

Atlantic Canada
Opportunities
Agency

Performance Report

**For the
period ending
March 31, 1997**

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Section I: Minister's Message

The Industry Portfolio brings together under the Minister of Industry 13 departments and agencies (see box) with responsibilities for science and technology (S&T), regional development, marketplace services and micro-economic policy. With many of the micro-economic levers available to government, as well as 41% of the S&T funding in the federal government, the Industry Portfolio offers a versatile tool kit for meeting the challenges of the knowledge-based economy as Canada moves into the 21st century.

The Industry Portfolio is ...

Atlantic Canada Opportunities Agency
Business Development Bank of Canada*
Canadian Space Agency
Competition Tribunal
Copyright Board Canada
Federal Office of Regional Development - Québec
Industry Canada
National Research Council Canada
Natural Sciences and Engineering Research Council
of Canada
Social Sciences and Humanities Research Council
of Canada
Standards Council of Canada*
Statistics Canada
Western Economic Diversification Canada

** Not required to submit Performance Reports*

The establishment of the Portfolio has also created a new capacity for partnership and innovation, both among its members and with stakeholders in the private and public sectors. This capacity can be exploited in every region of the country, since the Industry Portfolio provides programs and services to businesses and consumers with about 15,000 staff, over 500 points of service in every province and territory, and numerous sites in cyberspace.

As Minister responsible for the Industry Portfolio, I have directed the Portfolio members to actively seek opportunities to exploit the synergies available to them as members of a team of organizations with similar

objectives and complementary programs. This continuing emphasis on improving collaboration and partnership has helped to ensure that limited resources are focused more effectively on the priority areas identified for the Portfolio: promoting S&T, encouraging trade and investment, and helping small and medium-sized enterprises (SMEs) to grow. Working in partnership in these areas has enabled the Portfolio to make a significant contribution to meeting government objectives.

Of the 13 members of the Portfolio, all except the two crown corporations (the Business Development Bank of Canada and the Standards Council of Canada) are required to provide annual Performance Reports. Reporting on performance is an

important element of program management in the Portfolio. Identifying concrete objectives for programs and services, and measuring and reporting on progress over time, provides an accountability framework that enables Portfolio members to assess their effectiveness. As the 11 individual Performance Reports demonstrate, the Portfolio members have solid results to report for 1996-97.

Taken together, these reports provide a comprehensive picture of the Industry Portfolio's performance. I would particularly like to highlight the following key Portfolio achievements:

- ▶ the 29 very successful SME Conferences and InfoFairs held across the country, attended by almost 51,000 Canadians;
- ▶ the publication of *Your Guide to Government of Canada Services and Support for Small Business 1996-1997*, a compendium of all the services and support available to small businesses from the federal government (over 250,000 copies in circulation);
- ▶ the strengthening of the Regional Trade Networks and Regional Trade Plans, which bring federal and provincial governments and the private sector together at the regional level to generate new international opportunities for local businesses;
- ▶ the coordinated approach to S&T across the Portfolio as reflected in the Portfolio S&T Action Plan—the Portfolio members have taken action on 45 of its 49 initiatives;
- ▶ the S&T Forum, which brought together, for the first time, the members of all the boards and councils providing expert advice to the Portfolio departments and agencies; and
- ▶ innovative approaches to service delivery building heavily on partnerships, such as the Canada Business Service Centres.

ACOA's highlights over this period includes the fact that ACOA clients are showing an average survival rate more than double that of the overall Atlantic business performance. In addition the Agency established key commitments in the areas of increased opportunity for youth, expanded international trade among Atlantic SMEs, and broader access to technology and research and development; these commitments have been met or exceeded.

Over the coming year, the Industry Portfolio will continue to build on its synergies and to improve the services and support provided to its wide array of clients.

The Honourable John Manley

The Secretary of State's Message

As the federal government agency dedicated to helping Atlantic Canadians succeed both at home in their communities and abroad in the global marketplace, the Atlantic Canada Opportunities Agency has, over the past year, continued to provide the region with the business development tools and resources necessary for long-term economic growth.

ACOA is committed to the start-up and expansion needs of the small- and medium-sized business sector – providing access to entrepreneurship development programs, capital for investment, support for commercially-promising technology, new trade and export opportunities, and better management practices. The results of ACOA's activity as of March 31, 1997 have been very rewarding. ACOA clients, for example, are showing an average survival rate more than double that of the overall Atlantic business performance.

Through its extensive networks with the public and private sectors, and its collaborative approach – involving partnerships with several industry and business organizations, the academic and research community, provincial and municipal representatives, and other federal government departments and agencies, ACOA has met most of its key performance measures for 1996-97 and in some cases it exceeded the objectives that had been set for the Agency.

In all of its program areas, ACOA continues to benefit from its membership in the Industry Portfolio, and its often close association with individual Portfolio members. This proximity to national policy and resources has strengthened the Agency's ability to deliver the regionally specific services and support structures that compose a significant part of its economic development mandate.

ACOA will continue to call upon the wide variety of public sector resources, and private sector business development expertise, to deliver the Government's Jobs and Growth agenda in Atlantic Canada and in the interests of all Atlantic Canadians, regardless of where, in the region, they live and work.

The Honourable Fred J. Mifflin, P.C., M.P.
Secretary of State, Atlantic Canada
Opportunities Agency

Executive Summary

This Performance Report focuses on commitments made by the Atlantic Canada Opportunities Agency (ACOA) in its 1996-97 *Part III of the Estimates and Outlook on Program Priorities and Expenditures* documents. These commitments were also reported in *Getting Government Right: Improving Results Measurements and Accountability*, tabled in Parliament by the President of the Treasury Board in the fall of 1996. In these documents, the Agency was looking at a three-year period, while the current Performance Report focuses on achievements of fiscal year 1996-97. In addition to the key commitments, the Report touches upon two areas of importance in its mandate and administration: ACOA's Trade role and its effort towards encouraging Alternate Service Delivery.

Highlights of Departmental Performance

Overall Agency performance is assessed by comparing the performance of ACOA-assisted businesses with the Atlantic region performance. The basis for this information comes from Statistics Canada's Employment Dynamics data on business growth and survival rates.

Comparing data from new businesses established from 1987 and 1993, ACOA-assisted firms have, on average, twice the chance of surviving the first three years of operation and 2.6 times the chance of surviving the first five-years. Similar five-year survival rates are found in the Manufacturing sector, an area where ACOA has concentrated much of its efforts.

The net employment growth of businesses (i.e., taking into account not only the gains but also the employment losses) from 1989 to 1994 shows a distinct advantage in favour of ACOA-assisted firms where the net gain is over 12% compared to losses of 5% at the Atlantic level and 7% at the national level. An even greater divergence is found in the Manufacturing sector.

Key Commitments

ACOA was able to achieve almost all the commitments made for fiscal year 1996-97, or is progressing satisfactorily towards the achievement of its multi-year commitments. The following table gives an outlook of the key commitments and their status as of March 31, 1997. Among these are the three commitments related to the key priorities of the *Jobs and Growth* agenda, i.e., Youth, Trade and Technology.

Youth:	
<p>An increased number of business start-ups, expansions and modernizations through:</p> <ul style="list-style-type: none"> ➤ Services and programs targeted at young entrepreneurs including a 1-800-ConneXion service line and a seed capital program. 	<ul style="list-style-type: none"> ✓ Target achieved. The Young Entrepreneurs ConneXion service line and capital program are being implemented.

The Youth Entrepreneurs ConneXion 1-800 service is delivered in partnership with the Canada Business Service Centres. Early indications are that entrepreneurs feel the line has provided them with a valuable service. The Seed Capital and Counselling Program is delivered in partnership with the Community Business Development Corporations (CBDCs). The CBDC volunteer Boards provide expertise and knowledge of the local business climate while ACOA provides specialized expertise and assistance in sectors less familiar to their delivery partners.

Trade	
<p>Increased economic activity through facilitating expansion of export sales by SMEs through:</p> <ul style="list-style-type: none"> ➤ A 5% to 7% increase over the next three years in the number of Atlantic SME exporters (currently estimated at 2,700). 	<ul style="list-style-type: none"> ✓ Progress in the first year is in line with expectations. Almost half the clients who benefited from training and other export readiness services indicated they had made first-time export sales or became established as exporters.

ACOA has undertaken a major role in exporter readiness, identifying potential exporters and providing them with essential training, information and advice, and assisting them in establishing contacts for market entry. The creation of Team Canada and the partnership with Industry Canada, the Department of Foreign Affairs and International Trade, Agriculture and Agri-Food Canada and the provincial economic development departments have meant an expanded trade role and enhanced trade profile for ACOA.

The Agency also coordinates the pan-Atlantic International Business Development (IBD) Agreement which includes seven key federal and provincial players. The Agreement provides a pan-Atlantic forum for exchange of knowledge, cooperation and coordination and targets the development of new exporters and the expansion to new markets for existing exporters.

A follow-up of SMEs having benefited from the IBD activities provides encouraging results. For example, 63% of SMEs reported new contacts in international markets, 42% have increased their export sales; and 52% have identified new markets.

Technology	
Accessibility to SMEs of best practice technology and state-of-the-art research and production systems through:	
➤ Developing 15 new research private sector linkages for technology commercialization per year.	✓ The target for 1996 was exceeded.

ACOA is strategically positioned to promote and coordinate federal innovation and technology activities in the Atlantic region. The Agency emphasizes partnerships with research institutions, government and the private sector in its efforts to strengthen industry innovation, technology development, commercialization and diffusion to enhance the competitiveness of Atlantic Canada's SMEs. As a result of its efforts, in 1996-97, twelve partnerships or alliances and seven technology disclosures were reached, greatly increasing the linkages between research institutions and the private sector.

Alternative Service Delivery

As the federal government's agent for economic development in the Atlantic region, ACOA has a mandate to coordinate development efforts and ensure that available resources are used in the most effective way to promote development. The Agency is encouraging a coordinated Atlantic approach in areas where all four provinces could benefit from joint economic ventures. The IBD Agreement is an excellent example of this coordinated approach.

In the 1995 federal Budget, ACOA was given the mandate of providing a single point of access for government support to Atlantic SMEs. Since economic development is most effective when programs and services are delivered by those closest to clients, ACOA makes extensive use of partnerships with universities, communities and the private sector in the delivery of its services instead of creating parallel structures or duplicating services. One excellent example is the partnership arrangement with the CBDCs, which provide services at the local level and in rural areas.

Section II: Departmental Overview

Mandate, Roles and Responsibilities

The Agency derives its mandate from Part I of the *Government Organization Act, Atlantic Canada 1987, R.S., c. G-5.7*, otherwise known as the *Atlantic Canada Opportunities Agency Act*. The Act provides ACOA with a broad mandate for economic development in Atlantic Canada.

To fulfill its mandate, ACOA pursues two distinct goals: a) *to ensure that a wide variety of business development tools and resources serve the diverse needs of the region's emerging and existing entrepreneurs; and b) to ensure that all economic development programs and activities in Atlantic Canada are coordinated and designed to improve the climate for business growth, generally.*

Since February 1996, ACOA has operated within the Industry portfolio, which includes 13 departments and agencies reporting to Parliament through the Minister of Industry. Its mandate, mission, objectives, priorities and services reflect the federal government's national *Jobs and Growth* agenda to enhance: small- and medium-sized business development; trade and foreign investment; technology and innovation; and employment opportunities for young people.

As a result, ACOA is the Atlantic region's main contact point to federal government programs, services and policies, providing the most direct link available to other federal development organizations, such as the Canada Export Development Corporation.

The Portfolio relies on the individual strengths and capabilities of its members, including ACOA, which offers an extensive network, experienced personnel and a client base exceeding 10,000. At the same time, the Portfolio brings certain advantages to ACOA, positioning it to better carry out its coordination activities and supporting its mandate.

The foundation of the Portfolio approach is a commitment by its members to effective cooperation and partnerships, a concept which is central to how ACOA addresses the needs and opportunities of Atlantic Canadian small- and medium-sized enterprises (SMEs). ACOA's approach to economic development has been based on the partnerships it has forged with the business community (especially the SMEs), the provinces, other government departments and agencies, and various public and private sector economic development organizations.

Business Lines and Organization Structure

Business Lines: ACOA's program is divided into two main activities or business lines:

Development: The Development Activity accounts for the majority of ACOA's efforts. This Activity promotes new opportunities for development in Atlantic Canada, with emphasis on SMEs. Through this Activity, ACOA develops and implements policies, programs and projects and advocates the interests of Atlantic Canada in national economic affairs.

Corporate Administration: The Corporate Administration Activity manages the administrative functions of the Agency. This Activity ensures that ACOA's resources are efficiently and effectively managed and that administrative systems and services support are in place to support management decision making and enhance managerial accountability and operational control.

Organization Structure: ACOA's Head office is in Moncton, New Brunswick. Head Office components are: the Minister's office, the Secretary of State's office, the President's and the Executive Vice-President's offices, Programs and Development, Finance and Corporate Affairs, Legal Services, and Human Resources.

In each capital of the Atlantic provinces, regional Vice-Presidents are responsible for the delivery of ACOA programs. In Sydney, Nova Scotia, the Vice-President of Enterprise Cape Breton Corporation (ECBC) is responsible for delivery of some ACOA programs in Cape Breton. Each Vice-President has Ministerial delegated authorities to approve most projects and proposals.

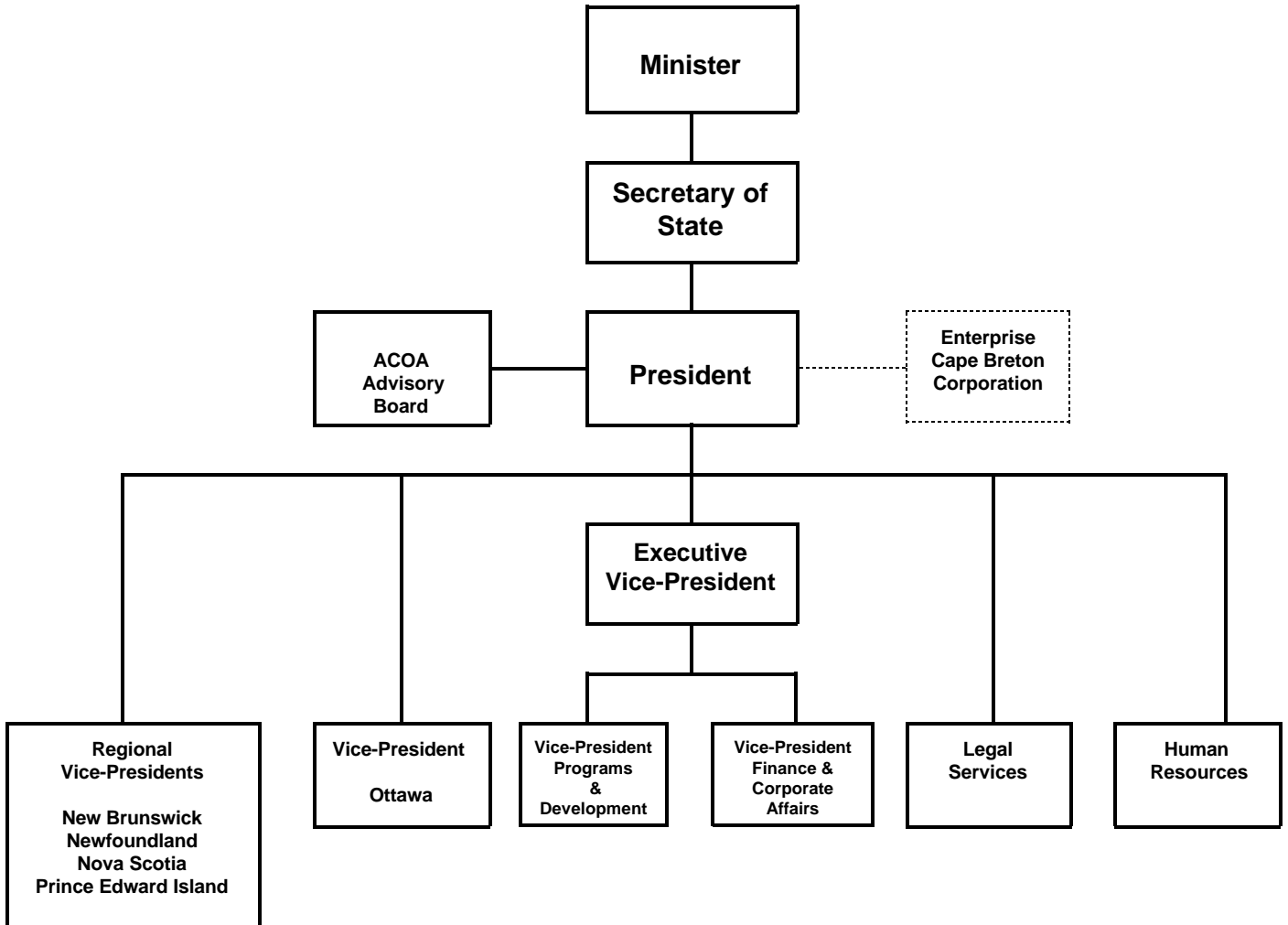
Through its Ottawa Office, also headed by a Vice-President, ACOA advocates the interests of Atlantic Canadians in the development of national policies and programs, including the interest of the region's entrepreneurs related to federal procurement.

ACOA's legislation provides for an eight-member ACOA Advisory Board, which represents all areas in Atlantic Canada. The President of ACOA is Chairperson.

The President of ACOA is also President of ECBC, a Crown Corporation established by legislation to promote and assist the financing and development of industry on Cape Breton Island to provide employment outside the coal-producing industry and to broaden the base of Cape Breton's economy.

The following organization chart illustrates the relationship between ACOA's organization structure and the Activity structure.

Figure 1: Organization Chart



Objective

To increase opportunity for economic development in Atlantic Canada and, more particularly, to enhance the growth of earned incomes and employment opportunities in that region.

In pursuing this objective, ACOA focuses on SMEs because these are the most effective job creators in Atlantic Canada. Over the last 10 years, 90% of all new jobs were created by SMEs and more than 60% from new start-ups.

Strategic Priorities

- ✓ *Entrepreneurship Development*
- ✓ *Access to Capital and Information*
- ✓ *Trade*
- ✓ *Innovation and Technology*
- ✓ *Tourism*
- ✓ *Business Management Practices*

Service Lines

ACOA links its strategic priorities to its clients through an array of programs or service lines.

Business Development Program (BDP): The BDP is designed to help SMEs establish, expand or modernize by offering access to capital in the form of interest-free, unsecured repayable contributions. It has a special focus on those intangible projects critical to competitiveness, often considered too risky for conventional lenders. As such, it is unique among government departments and agencies, and the private sector, in Atlantic Canada.

Community-Based Economic Development (CBED): CBED is a grass-roots action by members of a community to improve their economic conditions. Government can help by making its own resources more accessible and by forging links and partnerships among private and public sector stakeholders.

Canada Business Service Centres (CBSC): CBSCs, located in all four Atlantic provinces, provide business-related services and products to SMEs and aspiring entrepreneurs.

COOPERATION Program: COOPERATION agreements are comprehensive, federal/provincial, cost-shared initiatives designed to improve the environment for economic growth.

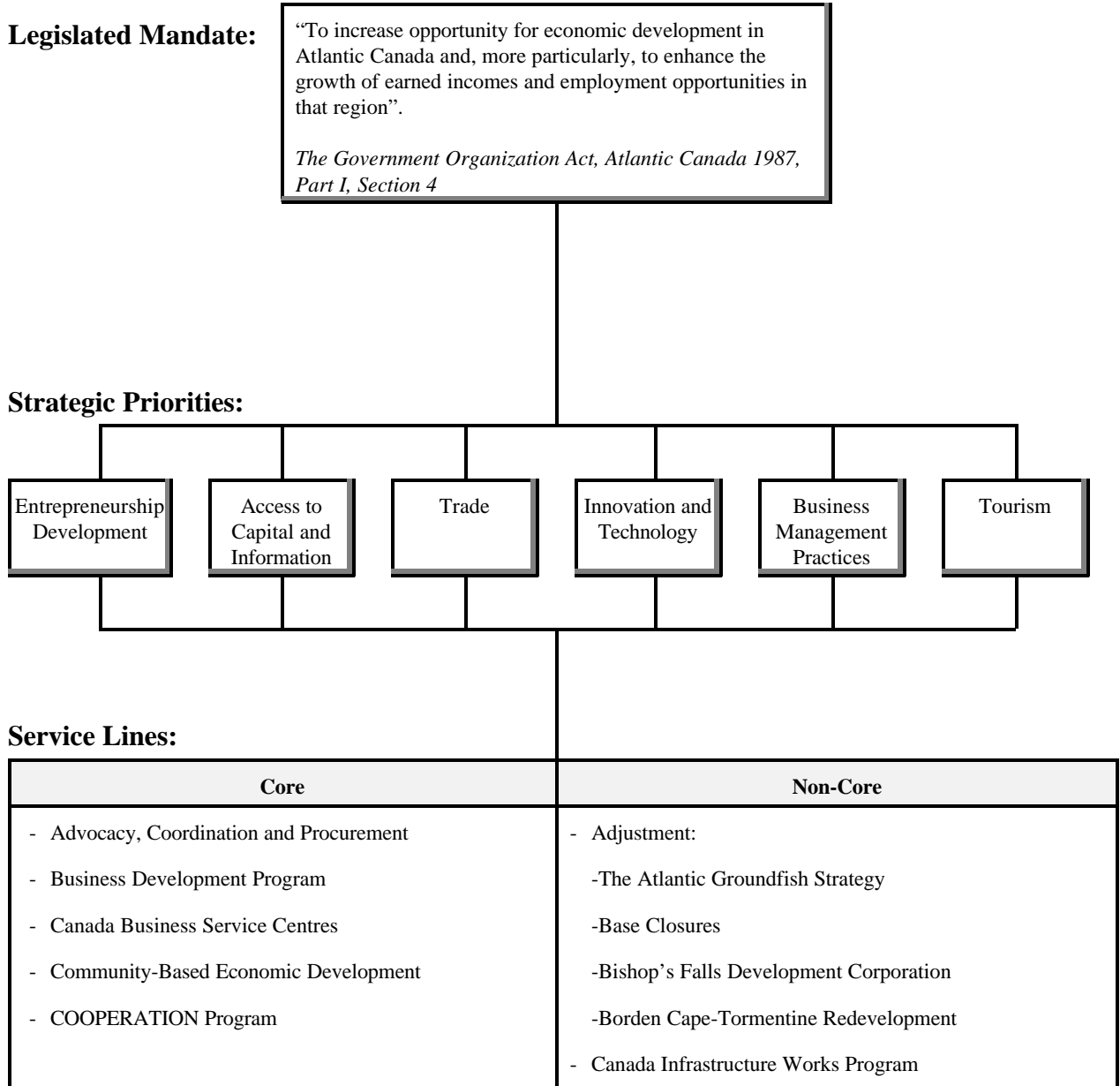
Advocacy, Coordination and Procurement: ACOA's advocacy of Atlantic Canada's interests has been reinforced by the Agency's membership in the Industry Portfolio. The advocacy function is also advanced through the corporate procurement strategy which brings more government contracts and industrial benefits to the Atlantic region.

Non-Core Service Lines: ACOA undertakes activities which do not constitute core service lines but are, nonetheless, vital to the general economic health of the region. Some of these are:

- The Canada Infrastructure Works Program (CIWP), generating short- and long-term employment.
- Base closure adjustment activities, generating economic diversification and new employment.
- Borden-Cape Tormentine redevelopment programs, generating new employment.
- The Atlantic Groundfish Strategy (TAGS), assisting communities in leveraging development project investments and in developing long-term employment opportunities for displaced fishers and fish plant workers.
- Bishop's Falls Development Corporation.

Figure 2 provides a logic model of the Development activity linking the strategic priorities and service lines to the Agency's mandate.

Figure 2: Development Activity Logic Model



Section III: Departmental Performance

A. Performance Expectations

Planned Versus Actual Spending Tables

Figure 3: Resource Requirements by Organization and Business Line

Comparison of Total Planned Spending to Actual Expenditures, 1996-97 by Organization and Business Line (millions of dollars)

Organization	Business Line		TOTALS
	Development	Corporate Administration	
Corporate Offices*	Planned	1.6	1.6
	Actual	1.6	1.6
Programs and Development	Planned	14.7	14.7
	Actual	13.8	13.8
Human Resources	Planned	0.4	1.1
	Actual	0.3	1.1
Finance and Corporate Affairs	Planned	4.1	9.4
	Actual	2.5	8.5
Regional Vice-Presidents	Planned	321.1	324.0
	Actual	280.9	283.4
Ottawa	Planned	4.0	4.1
	Actual	3.3	3.4
TOTALS	Planned	344.3	355.0
	Actual	300.8	311.8
% of TOTAL	Actual	96.5%	3.5%

Note: Due to rounding, columns may not add to totals shown.

* Office of the Minister, the President, Internal Audit, and Legal Services.

Figure 4: Comparison of Total Planned Spending to Actual Expenditures, 1996-97 by Business Line (millions of dollars)

Business Line	FTEs	Operating ¹	Voted Grants and Contributions	Subtotal: Gross Voted Expenditures	Statutory Grants and Contributions	Total Gross Expenditures	Less: Revenue Credited to the Vote	Total Net Expenditures
Development								
Planned	278	32.2	297.1	329.3	15.0	344.3		344.3
Actual	267	37.1	254.6	291.7	9.1	300.8		300.8
Corporate Administration								
Planned	95	10.6		10.6		10.6		10.6
Actual	90	11.0		11.0		11.0		11.0
Totals								
Planned	373	42.8	297.1	339.9	15.0	355.0		355.0
Actual	357	48.1	254.6	302.7	9.1	311.8		311.8
Other Revenues and Expenditures								
Revenue credited to the Consolidated Revenue Fund			Planned					18.1
			Actual					22.1
Cost of services provided by other departments			Planned					3.4
			Actual					3.4
Net Cost of the Program			Planned					340.2
			Actual					293.1

¹Operating includes contributions to employee benefit plans.

Note: Due to rounding, columns may not add to totals shown.

Figure 5: Departmental Planned versus Actual Spending by Business Line (millions of dollars)

Business Line	Total				
	Actual 1993-94	Actual 1994-95	Actual 1995-96	Planned 1996-97	Actual 1996-97
Development	264.3	335.1	356.8	344.3	300.8
Corporate Administration	11.4	12.1	11.5	10.6	11.0
Total	275.7	347.2	368.3	354.9	311.8

Performance Expectations

To help provide Atlantic Canadians with:	To be demonstrated by:
Job creation and income generation in Atlantic Canada through	
An increased number of business start-ups, expansion and modernization	<ul style="list-style-type: none"> ➤ Services and programs targeted at young entrepreneurs including a 1-800-ConneXion service and a seed capital program. ➤ Achieving an “intent to start a business within two years” index of 17% by 1998.
Increased economic activity through facilitating expansion of export sales by SMEs	<ul style="list-style-type: none"> ➤ A 5% to 7% increase over the next three years in the number of Atlantic SME exporters.
Growth and expansion of the Atlantic tourism industry	<ul style="list-style-type: none"> ➤ A return on investment of \$10 per dollar of Atlantic marketing campaign investment in 1997. ➤ An economic impact of \$26 million from the Atlantic marketing campaign in 1997.
Accessibility to capital and information for SMEs in Atlantic Canada	<ul style="list-style-type: none"> ➤ The BDP supports SMEs by offering access to capital for establishing, expanding and modernizing businesses. ➤ ACF Equity Atlantic Inc., a public-private sector partnership, making some 35 equity investments in Atlantic firms in the first five years. ➤ In partnership with rural communities of the Atlantic region, helping rural SMEs through lending and counselling activities of the Community Business Development Corporations. ➤ Partnerships between the region’s Canada Business Services Centres and community economic development organizations established to facilitate access by rural SMEs to key business information via the Internet.
Accessibility to SMEs of best practice technology and state-of-the art research and production systems	<ul style="list-style-type: none"> ➤ Developing 15 new research private sector linkages for technology commercialization per year. ➤ Increasing the rate of ISO certification of Atlantic businesses from 51 in December 1995 to 75 by December 1996 and to 100 by December 1997.
Partnerships with provincial governments for a coordinated approach to economic development	<ul style="list-style-type: none"> ➤ Federal-provincial COOPERATION agreements consolidated into a single agreement per province to achieve more effective and efficient program delivery.
Advocacy of Atlantic interests in federal programs and policies	<ul style="list-style-type: none"> ➤ Helping Atlantic business access federal contracts.

B. Performance Accomplishments

Departmental Performance

By its services to Atlantic SMEs, ACOA supports a greater economic activity in the region and encourages business growth, expansion in new markets and greater competitiveness on the national and international marketplace. Stronger businesses will result in new investments in the Atlantic region and contribute to employment and increased earned income.

To measure progress achieved, the Agency has developed key indicators which measure the results of its strategic priorities and service lines. These measures include the survival rate of businesses, the impact on wages and salaries, and employment growth. Data comparing ACOA client performance with the rest of the region is based on the Statistics Canada Longitudinal Employment Analysis Program and the T2 corporate taxation files. The data cover the 1989 to 1994 time period.

Survival of ACOA-Assisted Businesses

Taking into account the yearly fluctuations of entries and exits of businesses, the survival rate of ACOA-assisted businesses is much higher than that of Atlantic firms. In their third year of operation, ACOA-assisted firms show an average survival rate more than double the Atlantic rate.

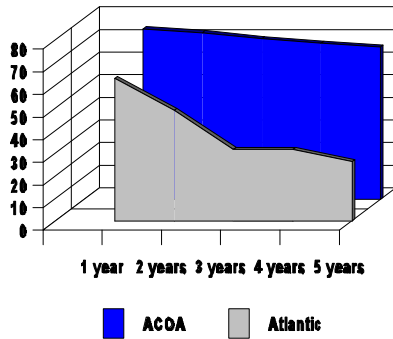
Figure 6: Compared Survival Rates of Atlantic and ACOA-Assisted Businesses

	Average annual survival rate after the first year of operation - 1987-93		Average annual survival rate after the second year of operation - 1987-92		Average annual survival rate after the third year of operation - 1987-91	
	Atlantic	ACOA	Atlantic	ACOA	Atlantic	ACOA
All Industries	59%	75%	43%	72%	34%	70%
Manufacturing sector	63%	75%	49%	74%	39%	71%
Business service sector	69%	84%	54%	81%	45%	79%

Source: Statistics Canada, Employment Dynamics 1987-94

A

Figure 7: Manufacturing Sector
Survival Rate in First Five Years (1987-1993)



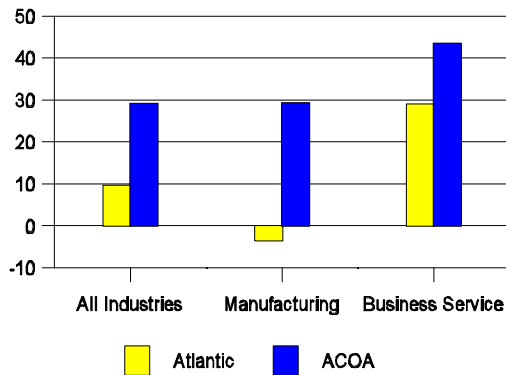
fter five years of operation, on average, the marked difference between ACOA-assisted firms and the Atlantic firms remains.

For example, 26% of Atlantic manufacturing firms survived their first five years of operation, while the survival rate is of 67% with ACOA-assisted manufacturers.

Source: Statistics Canada, Employment Dynamics 1987-93

Wages and Salaries

Figure 8: Growth in Wages and Salaries
1989-1994



Source: Statistics Canada, Employment Dynamics 1989-1994

Wages and salaries generated by ACOA-assisted firms is a good indication of the Agency's impact on the growth of earned income in the region. Again on the basis of the Statistics Canada Employment Dynamics data, the growth in the payroll of ACOA companies was three times that of Atlantic firms. In the Manufacturing sector, where ACOA has concentrated more of its efforts, Atlantic companies' payrolls decreased by over 3%, while ACOA-assisted manufacturing firms increased their payrolls by almost 30%. For the Business Services sector, the Atlantic growth of wages and salaries was 29%, compared to a 43% increase for ACOA-assisted firms.

Employment Growth

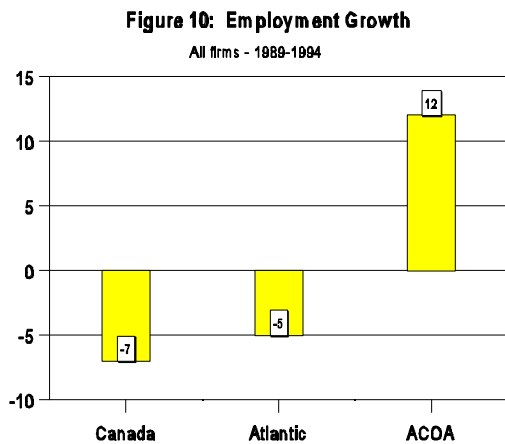
Also based on Statistics Canada Employment Dynamics' data, both nationally and for the Atlantic region, there was a decrease in employment between 1989 and 1994 resulting from the 1990-91 recession and the weak economic environment of the early 1990s. The loss was particularly strong in the manufacturing areas as evidenced in the following table.

Figure 9: Net Employment Gains 1989-1994

Percentage increase or decrease

Sector	Canada	Atlantic	ACOA clients
All industries	-6.8%	-5.2%	12.3%
Manufacturing sector	-16.0%	-17.0%	11.3%
Business Services	-6.9%	10.0%	5.9%

Source: Statistics Canada, Employment Dynamics 1989-94



Source: Statistics Canada, Employment Dynamics 1989-94

In the case of ACOA-assisted clients, however, the net employment growth was 12%. Among ACOA clients, growth in the Manufacturing sector was significantly higher than in the Business Services sector.

Performance by Strategic Priority and Business Line

In its 1996-97 Estimates and Outlook documents, ACOA identified targets to measure its performance in each of the Agency's strategic priorities and service lines. These key commitments, linked to the Agency's strategic priorities, were developed for a three-year period and were the benchmarks against which ACOA reported progress achieved in its 1996 Performance Report.

These key commitments are presented in the following pages, demonstrating progress achieved in fiscal year 1996-97. Some targets were achieved earlier than expected; in other cases, progress is in line with expectations. Finally, refinement of targets has sometimes been necessary because of changes in conditions and approaches.

Development

Entrepreneurship

The Entrepreneurship Development approach implemented in partnership with the private and public sectors, supports the development of an entrepreneurial economy by promoting self-employment as a viable option to traditional employment and by providing opportunities for people to learn about the entrepreneurial process. The intended outcomes are to increase the pool of people who have the motivation, knowledge, skills, and ability to start their own business and to increase the number and quality of new entrepreneurs and new business start-ups.

Objective	Key Commitment
An increased number of business start-ups, expansions and modernizations	➤ Services and programs targeted at young entrepreneurs including a 1-800-ConneXion service line and a seed capital program.

- ✓ **Target achieved.**
- ✓ The Young Entrepreneurs ConneXion 1-800 service is in place. This service is delivered in partnership with the Canada Business Service Centres through a dedicated phone line and specially trained staff. Since March 1996, more than 500 young Atlantic Canadians have received information and guidance on starting or expanding a business via this service.

Early indications are that young entrepreneurs feel the line has provided them with a valuable service and that improved promotion of the line may be appropriate.

- ✓ The Young Entrepreneurs ConneXion - Seed Capital and Counselling Program provides access to capital and counselling/training support for young people between 18 and 29 years of age who are starting, expanding or modernizing a business. It is delivered through a unique partnership arrangement with local economic development organizations including the network of 40 Community Business Development Corporations(CBDCs). Clients can expect a consistent program across Atlantic Canada while benefiting from the “ground level” knowledge and experience that only a locally based delivery partner can provide. The expertise of the CBDC volunteer Boards and their sensitivity to the local business climate is also important, especially when providing start-up financing in sectors such as retail and service. ACOA provides specialized expertise and assistance in sectors which may be less familiar to the delivery partners. To ensure the quality of the counselling component of this program, ACOA, in partnership with the Institute of Small Business Counsellors Inc., developed and delivered a course module entitled “Counsellors for the Young Entrepreneur” to more than 120 counsellors involved in this new program.

- ✓ In 1996-97, support for youth entrepreneurship took a major step forward in Nova Scotia with the establishment of the Centre for Entrepreneurship Education and Development (CEED). In partnership with ACOA and its provincial government partners, including the Nova Scotia Department of Education and Culture, CEED has a mandate to work with youth up to 30 years of age (both within and outside the education system). CEED is already being recognized a leader in Atlantic Canada in youth entrepreneurship development. In the past 16 months, CEED has been involved in over 40 different initiatives, including: organizing and hosting the second and third annual *Young Entrepreneurs Going Places Conferences*, attracting over 1,000 young people to the two three-day conferences; organizing the Atlantic Educators Symposium, which

brought entrepreneurship education experts from around the world to Atlantic Canada to highlight the “Atlantic Advantage” in entrepreneurship education; establishing an innovative Young Entrepreneurs Centre called *Open For Business*, which serves up to 800 clients a month and which, to date, has assisted 27 young entrepreneurs in starting their businesses and helped prepare 50 others to do the same; developing an innovative entrepreneurial training/business start-up program for youth, *Future Quest*; and developing an entrepreneurial assessment procedure.

- ✓ The *Youth Ventures Program* in Newfoundland is designed to develop entrepreneurial skills by supporting SMEs initiated by youth. The Program provides training, guidance and advice during the start-up and operational phases of the business venture and was launched in St. Anthony, Newfoundland in 1992. Over the past five years, it expanded to six sites with 235 students participating and 153 businesses being operated. The Program is being delivered by the provincial Association of Business Development Centres in partnership with the Business Development Bank of Canada and the Government of Newfoundland and Labrador.

Objective	Key Commitment
An increased number of business start-ups, expansions and modernizations	➤ Achieving an “intent to start a business within two years” index of 17% by 1998.

- ✓ **Progress towards target below expectations.**
- ✓ Measures undertaken in 1996-97 in support of this goal included promoting awareness and understanding of entrepreneurship among Atlantic Canadians through vehicles such as the TV program *Leading Edge* and its French counterpart *Temps d'affaires*, distributing publications profiling successful young entrepreneurs and sponsoring awards which recognize the contribution and achievements of entrepreneurs. While the “intent to start a business”

index increased from 7% in 1991 to 14% in 1995, independent surveys have not yet confirmed a significant increase in the last year. ACOA will continue its efforts to contribute towards the attainment of the goal of 17% by 1998.

Trade

Improved export performance is critical to the Agency's ability to reach its mandate of growth of earned incomes and employment opportunities in the Atlantic's region. The purpose of ACOA's trade efforts is to strengthen the Atlantic region's international business performance by enhancing the capabilities of SMEs to establish and expand export activity. The section on ACOA's trade role presents a more comprehensive view of activities and achievements related to trade.

Objective	Key Commitment
Increased economic activity through facilitating expansion of export sales by SMEs	➤ A 5% to 7% increase or 135 to 190 new exporters over the next three years.

- ✓ **Progress in the first year is in line with expectations.**
- ✓ Potential exporters in each of the Atlantic provinces are equipped with the skills and information needed for entry into international markets through support provided under the International Business Development (IBD) Agreement for the New Exporters Training and Development Program (NexPro). Under this Program, which complements other export-readiness activities undertaken in each province, 77 SMEs were equipped with essential export marketing skills in 1995 and 1996. Of the 72 respondents to follow-up surveys, 30 indicated that they had either already made first-time export sales or had become more established as exporters as a result. An additional 15 SMEs indicated they had begun exporting as a result of participation in other projects under the IBD Agreement.

- ✓ Potential exporters have now been identified in each province and are being targeted for export-readiness efforts. For example, ACOA New Brunswick has sponsored and is following up on Trade Training Sessions for 58 companies expected to be export-ready within one year. An additional six companies assisted under Academic Partnering are now export-ready. ACOA Nova Scotia assisted Dalhousie University's Centre for International Business Studies to conduct export-readiness training of 22 small businesses in Nova Scotia. It also involved 33 SMEs in the pilot for a trade awareness outreach program expected to reach, in 1997, more than 100 SMEs in six to eight rural communities. In Cape Breton, ACOA organized seminars on Export Readiness which were attended by 17 local firms.

Tourism

Tourism is very important to the region's economy in terms of both revenues and employment. ACOA has identified the tourism industry as a strategic priority and is working with the provincial governments and the private sector to maximize the economic growth and job creation to be generated by the industry. ACOA, the Atlantic provinces and the private sector have signed a pan-Atlantic agreement to improve regional marketing and enhance the Atlantic tourism product by coordinating government and industry activity in areas where a regional approach will achieve the most benefits. The objectives are to market Atlantic Canada as a preferred tourism destination and promote its tourism products, particularly in international markets.

Objective	Key Commitments
Growth and expansion of the Atlantic tourism industry	<ul style="list-style-type: none"> ➤ A return on investment of \$10 per dollar of Atlantic marketing campaign investment in 1997. ➤ An economic impact of \$26 million from the Atlantic marketing campaign in 1997.

- ✓ **Targets have been reached earlier than expected, as reported in ACOA's 1996 Performance Report to Parliament.**
- ✓ A change in strategy for the 1997 tourism marketing campaign was also reported in the 1996 Performance Report. Marketing efforts will now focus on the longer-haul international markets and attempt to increase tourist activities in the fall shoulder season.
- ✓ A publication of the Atlantic Provinces Economic Council (APEC), based on a survey of business and regional leaders, states: *"The joint federal-provincial agreement on tourism marketing stood out as a program that met with considerable success in enhancing this industry in all provinces and in changing the profile of the Atlantic region as a tourist destination... To quote one respondent, 'tourism initiatives have been very successful, the effect has been seen and the progress needs to continue'."*¹

Access to Capital and Information

Access to investment capital and to information remain among of the greatest barriers to SME start-up and expansion in Atlantic Canada. In an ACOA client survey carried out by Statistics Canada in 1995, more than 60% of the respondents identified the need for access to capital as the single most important type of support needed to assist them in the growth of their business.

¹ APEC, Advancing Economic Cooperation in Atlantic Canada, A Survey of Business and Other Regional leaders, May 1997, page 22.

While direct financial support to business is increasingly selective and is done on a repayable basis, it is available through ACOA's Business Development Program (BDP) and the privately administered ACF Equity Atlantic Inc.

The mission of the four Atlantic region's Canada Business Service Centres (CBSCs), located in each provincial capital, is to contribute to economic growth by ensuring that potential entrepreneurs, SMEs and intermediaries in every part of Atlantic Canada have accurate, timely and relevant business information through a convenient single window. Through cooperative agreements with ACOA and coordination by the Agency, the CBSCs bring together the services of the governments of Nova Scotia, New Brunswick and Prince Edward Island, as well as those of 22 federal departments and private sector business associations.

Objective	Key Commitment
Accessibility to capital and information for SMEs in Atlantic Canada	➤ The BDP supports SMEs by offering access to capital for establishing, expanding and modernizing businesses.

- ✓ Since its inception in August 1995, over 1,600 businesses and groups have received repayable loans of \$155 million. This financial support has contributed to total investments of over \$400 million in the Atlantic region.

Objective	Key Commitment
Accessibility to capital and information for SMEs in Atlantic Canada	➤ ACF Equity Atlantic Inc., a public-private sector partnership, to make some 35 equity investments in Atlantic firms in the first five years.

- ✓ ACF Equity Atlantic Inc. was established as a venture capital company through a public-private sector partnership. The company is managed by a private sector Board of Directors, a President/CEO and a small team of professional equity investors. The company has been in position to consider investment proposals since February 1997. It is expected that the first projects will be approved in fiscal year 1997-98.

- ✓ With ACF Equity Atlantic Inc. in full operation and with its operation being independent from ACOA, this commitment is considered to be achieved and will not be reported upon in the future.

Objective	Key Commitment
Accessibility to capital and information for SMEs in Atlantic Canada	➤ Partnerships between the region's Atlantic Canada Business Services Centres (CBSCs) and community economic development organizations established to facilitate access by rural SMEs to key business information via the Internet.

- ✓ **Significant progress towards target.**
- ✓ In Newfoundland and Labrador, an agreement in principle has been reached with the provincial government to implement the Canada/Newfoundland and Labrador Business Service Centre Network. Once finalized, this will consolidate a number of government resource services and will provide rural areas with full linkages to the CBSC.
- ✓ A satellite to the Halifax Nova Scotia CBSC was opened in Sydney. The satellite CBSC has brought together partners from the federal, provincial and municipal governments, as well as from private sector associations.
- ✓ The next step is to extend and develop the CBSC network further. Through partnerships, efforts are underway to extend comprehensive access to the CBSC centralized information base to communities beyond current locations. The planning and implementation stages are well underway. Over the next two years, the CBSC network will be expanded through a total of 105 existing Atlantic-based intermediaries such as the Community Business Development Corporations.
- ✓ During fiscal year 1996-97, the region's Atlantic CBSCs dealt with 87,689 enquiries, a 34% increase over 1995-96.

This significant increase demonstrates the growing importance of the CBSC to entrepreneurs in Atlantic Canada.

- ✓ A mid-term evaluation for the region’s CBSCs reported a high satisfaction rate for all CBSC services, ranging from 78% for FaxBack to 92% for the assistance provided by Information Officers.

Innovation and Technology

Because of its large SME client base and its established contacts with research agencies, ACOA is strategically positioned to identify areas of opportunity and to promote and coordinate federal innovation and technology activities in the Atlantic region. The purpose of ACOA’s efforts is to strengthen industry innovation, technology development, commercialization and diffusion, thereby enhancing the competitiveness of Atlantic Canada’s SMEs. ACOA has emphasized partnerships using a number of approaches, one of which is to bring together research institutions, government, funding agencies, the financial community and the private sector to promote economic growth throughout Atlantic Canada.

Objective	Key Commitment
Accessibility to SMEs of best practice technology and state-of-the-art research and production systems	➤ Developing 15 new research private sector linkages for technology commercialization per year.

- ✓ **The target for 1996 was exceeded.**
- ✓ The Memorandum of Understanding between ACOA and the Canada-Israel Industrial Research and Development Foundation provides support for matchmaking and funding of international partnerships between Atlantic Canadian and Israeli firms. Three new partnerships were established in 1996 between New Brunswick and Israeli firms. Under Nova Scotia’s Telecom Applications Research Alliance, which currently includes eight private sector and two research agency members, three new SME partnerships have been set up, while seven technology disclosures involving research and the private sector have been made through NUTech, a bridging mechanism which links four universities with the private sector. Two new key alliances have been established in Prince Edward Island, including the University

of Prince Edward Island Clinical Research Centre which undertakes clinical trials for pharmaceutical companies and the Atlantic Veterinary College's Fish Health Diagnostic Services, an alliance supporting the aquaculture industry. Four new research-private sector alliances have been established in Newfoundland through three mechanisms: Operation ONLINE, which promotes research and development in the information technology sector; Seabright, which bridges Memorial University and the private sector; and the Canadian Centre for Fisheries Innovation.

- ✓ Respondents to an initial results survey on the November 1996 Atlantic Technology Forum, which involved the key technology players, identified approximately 60 new contacts which may lead to future linkages.

- ✓ One example of the benefits of technology partnerships is the establishment of the Canadian Aquaculture Institute, located at the Atlantic Veterinary College in Prince Edward Island. The Institute represents a collaboration between ACOA, the provincial department of Economic Development and Tourism and the Atlantic Veterinary College. It offers training courses and commercial veterinary medicine services to the aquaculture industry worldwide. The Institute has, for example, recently secured a \$40,000 initial contract in Malaysia to provide training courses in aspects of aquaculture.

Business Management Practices (BMP)

ACOA promotes the development of BMP by SME owners and managers to increase their productivity and competitiveness and, in turn, increase employment and economic growth in the Atlantic region. Increasing the number of ISO certifications is one of the steps in adopting better BMP.

Objective	Key Commitment
Accessibility to SMEs of best practice technology and state-of-the-art research and production systems	➤ Increasing the rate of ISO certification of Atlantic businesses from 51 in December 1995 to 75 by December 1996 and to 100 by December 1997.

- ✓ **Target reached earlier than expected.**
- ✓ By May 1997, 150 Atlantic companies had received ISO certification, exceeding the target by 50%.
- ✓ The original target is being revised and additional indicators are being developed to provide a more comprehensive measure of improved BMP.
- ✓ Activities to foster ISO certification can be illustrated by the Quality and Productivity Initiative (QPI), a joint project of ACOA and the Nova Scotia government, funded under the Technology Development COOPERATION Agreement. This initiative is the focal point for quality development in Nova Scotia and has been in operation since 1992, providing quality and productivity-related advice and support to companies throughout Nova Scotia.
- ✓ QPI accomplishes its mandate by providing support for the implementation of ISO 9000 and other quality management systems. Results from these efforts can be measured in terms of the number of Nova Scotia companies registered to the ISO 9000 standard. As of March 31, 1997, there were 67 ISO-registered Nova Scotia companies, 33 of which were registered in fiscal year 1996-97. This is the highest percentage of manufacturers/processors registered to ISO 9000 for any Atlantic province and is second only to Manitoba in Canada.

Community-Based Economic Development (CBED)

A viable rural economy must be based on practical and workable program designs at the community level. CBED is a “bottom up” collective action by communities to improve their economic health.

Objective	Key Commitment
Accessibility to capital and information for SMEs in Atlantic Canada	➤ In partnership with rural communities of the Atlantic region, helping rural SMEs through lending and counselling activities of the Community Business Development Corporations (CBDCs).

- ✓ In 1996-97, the CBDCs provided loans of \$29.0 million to over 1,100 small businesses.
- ✓ During fiscal year 1996-97, the Agency extended the services of the CBDCs to all rural Atlantic Canada. An additional 400,000 Atlantic Canadians now have access to these services.

COOPERATION Program

Objective	Key Commitment
Partnerships with provincial governments for a coordinated approach to economic development	➤ Federal-provincial COOPERATION agreements consolidated into a single agreement per province to achieve more effective and efficient program delivery.

- ✓ New federal-provincial agreements were signed with the governments of New Brunswick, Nova Scotia and Prince Edward Island. In Newfoundland and Labrador, a new agreement has been negotiated and is awaiting formal approval.
- ✓ The section on Alternative Service Delivery includes illustrations of how ACOA and the provincial governments have implemented a more coordinated approach to improve delivery of services.
- ✓ The APEC report on Advancing Economic Cooperation in Atlantic Canada, referred to earlier, states: *“Firms also indicated that they had experienced specific benefits from the COOPERATION agreement between ACOA and the provinces for marketing and export assistance. This was seen as a clear improvement over individual initiatives in this area. In the words of one respondent, ‘It has provided funding in key areas that has helped to reduce costs of market expansion and diversification’.”*

Procurement

Objective	Key Commitment
Advocacy of Atlantic interests in federal programs and policies	➤ Helping Atlantic businesses access federal contracts.

- ✓ As an illustration, ACOA's advocacy efforts on a Department of National Defence Major Crown Project to procure 651 Armoured Personnel Carriers through a \$1.38 billion contract with Diesel Division General Motors contributed to contract work in Atlantic Canada to the value of at least \$152 million.

Corporate Administration

Objective	Key Commitment
To identify areas within the finance function of the Agency where savings and efficiencies can be realized through the use of electronic technology	➤ Reduction in the cost of processing financial transactions.

- ✓ During the 1996-97 fiscal year, the Agency successfully implemented an electronic interface between its financial system and the Government of Canada financial system. This interface transfers all financial transactions electronically to Public Works and Government Service Canada (PWGSC) located in Ottawa. Previously, all financial transactions were sent in hard copy to local PWGSC district service offices. ACOA was the first federal department to use this file transfer protocol.
- ✓ Significant effectiveness and efficiency gains were realized with this process: a reduction in keypunch errors; increased flexibility of data entry cut-off dates; a shift to Financial Information Strategy compliancy; smoother year-end closing; and increased timeliness and availability of information. This change to the processing regime saved more than \$35,000 per year in administrative costs.

Objective	Key Commitment
To automate the Agency's account review process	➤ Reduction in the turnaround time for the approval of applications under the Agency's Business Development Program.

- ✓ An information management system was developed that succeeded in reducing, by 12 days, the time it takes to approve applications for assistance under ACOA's BDP. Previously, the manual paper process accounted for approximately 15 days of the total processing time.

ACOA's Trade Role

Because of its large SME client base and its coordinating role as a regional development agency, ACOA is ideally positioned to contribute to the development of new SME exporters, expansion of export activity and integration of trade initiatives in the Atlantic region.

ACOA recognizes that selling to international markets poses a significant challenge for SMEs and that building export capability and performance is a long-term endeavour. The Agency has undertaken a major role in identifying potential exporters and providing them with essential training, information and advice and assisting them to establish contacts for market entry.

The creation of Team Canada and the adoption of the Team Canada approach in the Atlantic region has meant an expanded trade role and an enhanced trade profile for ACOA. With its partners Industry Canada, the Department of Foreign Affairs and International Trade (DFAIT), Agriculture and Agri-Food Canada and the provincial economic development departments and agencies, ACOA carries out the trade components of the *Jobs and Growth* agenda, the trade elements of the Youth Strategy and contributes to the development of Regional Trade Plans. Most importantly, by working more closely together, partners in the region now ensure that trade services complement and reinforce each other and that trade activities respond more closely to client needs.

Further, ACOA coordinates the pan-Atlantic International Business Development (IBD) COOPERATION Agreement (1994-2000) which includes seven key federal and provincial trade players. This Agreement focuses resources on trade as a key development priority. Unique in that it provides a *pan-Atlantic forum for exchange of knowledge, cooperation and coordination in international business development*, it has successfully targeted both the development of new exporters and the building of new markets for existing exporters, in addition to setting up essential trade infrastructure.

The following sections highlight selected examples of trade activities in each Atlantic province, illustrating both the diversity of project activities and accrued benefits for clients.

1. ACOA and the Academic Partnering Program - New Brunswick

The Academic Partnering Program, a cooperative effort involving the University of New Brunswick's Centre for International Studies, sponsoring companies, ACOA, Industry Canada and DFAIT, helps New Brunswick companies develop foreign markets and provides university students with international business work experience. Each six-month project includes the development of a market entry strategy, a mission to the country and a results assessment. Financing is shared among the partners, with ACOA's Business Development Program contributing 50%, participating companies 35%, and the university and students contributing 15%.

ACOA has supported three sessions: Mexico in 1995, involving nine companies; Trinidad/Tobago in 1996 involving seven companies; and Mexico in 1997 involving eight companies, with the partnership extended to include l'Université de Moncton.

Results to date indicate that new markets have been identified for approximately 75% of the companies, which are currently developing a detailed trade strategy or pursuing identified leads, while several of the companies have hired the students.

2. Prince Edward Island and New-to-Export Companies

A number of successes during the past year can be highlighted, as a result of efforts of both the Canada-Prince Edward Island Trade Development Centre and the IBD Agreement to 'promote the export option' to SMEs.

Central and Eastern Europe have been targeted as areas for trade development activity. In the potato sector, technology suppliers have secured sales of potato storage and handling equipment to Poland with sales expected to increase from \$700,000 to \$1.9 million in 1997-98. Similar activities are underway in Slovakia. Prince Edward Island has also entered into a partnership agreement with NatureMark, a division of Monsanto, to market genetically modified seed potatoes in the Ukraine, Romania, Hungary and Poland.

An Island electronics firm has joint ventured with a Warsaw manufacturer to provide an initial \$300,000 US (and expected to lead to significant sales growth) of computer-controlled signage to the \$20 billion motorway development project in Poland.

An Island seafood processing company, which participated in the 1997 Trade Team Canada Mission to Korea, Thailand and the Philippines, is now building contacts and establishing business with Korean seafood buyers.

The Atlantic Veterinary College, which also participated in the 1997 mission, is exploring potential public-private sector business partnerships.

3. ACOA Nova Scotia's "Swedish Connection"

ACOA Nova Scotia has, for several years, been nurturing a relationship with Sweden and its companies, focussing on interrelated trade, investment and technology transfer opportunities. ACOA's ability to achieve positive results in these areas is enhanced by its detailed knowledge of the province's business sector, the prior existence of business ties between Canada and Sweden and the many features common to the two countries, including the similarity of company profiles and business culture of each country.

International trade development through partnerships between Nova Scotia and Sweden offers Nova Scotia potential access to the lucrative markets in the European Union. Three approaches are being used to promote Atlantic Canada, gather market intelligence, identify and "tap into" Swedish capabilities: firstly, promoting, to the Canadian Embassy in Sweden, Atlantic Canada's partnering opportunities and Nova Scotia as the "gateway to North America"; secondly, matching through the Canadian Sweden Business Association, Nova Scotia companies with Swedish companies for potential technology exchange, partnerships and marketing; and thirdly, a Swedepark initiative whereby companies in Nova Scotia's technology parks are encouraged to establish joint ventures with local universities and then use their pooled knowledge to create a synergistic relationship with companies and universities in Sweden falling under the realm of the Swedish technology parks infrastructure, Swedepark.

The initial focus is on forging partnerships between Nova Scotian and Swedish companies in the Information Technology and Pharmaceutical/Medical sectors. There will also be a continued effort aimed towards the Transportation sector since this has been a strong and traditional link in the past, emphasizing Nova Scotia as the North American gateway. With the process or mechanisms already set up, key contacts established and a number of specific opportunities identified in 1996-97, a minimum of six significant partnerships are projected for next year.

4. Nautical Data International, Inc., St. John's, Newfoundland

Nautical Data International, Inc. (NDI) is a Newfoundland company with expertise in the development of information infrastructure to support marine navigation and other applications. The company was formed in 1993 to establish a public-private sector partnership with the Canadian Hydrographic Service (CHS), the federal government agency responsible for the production and distribution of nautical charts and publications for Canadian territorial waters. In October 1993, NDI signed a multi-year agreement with CHS to partner in the production, marketing and distribution of electronic charts and other digital nautical data products for Canadian waters.

The company now has more than 50 employees and has developed the expertise necessary to service the increasing demands of an international market for electronic charts and related services. Over the last four years, sales have increased steadily as NDI has been competing and securing contracts in the United States, Chile, South Korea and elsewhere.

Through the Business Development Program, ACOA is assisting NDI to increase its international business development activities which are aimed at: a) securing contracts for chart production, technology transfer and training; b) developing regional electronic chart infrastructure projects with International Financial Institutions; and c) developing public-private partnerships with hydrographic offices in other countries.

International Business Development (IBD) Agreement

As of May 1997, 294 Atlantic SMEs which have participated in 10 of the projects under the Agreement have been surveyed to provide an indication of progress and results to date. Taking into account that exporter and export development is a process which takes time, the initial results (based on responses received from 236 participants) are very significant. The following provides highlights of results which SMEs attributed to project participation:

- 42% of SMEs which were previously selling to international markets indicated export sales had increased;
- 20% of potential exporters indicated they were now exporting;
- 52% of respondents indicated they had identified new markets;
- 63% have established new contacts in international markets; and
- 50% have invested more time and money in actively pursuing export opportunities.

The survey also found that resultant export sales were made to diverse markets. In addition to the traditional New England market, sales were made to other parts of the United States, Japan, the United Kingdom and Western Europe, Mexico, Latin America and the Caribbean, South America and the Middle East.

Specific Project Examples: IBD activities emphasize engaging pan-Atlantic networks or groups of companies in specific sectors and assisting them to establish in the international marketplace, a strategy which will receive increasing emphasis in the next three years of the Agreement. The following projects illustrate the initial results of two of the models already tested for market entry.

✓ ***The Centre Project***

Targeting the New England market as an entry point into the U.S. market and building upon already-established trade ties, this innovative project is designed to assist quality craft and giftware producers to establish permanent market representatives. The original objective was to place 12 companies in year 1. In actual fact, 12 export-ready companies were placed in the first six months and new companies have been added to the showroom. Approximately \$100,000 in sales have already been generated, with projections of significantly more sales for new exporters. The network now established in the marketplace, together with the market intelligence being gathered by an ongoing presence in this market, is likely to generate considerable future benefits for the Atlantic craft industry.

✓ ***The Atlantic Canada Home Program - “the Japan Project”***

A consortium of 28 companies in the building supply sector, incorporated after marketing its products in the Japanese market under the Atlantic Canada Home Program, has confirmed orders for building materials and services which will generate more than \$10 million in sales in the next two years. Discussions are already underway for three new major projects and opportunities have been identified for marketing related products in Japan. The Korean market is also being explored. A specific example of the positive results is that two Prince Edward Island companies have secured a combined \$2 million contract for the construction and consolidation of materials for a housing project being developed in Japan. Indeed, practically all members have received orders for products under the Program.

Of the 23 companies responding to a follow-up survey, 20 indicated that the project had allowed them to identify new export markets, five became first-time exporters as a result of project participation, while eight previously exporting companies have expanded their export sales by entering this new market.

Alternative Service Delivery

Over the last few years, a major concern of the federal government has been to improve services to the Canadian population, while finding cost-efficient means of providing affordable, accessible and responsive services.

The creation of ACOA and other regional development agencies was a precursor of this alternate service delivery approach. Economic development efforts were decentralized, enabling programs and services to be tailored to each region's strengths and needs. As the federal government's agent for economic development in the region, ACOA has a mandate to coordinate the efforts of the federal, provincial and municipal governments and the private sector to ensure that all available resources are used in the most effective way to promote development. The Agency has also encouraged a coordinated Atlantic approach in areas where all four provinces could benefit from joint economic ventures. The IBD Agreement is an excellent example of a coordinated region-wide approach.

With its extensive presence in the region and knowledge of the Atlantic economy, ACOA can help improve the effectiveness of federal government programs. In the 1995 federal Budget, ACOA was given the mandate to provide a single point of access for federal government support to Atlantic SMEs.

Economic development is most effective if programs and services are designed and delivered with the involvement of those closest to the client. Therefore, the Agency makes extensive use of partnerships with universities, communities and the private sector as a means of improving services to Atlantic Canadians, while avoiding costly parallel structures or duplicated programs. The following examples illustrate the cooperation, participation, structures and results these partnerships have fostered:

1. ACOA and Trade Team New Brunswick

The Trade Team New Brunswick (TTNB) concept originated in early 1995 and is comprised of federal and provincial government departments involved in various aspects of trade. The members are Industry Canada, Foreign Affairs and International Trade Canada, ACOA, Agriculture and Agri-Food Canada; and the New Brunswick departments of Economic Development and Tourism, Fisheries and Aquaculture, and Agriculture and Rural Development. In 1995, the members agreed to review their respective trade strategies with the goal of integrating them into one combined plan. The spring of 1997 marks the third year the seven partners have combined their trade plans and efforts.

The highlight of the TTNB initiative is a “one-stop shopping” process which streamlines existing trade assistance program delivery and services and reduces overlap and duplication. A key to this process is the TTNB generic application form used by all the partners to fund private sector initiatives. Funding may originate from the programs of any one of the partners, which greatly simplifies the process for the private sector client.

Within the TTNB consolidated work plan, ACOA New Brunswick has taken the lead on trade training for companies which reveal a potential for undertaking trade, but have yet to do so. Over 60 export potential businesses have received basic trade training and will be monitored to assess impact. For additional export counselling and advice, the client deals with trade officers of the TTNB partners.

2. *Genesis Centre - Newfoundland and Labrador*

ACOA participated with the Government of Newfoundland and Labrador and Memorial University of Newfoundland (MUN), through the Canada-Newfoundland Agreement on Economic Renewal, in a partnership to provide a support network for knowledge-based businesses. The Genesis Centre provides companies in this sector with access to marketing, finance and management expertise of world-class mentors and consultants, including multi-disciplinary expertise resident at MUN.

3. *Growing Entrepreneurs: University Business Development Centres - Nova Scotia*

ACOA endorses entrepreneurship through its support of Nova Scotia’s four University Business Development Centres (UBDCs): the Centre for Women in Business at Mount Saint Vincent University; the Acadia Centre for Small Business and Entrepreneurship; Université Sainte-Anne’s Centre Jodrey; and Saint Mary’s University Business Development Centre.

A main objective of the UBDCs is to foster entrepreneurship in university students by exposing them to clients with a variety of business needs and, in doing so, helping small businesses get started or expand. A recent independent evaluation revealed that some 500 students per year are directly involved in UBDC-related activities. It also concluded that the efforts of the four business development centres have helped to stimulate significant economic activity through their successes in establishing new companies, modernizing or expanding existing companies, and creating new products or services. They are an effective way of achieving the objectives of introducing students into the real business world and providing low-cost consulting services to small businesses.

4. *The Canada/Prince Edward Island Trade Development Office*

This project has integrated, into one location, all the trade promotion and development expertise available from both levels of government. It involves ACOA, Industry Canada and the Province's Enterprise P.E.I. This office delivers market intelligence and information efforts, training for export readiness, provides trade leads for existing exporters and leads trade development missions to developing markets.

5. *Cape Breton*

The Enterprise Cape Breton Corporation (ECBC) is a member of the Advisory Group for Human Resources Development Canada's (HRDC) Transitional Job Fund. The Advisory Group recommends projects for approval under the Fund for Cape Breton. As the Fund can assist enterprises in commercial start-ups and expansions, areas in which HRDC is less familiar, ECBC has taken the lead role in handling the financial viability analysis component of the evaluation.

6. *Community-Based Economic Development (CBED)*

ACOA's goal is to build a strong and effective CBED infrastructure across the Atlantic region which will result in communities taking more responsibility for their own development. The Agency assists communities in developing their capacity to plan and implement programs in support of business and economic growth. Local people have a "grass-roots" knowledge and understanding of the needs of businesses in their community. ACOA uses community organizations as agents for the delivery of government services where this is the most effective approach.

The following examples illustrate some of the partnerships which the Agency has undertaken to improve the delivery of economic development programs and services.

i) Community Business Development Corporations (CBDCs)

CBDCs, in partnership arrangements with ACOA, provide loans, information, counselling and advice to small businesses throughout Atlantic Canada. A recent review of a sample of Atlantic CBDC clients who received technical assistance, but no financial assistance, demonstrated that about 30% started or expanded their business as a result of the services received. Some clients stated the CBDC also prevented them from making bad investments in cases where the planned venture would not have been viable. Overall satisfaction of the services received from the CBDCs was 77%.

ii) *Prince Edward Island*

In 1993, after consultations with local organizations, community representatives and municipal governments, ACOA and the Province of Prince Edward Island restructured community economic development funding organizations on Prince Edward Island to support rural development on the Island, with the endorsement of both federal and provincial governments. Four new corporations replaced 10 organizations and became fully operational in 1996-97. After consultations, these corporations have developed strategic priorities and shared them with resident and community groups. The corporations are now recognized as the official development groups in their respective areas and communities rely on them for advice on strategic priorities.

Benefits from the restructuring include: a reduction in the number of organizations approaching governments for funding; a reduction of operational funding provided to numerous development organizations; better focussed strategic planning capabilities; an enhanced capacity to coordinate activities in their respective areas; and more accountability for results.

iii) *Newfoundland and Labrador*

As part of Newfoundland and Labrador's new approach to community economic development, several workshops have been developed and presented jointly by ACOA and the Province's Regional Economic Development Boards (REDBs) to assist the latter in developing their planning capability.

Strategic Economic Planning Workshops - The major objective of the REDBs is to draft strategic economic plans, based on the strengths and opportunities in the area. Government commitment to this process included orientation sessions to assist in the organization of the Boards and Strategic Economic Planning Workshops with each REDB to help with the development of strategic plans. The Boards were also assisted in determining a vision for their organizations. They defined objectives, set targets and developed a strategy to implement economic initiatives. Assistance was also provided to prepare a demographic profile for the area to develop guidelines for the hiring of consultants and staff, and to understand the integration of local development strategies in the area.

Education and Training Linkage Workshops - An Education and Training Linkage Workshop is held in each zone after the Strategic Economic Planning Workshops. The workshops bring together key stakeholders who can help connect human resource development to regional economic development. The objective is to help develop strategic linkages between education and training initiatives and the

regional economic development work being planned by the REDB. These workshops are designed to open lines of communication and establish partnerships so the education and training community and the REDB can work together to support regional economic development.

iv) New Brunswick

ACOA New Brunswick has facilitated the formation of strategic alliances between key local economic development partners with the objective of having all the partners coordinate their efforts in effectively serving the needs of entrepreneurs. Initially, the focus was on the partners accountable to ACOA, namely the Regional Economic Development Commissions (REDCs) and the Community Business Development Corporations (CBDCs).

The establishment of this small business infrastructure provides ACOA with many opportunities to effectively serve the needs of SMEs in a cost-effective manner that provides for locally accessible services. Within the local network of services available to SMEs, ACOA brings expertise and development tools to its partners in the areas of trade, venture capital and better business management practices. The REDCs, on the other hand, have the overall responsibility for general business counselling and promotion of the region. The CBDCs, community-based lenders, have a job creation mandate through providing loans. These ACOA partners in the community are currently delivering several business support programs on behalf of the federal and provincial governments.

v) Nova Scotia

In 1994, the Province of Nova Scotia, with ACOA's support and encouragement, began a process to restructure and consolidate the many local agencies involved in economic development. The process was aimed at building a more effective and efficient local economic development infrastructure and placed heavy emphasis upon creating a new partnership between government, communities and local business. Through federal, provincial and municipal government cooperation, the 87 local economic development agencies which were funded by the federal and provincial governments, were reduced to 27.

Since then, the provincial and federal governments, through the Canada-Nova Scotia Economic Diversification Agreement and with municipal government cost sharing, have established 14 Regional Development Agencies (RDAs) to support community-based economic and business development activity across the province. These agencies have engaged local partners in strategic planning processes that have resulted in a convergence of ideas regarding priority local economic development opportunities and directions. With their local partners,

RDAs are now actively pursuing the implementation of strategies and projects that build upon local opportunities for business growth and job creation.

RDAs are developing a broad range of innovative projects, partners and strategies to renew and expand local economies. From a retiree recruitment program in the Sydney area to ferry transportation restructuring in southwestern Nova Scotia, the RDAs are playing an important role in mobilizing rural and small town economies.

C. Key Reviews

Program Evaluation Studies
Commercial Client Survey: A Statistics Canada survey to assess the results and impact of the business support programs.
Pan-Atlantic Entrepreneurship Development: An evaluation to assess the Program's results and its impact in terms of likely long-term effects on entrepreneurship development in the Atlantic provinces. The report concluded that the Program had contributed significantly to the development of an entrepreneurship infrastructure in the region and to the promotion of entrepreneurship as a career option.
Mid-Term Evaluation for the Atlantic Canada Business Service Centres (CBSCs): A mid-term assessment was done to determine the effectiveness of the four Atlantic CBSCs and to respond to questions that arise regarding the Centres, their delivery and results and how improvements can be made.
Impact of ACOA Programs on Job Creation: An independent study to verify ACOA's estimates on employment and to estimate employment impact of non-commercial activities. Conclusions are that techniques and assumptions used by the Agency are appropriate and reasonable and job employment numbers reported were conservative.
Final Evaluation of the Canada-Nova Scotia COOPERATION Agreement to Promote Private Sector Participation in Municipal Infrastructure: The evaluation will provide insights into the extent public-private partnering has been able to contribute to economic development in Nova Scotia and identify ongoing opportunities in this area. Findings will serve to guide future initiatives under the Canada-Nova Scotia Economic Diversification Agreement.
Evaluation of the Canada-New-Brunswick COOPERATION Agreements: A comprehensive evaluation of the five COOPERATION agreements: Diversification; Economic Development; Urban Development; Entrepreneurship and Human Resource Development; and Planning. These agreements were consolidated into one, the Regional Development Agreement.
Evaluation of the Canada-Nova Scotia COOPERATION agreements: Final evaluations of five COOPERATION agreements: Halifax-Dartmouth Metro Area Development; Industrial Development Opportunities; Tourism; Cultural Development; and Sustainable Economic Development. Conclusions were used in the design of the consolidated Economic Diversification Agreement.
Evaluation of the Canada-Newfoundland and Labrador Development Planning Agreement: Conclusions from the evaluation were used in the design of the Research and Planning component of the Economic Renewal Agreement.
Internal Audit
Post-Payment Audit: A statistical sampling regime to ensure client adherence to payment procedures has been implemented. It includes audits, after the payment has been made, to ensure clients have sufficient documentation supporting the claimed expenditures and is an efficient use of resources while maintaining strong payment compliance and deterrence factors.

Other Key Reviews

Project Benefits Monitoring: ACOA has developed and will implement a comprehensive approach to the monitoring of the expected benefits received from individual project funding. Statistical sampling will be used to ensure efficient use of resources, while obtaining sufficient information in order to make conclusions for ACOA's portfolio of projects.

Auditor General of Canada - Follow-up to the Comprehensive Audit of ACOA presented in the OAG Annual Report issued in November 1995: As ACOA was included in an OAG comprehensive audit reported to Parliament in November 1995, the OAG will undertake the required follow-up audit in the fall of 1997, reporting to Parliament in its Annual Report to be released in November 1997. The follow-up audit will report on the degree to which ACOA has responded to the recommendations and validate the action taken.

Section IV: Supplementary Information

Further Information

Communications and Finance and Corporate Affairs:

Paul J. LeBlanc, Vice-President

Finance and Corporate Affairs

P.O. Box 6051, 644, Main Street, 3rd Floor, Moncton, N.B. E1C 9J8

Telephone: (506) 851-6438

Fax: (506) 851-7403

Business Lines:

Peter Estey, Vice-President

Programs and Development

P.O. Box 6051, 644, Main Street, 3rd Floor, Moncton, N.B. E1C 9J8

Telephone: (506) 851-3550

Fax: (506) 851-7403

Performance Report:

Terry Thomas, Director

Evaluation and Econometrics

P.O. Box 6051, 644, Main Street, 3rd Floor, Moncton, N.B. E1C 9J8

Telephone: (506) 851-2956

Fax: (506) 851-7403

Internet Address:

www.acoa.ca

B. Financial Summary Tables

nary of Voted Appropriations

Authorities for 1996-97 - Part II of the Estimates

Financial Requirements by Authority

Vote(millions of dollars)	1996-97 Main Estimates	1996-97 Actual
Atlantic Canada Opportunities Agency		
25 Operating Expenditures	40.0	41.4
26 To write off from the Accounts of Canada, certain debts and obligations due to Her Majesty in Right of Canada amounting to \$3,730,042, representing the principal balances of 35 direct loans made between 1973 and 1984	-	3.7
30 Grants and Contributions	297.2	254.6
(S) Liabilities in Atlantic Canada under the <i>Small Business Loans Act</i>	5.0	6.1
(S) Liabilities for loan or credit insurance pursuant to the <i>Government Organization Act, Atlantic Canada, 1987</i>	10.0	3.0
(S) Contributions to employee benefit plans	2.8	3.0
(S) Spending of proceeds from the disposal of surplus Crown Assets	-	-
(S) Refunds of amounts credited to revenues in previous years	-	-
Total Department	355.0	311.8

Figure 12: Revenues to the Consolidated Revenue Fund (CRF) by Business Line
(millions of dollars)

Business Line	Actual 1993-94	Actual 1994-95	Actual 1995-96	Total Planned 1996-97	Actual 1996-97
Development					
-Interest on loans	5.9	5.1	4.1	3.1	3.1
-Refunds of previous years' Expenditures	6.3	6.6	10	8.5	14.8
-Loan insurance fees	4.5	6.5	4.5	6.0	2.9
-Other non-tax revenue	0.4	0.3	0.8	0.5	1.3
Total Revenues to the CRF	17.1	18.5	19.4	18.1	22.1

Figure 13: Transfer Payments by Business Line (millions of dollars)

Business Lines	Actual 1993-94	Actual 1994-95	Actual 1995-96	Total Planned 1996-97	Actual 1996-97
Grants					
Development	5.3	4.9	5.4	2.0	0.4
Total Grants	5.3	4.9	5.4	2.0	0.4
Contributions					
Development	209.4	291.8	296.7	295.1	254.2
Total Contributions	209.4	291.8	296.7	295.1	254.2
Total Transfer Payments	214.7	296.7	302.1	297.1	254.6

Figure 14: Statutory Payments by Business Line (millions of dollars)

Business Line	Actual 1993-94	Actual 1994-95	Actual 1995-96	Estimates 1996-97	Actual 1996-97
Development	16.4	3.2	21.7	15.0	9.1
Total Statutory Payments	16.4	3.2	21.7	15.0	9.1

Contingent Liabilities at end of 1996-97 Fiscal Year

As of March 31, 1997 contingent liabilities estimated at \$29.2 million were outstanding against ACOA.

Legislation Administered by ACOA

The Minister for ACOA has sole responsibility to Parliament for the following Act:

Government Organization Act, Atlantic Canada, 1987 (R.S.C. 1985, c. - G-5.7), as amended

The Minister for ACOA shares responsibility to Parliament for the following Acts:

Small Business Loans Act (R.S.C., 1985, c.-S-11), as amended
Special Areas Act (R.S.C., 1985, c. S-14)

References

a. Atlantic Canada Opportunities Agency

ACOA Head Office

P.O. Box 6051

644 Main Street

Moncton, New Brunswick

E1C 9J8

(506) 851-2271 (Telephone)

(506) 851-7403 (Fax)

ACOA New Brunswick

P.O. Box 578

570 Queen Street, 3rd Floor

Fredericton, New Brunswick

E3B 5A6

(506) 452-3184 (Telephone)

(506) 452-3285 (Fax)

ACOA Newfoundland

P.O. Box 1060, Station “C”

10 Barter’s Hill

11th Floor Cabot Place-Phase II

St. John’s, Newfoundland

A1C 5M5

(709) 772-2751 (Telephone)

(709) 772-2712 (Fax)

ACOA Nova Scotia

Suite 600, 1801 Hollis Street

P.O. Box 2284, Station “M”

Halifax, Nova Scotia

B3J 3C8

(902) 426-6743 (Telephone)

(902) 426-2054 (Fax)

ACOA Prince Edward Island

P.O. Box 40

100 Sydney Street

Room 325, 3rd Floor

Charlottetown, Prince Edward Island (902) 566-7492 (Telephone)

CIA 7K2 (902) 566-7098 (Fax)

ACOA Ottawa

P.O. Box 1667, Station “B”

60 Queen Street, 4th Floor

Ottawa, Ontario (613) 954-2422 (Telephone)

KIP 5R5 (613) 954-0429 (Fax)

b. Enterprise Cape Breton Corporation

Enterprise Cape Breton Corporation

P.O. Box 1750

4th Floor, Commerce Tower

15 Dorchester Street

Sydney, Nova Scotia (902) 564-3600 (Telephone)

BIP 6T7 (902) 564-3825 (Fax)