ontario First Nations.
- Network of Women Entrepreneurs, being managed through IC's Ontario Region, to provide enhanced access to information and networking for women in Northern and rural Ontario.
- COBSC to enhance access to business information through CFDCs and Aboriginal organizations.

FedNor will also contribute to Industry Canada's internal policy development including collaboration with the Policy and Regional Cohesion Branch.

SERVICE IMPROVEMENT INITIATIVE

FedNor continues to support the Government of Canada Service Improvement Initiative and has continually implemented processes to enhance service to its clients. To build on the base line data collected for its Service Improvement Initiative in 2002, FedNor conducted its second corporate client survey in 2005 using the Government of Canada's Common Measuring Tool (CMT). The 2005 results were excellent, pointing to a very high level of satisfaction with FedNor's services. The average 2005 client satisfaction rates either increased or remained the same as those from the 2002 survey and the list of service improvement priorities dropped to seven in 2005 from eleven in 2002. It was also noted that FedNor client service has improved in the past three years to a point where not much can be improved.

In light of these positive results, FedNor will continue to coordinate the work of FedNor's Service Improvement Team to refine its Service Improvement Initiative Plan and will also take into account any recommendations emerging from the 2005 NODP Evaluation.

OFFICIAL LANGUAGES

In accordance with Section VII, Article 41 of the Official Languages Act, the Government of Canada is "enhancing the vitality of the English and French linguistic minority communities in Canada and supporting and assisting their development; and fostering the full recognition and use of both English and French in Canadian society". In an effort to support the Government of Canada's objective, FedNor is committed to integrating the Government of Canada and Industry Canada's official languages objectives within its operations. This results in programs and services that better reflect OLMC priorities and enhanced relationships with OLMC organizations. In light of the proclamation of Bill S-3, Amendments to the Official Languages Act, FedNor will also ensure that staff are aware of the new legislation.

Activities in 2006-07 include:

- Facilitate consultations with OLMCs to better understand their needs and priorities.
- Raise staff awareness of new Official Language obligations and ensure transparency in their decision-making processes.
- Continue liason with OLMCs through existing national, provincial, regional forums.
- Continue to encourage designated bilingual CFDCs to consider needs and priorities of OLMCs in their action plans.

COMMUNICATIONS PLAN

FedNor has achieved a solid reputation as both a facilitator and a catalyst for regional economic development in Northern and rural Ontario. Our employees are well-respected members of the communities they serve and are active volunteers in a variety of charities and service clubs. This dedication and compassion is mirrored in our corporate culture – one that works to create an environment where innovation can prosper and new ideas can thrive.

FedNor promotes this approach through a distinct communications style adapted to both external and internal messaging. Working with a variety of partners, we will continue to highlight the **benefits** and **impact** of FedNor’s investment in Northern and rural communities through the promotion of regional “success stories” within FedNor’s two key programs:

- Northern Ontario Development Program (NODP)
- Community Futures Program (CF)

FedNor’s team of highly trained communications professionals provides support to the program delivery and policy teams as required, the corporate office and Secretariat, as well as to the Minister for FedNor and Members of Parliament. A number of team members have additional responsibilities for internal communications, corporate communications, web-based and electronic media, Industry Canada and OPS sector communications, the official languages file, and FedNor’s new sectoral strategies unit.

Strategic Events and Announcements

In discussion and collaboration with Ministerial and IC-CMB staff, FedNor prepares strategic announcements highlighting FedNor investment in a variety of sectors in Northern and rural Ontario. News releases are either sent directly to regional media or announced as part of a public event involving the Minister, designated MP, or FedNor Director General. All news releases are published on the FedNor website.

A weekly calendar is shared with the Minister’s staff and IC-CMB representatives to determine interest in upcoming speaking opportunities and/or announcements in Northern and rural Ontario. These can vary from keynote addresses at major conferences, to intimate roundtable meetings with stakeholders, to community-led events, which may or may not involve FedNor funding.

Media Relations

In discussion and collaboration with Ministerial and IC-CMB staff, FedNor responds to media requests relating to information on FedNor programs and services or to recent funding announcements by the Minister, MPs, or the Director General. A daily media scan of regional media coverage is prepared and distributed by 8:30am.

FedNor also prepares letters to the editor, editorials and guest columns on a variety of topics for placement in regional print media as needed or directed. Although FedNor remains affected by the national embargo on advertising, communication officers continue to work with clients to ensure appropriate federal visibility is maintained in third party campaigns.

Issues Management

The FedNor communications teams regularly prepares or assists in the preparation of a variety of briefing materials in support of the Director General, the Minister or MPs. These include, but are not limited to: Question Period (QP) cards, ATIP requests, and Trip books.

Marketing and Outreach

FedNor uses a variety of communication tools to strategically position and promote FedNor's programs and services to residents in Northern and rural Ontario. Ministerial messaging is included where appropriate. These include, but are not limited to:

- **FedNor Update** – a bilingual flip publication, published three times a year, providing an update on FedNor people and projects throughout Northern and rural Ontario.
- **FedNor at the Fair** – a 5th Anniversary Report on FedNor's 'award-winning' involvement in the annual Royal Agricultural Winter Fair in Toronto.
- **Northern Spirit - Partners in Success** – a collection of success stories highlighting the impact of FedNor funding in Northern and rural Ontario communities.
- **FedNor Fact Sheets** – a series of single page, bilingual handouts highlighting FedNor support to specific sectors (ie: FedNor and Trade; FedNor and Community Economic Development; FedNor and Aboriginal Partners, etc.).
- **fednor.ic.gc.ca** – The FedNor website outlines the programs and services available through our two key programs, provides information on funding submissions, directs media to recent announcements and features success stories. Client and partner websites must also provide a link to our site, which increases our visibility on the world wide web.

Internal Communications

FedNor's approach to internal communications is based on an 'open door' policy, and is replicated on all levels of correspondence, from formal letters of offer, to internal emails to

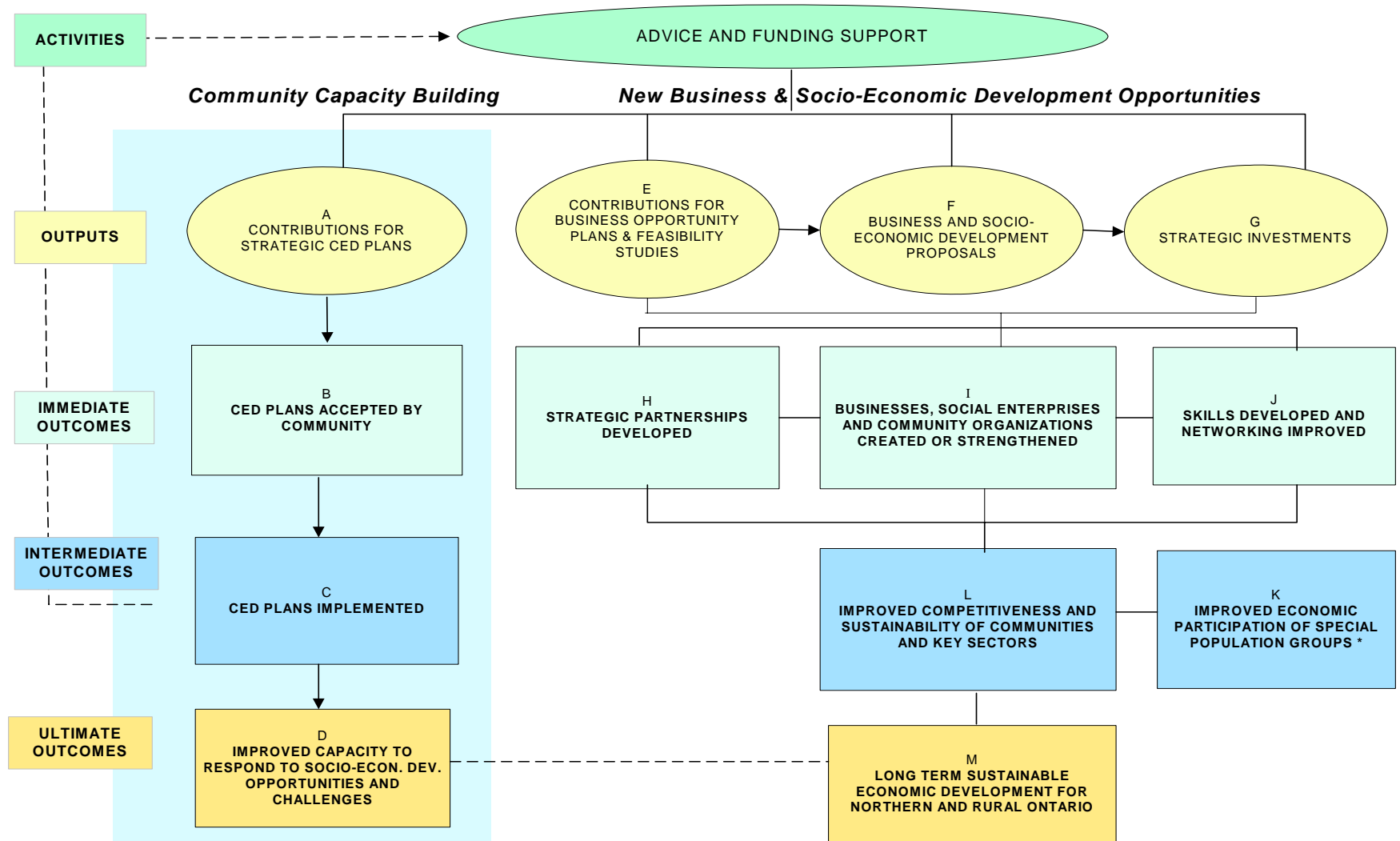
employees, to personally penned notes of congratulations. These include, but are not limited to:

- **From the Desk of the DG** – a weekly email message from the Director General updating employees on department issues, project developments and sharing notes of appreciation.
- **FedNor Flash** – a monthly electronic newsletter featuring articles on new employees, social events, awards, and other happenings of interest to the FedNor family.
- **Contact** – an electronic communiqué to CFDCs in Ontario, providing our Community Futures partners with information on recent decisions and/or developments on the CF file.

Conclusion

FedNor operates on a decentralized geographic delivery model, yet maintains a strong corporate culture of mutual respect, integrity, cooperation and support for all staff, regardless of an employee's location or role within the organization. We will continue to work with the Minister, his staff, and our colleagues within Industry Canada, as they assist the FedNor team to deliver its mandate of promoting economic growth, diversification, job creation and sustainable, self-reliant communities in Northern and rural Ontario.

APPENDIX A FEDNOR LOGIC MODEL



* Special population groups: Youth, Aboriginal, Francophone, Women