

Atlantic Canada Opportunities Agency



Performance Report

**For the
period ending
March 31, 2002**

Minister of Industry

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Executive Summary

In 2001-2002, ACOA marked its fifteenth year of working in partnership with the people of Atlantic Canada to help improve the economy of its communities through the successful development of businesses and job opportunities.

ACOA's work contributes strongly to the Government of Canada's theme of "economic opportunities and innovation in Canada."¹ ACOA's success in this regard is reflected by the strong performance of small and medium-sized enterprises (SMEs) assisted by the Agency.

For example, over the period 1989-1999, firms assisted by ACOA have experienced five times the employment growth than that of non-assisted firms. In addition, businesses supported by ACOA programming have a higher survival rate than do non-assisted businesses. In the manufacturing sector, the survival rate after five years of operation of ACOA-assisted businesses is three times that of non-assisted firms.

In response to the changing circumstances of a knowledge-based economy, ACOA expanded its programming with the introduction of the Atlantic Investment Partnership (AIP), a \$700 million initiative designed to help Atlantic Canadians innovate and compete in the knowledge-based economy. Over the past year, ACOA helped strengthen the innovation capacity of the Atlantic Region through the Atlantic Innovation Fund, a priority of the AIP.

The first round of the \$300 million Atlantic Innovation Fund, a key component of Atlantic Canada's research and development capacity-building strategy, generated a tremendous response from the Atlantic Region's research institutions and business community. ACOA received 195 proposals, seeking a total of \$810 million in funding.

ACOA had three broad goals in fiscal year 2001-2002:

- improved growth and competitiveness of Atlantic SMEs;
- increased economic opportunities for rural Atlantic Canada; and
- greater economic activity through national policies sensitive to the needs of the region.

¹ Treasury Board of Canada, *Canada's Performance 2001*, 2001

The achievement of these three broad goals was pursued largely through the Agency's six strategic priorities:

- entrepreneurship and business skills development;
- innovation;
- trade, tourism and investment;
- community economic development;
- policy, advocacy and co-ordination; and
- access to capital and information.

This Performance Report summarizes performance accomplishments in these six areas. This report, and a good deal of other information and supporting documentation on ACOA's activity and performance, is available on ACOA's web site: <http://www.acoa-apeca.gc.ca>.

Section I - Messages

Minister's Portfolio Message

The dawn of the twenty-first century has seen the development of the global knowledge economy. The Government of Canada has been working for the past decade to create winning conditions for Canadians to ensure that we are ideally positioned - with both the tools and the skills necessary - to seize the opportunities offered in the new economy.

It started with eliminating the deficit and with good fiscal management, followed closely by significant corporate and personal tax cuts and streamlining government. Over the last decade, we also built an impressive research and development (R&D) infrastructure and became one of the world's most connected countries. We are now global leaders in per capita access to information technology and the Internet.

Today we are seeing the benefits of these investments. Our success can be measured in having the fastest rate of growth among the G7 countries in areas such as: private-sector R&D spending; external patent applications; R&D intensity; and the number of workers devoted to R&D.

But in this global race, we cannot afford to rest on our laurels. That is why, in February of 2002, our government launched *Canada's Innovation Strategy*. This strategy is designed to foster a culture of innovation in Canada, improve the quality of life for Canadians and to see the maple leaf become a hallmark of excellence for the world.

Canada's Innovation Strategy identifies opportunities in four key areas: creating new knowledge and bringing those ideas to market quickly and effectively; ensuring that Canada has enough highly qualified people with the skills needed to compete globally; modernizing our business and regulatory policies to foster entrepreneurship; and supporting innovation at the local level so that our communities continue to be magnets for investment and opportunity.

The Industry Portfolio is:

- Atlantic Canada Opportunities Agency
- Business Development Bank of Canada*
- Canada Economic Development for Quebec Regions
- Canadian Space Agency
- Canadian Tourism Commission*
- Competition Tribunal
- Copyright Board Canada
- Enterprise Cape Breton Corporation*
- 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 Departmental Performance Report**

To develop this strategy, we are talking to Canadians from coast to coast to coast to create an action plan for the next decade. *Canada's Innovation Strategy* is not a government program but a call for all sectors of the economy to work together to achieve ambitious targets for the future. The action plan will identify specific ways that government, business, academia and communities can achieve our national goals.

The Industry Portfolio, consisting of 15 departments and agencies, is an important instrument in fostering innovation in Canada. The Atlantic Canada Opportunities Agency (ACOA) plays a key role in the Industry Portfolio and I am pleased, therefore to present its Performance Report for 2001-2002.

In its role as the lead economic development agency in the Atlantic provinces, ACOA is helping to advance the cause of entrepreneurship, productivity and competitiveness on a variety of fronts.

With coordinated action in the areas of entrepreneurship and skills development, trade, tourism and investment, innovation, community economic development, and access to capital and information, the Agency continues to help Atlantic Canadians create good, long-term jobs and raise earned incomes. Through its policy, advocacy and coordination work, ACOA actively and successfully pursued and promoted Atlantic Canada's interests at the national decision-making level.

Data from Statistics Canada shows evidence of the positive impact of ACOA programs. Over a 10-year period, employment growth of ACOA-assisted firms was five times that of non-assisted firms. Payroll growth of ACOA-assisted firms was nearly twice that of unassisted firms from 1989 to 1999. Of ACOA-assisted firms in the manufacturing and in the accommodations sectors, the survival rate after five years of operation is three times that of non-assisted firms.

These are only a few highlights. I invite you to explore ACOA's Departmental Performance Report to discover the many ways that the Agency contributes to Canada's economic progress and growth.

Working together, we are making our country a stronger and more prosperous place for all Canadians.

Allan Rock, Minister of Industry

Minister of State's Message

The Atlantic Canada Opportunities Agency (ACOA) works to build a welcoming environment for sustainable, innovative, and competitive businesses and communities in the Atlantic provinces. Its mission is to develop, in partnership with Atlantic Canadians, the tools and resources necessary for long-term economic development, job creation and income growth.

ACOA focusses on the immediate and long-range needs of small and medium-sized businesses, helping them grow, modernize, trade with the rest of the world, and become more innovative and skilled. The Agency also takes a leadership role in the co-ordination of economic development policies and programs in the region, as it represents Atlantic Canada's interests at the national level.

ACOA has established, for itself, several clear objectives. This report, which is a review of the Agency's activities and results obtained, demonstrates that ACOA has, in nearly every case, either met or exceeded its objectives during the fiscal year ending March 31, 2002.

Significant progress has been made in the implementation of the \$700 million Atlantic Investment Partnership (AIP) launched in June 2001. The AIP is a balanced mix of strategic investments by the Government of Canada that builds on ACOA's past work in the areas of innovation, trade and investment, entrepreneurship, business skills development, and community economic development.

To date, \$300 million has been committed to the AIP's Atlantic Innovation Fund, under which 47 industry-university research and development projects have been awarded funding at a value of \$155 million. The AIF is designed to strengthen the region's innovation capacity by supporting research and development activities that will lead to the commercialization of promising, new products, processes, services and technologies.

As well, more than \$258 million has been committed to the AIP's Trade and Investment, Entrepreneurship and Business Skills Development, and Strategic Community Investment Fund components.

Other results illustrate ACOA's success over the past year.

The Agency helped increase the number of potential exporters in the region by more than 500. It helped 79 businesses become new exporters. It assisted over 100 existing Atlantic exporters to acquire necessary skills, information and market intelligence. And, it helped approximately 40 exporters secure new export markets.

ACOA supported 20 new partnerships for technology development and commercialization. It assisted in the start-up of approximately 80 technology-oriented small and medium-sized businesses. With the creation of the Innovation Skills Development Initiative (to be launched in fiscal year 2002-2003), the Agency is on track to increasing the number of technically skilled people in the region.

The Community Business Development Corporations, which partner with ACOA to provide access to capital and business counselling, issued 1,030 loans for business start-ups and expansions, valued at more than \$33 million. This investment is expected to create or maintain 3,000 jobs.

As Minister of State for ACOA, I will continue to ensure that the Agency stays true to its mandate and vision – to work in partnership with the people of Atlantic Canada for a better, more prosperous future.

The Honourable Gerry Byrne
Minister of State
Atlantic Canada Opportunities Agency

Section II – Agency Context

Who We Are

The Atlantic Canada Opportunities Agency (ACOA) is a federal government agency established in 1987. ACOA offers a broad range of programs and services designed to improve the climate for business growth. The Agency ensures that a wide variety of business development tools and resources are available to Atlantic entrepreneurs throughout all stages of the business life cycle, from the time they are thinking about setting up a new business, to the time they are planning for growth and expansion.

Our Mission

To foster, in partnership with the people of Atlantic Canada, the long-term economic development of the region through the renewal of the Atlantic entrepreneurial spirit.

ACOA is a federal agency with a difference. Its mandate and organizational structure were determined following consultations with Atlantic Canadians across the region. For the first time, a federal organization charged with regional economic development in Atlantic Canada is actually headquartered in New Brunswick with regional and field offices in cities and towns across the four Atlantic provinces.

What We Do

ACOA focusses on facilitating the creation and growth of SMEs, on overcoming barriers to growth, and on fostering a more entrepreneurial environment.

ACOA's key objectives are: to provide Atlantic Canadians with enhanced policy research and analysis to help create more and better economic opportunities in the region; and to provide business services to support the growth and competitiveness of SMEs.

These objectives are, in turn, made operational through the Agency's strategic priorities.

ACOA's Strategic Priorities

Entrepreneurship and Business Skills Development:

To contribute to an increase in the number of Atlantic Canadians who choose to start their own businesses and improve SME chances for survival and growth.

Innovation:

To strengthen the innovation performance in Atlantic Canada by increasing the region’s capacity to carry out leading-edge research and development, increasing the capacity for commercialization of new technologies, and forming partnerships and alliances among private sector firms, universities and research institutions.

Trade, Tourism and Investment:

To increase the number of new exporters and increase sales of existing exporters; to increase foreign investment in the region; and to support the tourism industry to increase growth.

Access to Capital and Information:

To provide greater access to capital and information for SMEs; to address gaps in those financing areas traditional lenders consider higher risk, with a focus on strategic sectors and most affected groups (e.g., youth and Aboriginal peoples).

Community Economic Development:

To help communities plan and realize their own economic opportunities and ensure that ACOA activities address rural economic development priorities.

Policy, Advocacy and Co-ordination:

To provide a targeted program of policy research to improve the understanding of issues and build consensus; to advocate Atlantic interests in federal policy; and to ensure co-ordination of government initiatives.

Strategic Priorities are linked to clients through the Agency programs as listed to the right. ACOA delivers some programs on behalf of other stakeholders. For example, ACOA, in concert with the Atlantic provinces, played a lead role in the delivery of the infrastructure program in Atlantic Canada. Further information on ACOA and its programs may be found on the Agency’s web site <http://www.acoa-apec.ca>.

Programs

- Business Development Program
- Atlantic Investment Partnership
- Bilateral Economic Development Agreements
- Pan-Atlantic Economic Development Agreements
- Canada Business Service Centres
- Community Business Development Corporations
- Infrastructure Canada
- Adjustment Programs

How ACOA's Strategy Links to Government of Canada's Objectives

ACOA's strategic priorities are linked to and support the Government of Canada's objectives as set out in the 2001 Speech from the Throne. The government highlighted the importance of several societal indicators that reflect a balance of social, economic and environmental interests. Some of ACOA's specific investments in innovation and the economic growth of Atlantic Canada are summarized below:

Investments under the Atlantic Investment Partnership:

- \$300 million for the Atlantic Innovation Fund designed to strengthen innovation capacity. This is achieved through new investments in research and development activities which lead to the commercialization of new products, services or technologies in economic sectors that have demonstrated potential for growth.
- \$123.6 million for Trade and Investment and for Entrepreneurship and Business Skills Development priorities.
- \$135 million for a Strategic Community Investment Fund in support of community economic development, assisting community-level projects which help to strengthen the economic base of communities and create new opportunities for investment and job creation.

The chart below illustrates the link between the goals and objectives of the federal government to ACOA's strategic priorities.

Government of Canada's Priorities	ACOA's Strategic Priorities/Projects	Achievements Reported on Pages
Creating Opportunity Innovation	Innovation	16-18
Skills and Learning	Entrepreneurship and Business Skills Development	12-15
Connecting Canadians	Government On-line	40, 41, 45
Trade and Investment	Trade, Tourism and Investment	19-27
Sharing Opportunity A Clean Environment	Sustainable Development Strategy	47
Strong and Safe Communities	Community Economic Development	28-32
Celebrating our Canadian Citizenship	2000-2002 Action Plan Section 41 of the <i>Official Languages Act</i>	48-49

Our Partners

Regional economic development is a long-term, complex, multi-dimensional undertaking that requires a co-ordinated approach by a wide variety of stakeholders. Virtually all ACOA's work involves partnerships.

Our Challenges

In Atlantic Canada, economic growth has slowed this past year, in line with weaker economic conditions experienced elsewhere in Canada and the United States. Although the events of September 11 had a negative impact on North America and around the world, economic indicators prior to this tragedy were pointing to a more prolonged slowdown in economic growth in all the major economies.

ACOA faces several challenges in dealing with these conditions. Among the primary issues facing ACOA are increasing per capita research and development expenditures, and addressing the economic consequences of an overall decline in population, particularly of rural youth. For Nova Scotia, raising the capacity of and capability for research and development is a challenge that needs to be overcome to attain a more innovative economy. In Prince Edward Island, one of the main challenges in promoting business growth is to ensure that value-added goods and services compete successfully in the international market. The main issue for New Brunswick is to respond to the impact that the economic downturn will have on the primary sectors and on exporting. Newfoundland and Labrador's principal economic challenges are dealing with the province's significant population drop and ensuring a balance in economic development opportunities for urban and rural areas. One of the main challenges for the tourism industry is to respond to the impact of the events of September 11 and to ensure a focussed strategy based on sound market research and strong partnerships.

In responding to these challenges, several external and internal factors need to be addressed such as national programs and initiatives, productivity and competitiveness, trade and investment, and transportation. These factors are further discussed in ACOA's *2002-2003 Report on Plans and Priorities*, and may be found on the Agency's web site at: <http://www.acoa-apeca.gc.ca>.

Our Partners

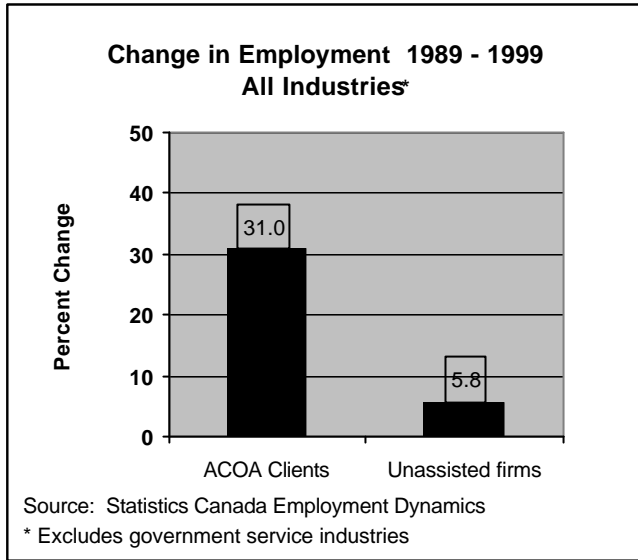
- Research Institutes
- Provincial Governments
- Universities
- Municipalities
- Educational Institutions
- Business Sector
- Other Federal Departments
- Community-Based Economic Development Organizations
- Aboriginal Communities

Section III – Performance Accomplishments

Achievements in Economic Development

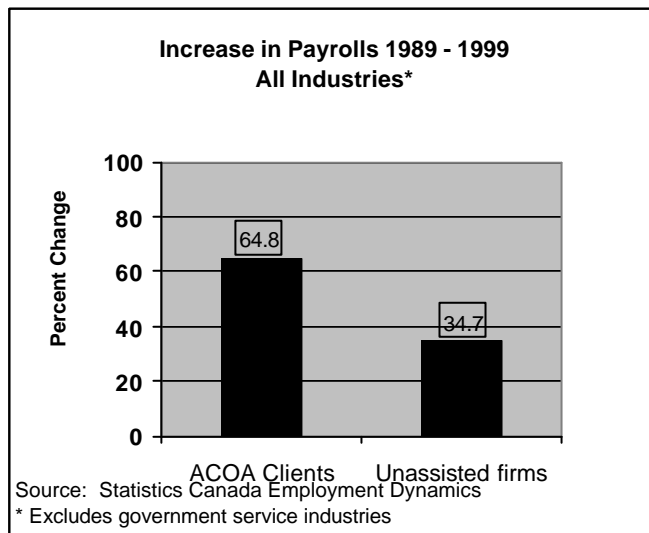
Job Growth:

Over a 10-year period beginning in 1989, employment growth of ACOA- assisted firms was five times that of non-assisted firms.



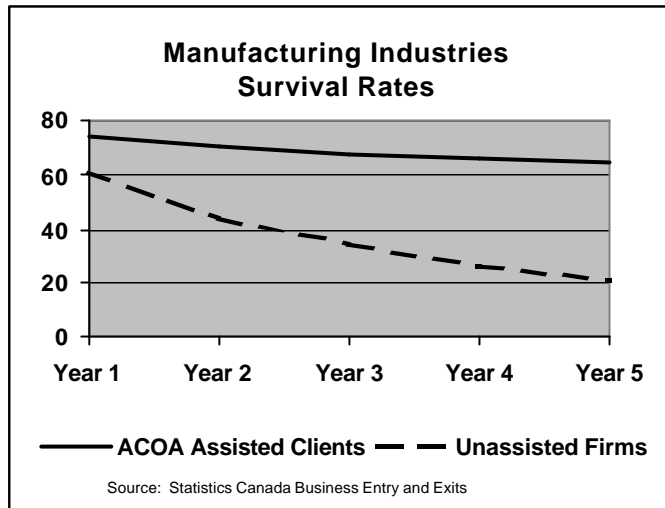
Earned Income:

Payroll information from Statistics Canada Employment Dynamics database also indicates an increase in payroll of ACOA assisted firms nearly twice that of unassisted firms from 1989 to 1999.



Survival Rates for ACOA-assisted Firms:

According to Statistics Canada's Business Entry and Exit Tabulations, the survival rate after five years of operation of ACOA-assisted clients in the manufacturing sector is three times that of non-assisted firms. The same holds true for businesses in the accommodation service industry.



The pattern of survival is similar in the business services industry. After five years of operation, 73% of ACOA-assisted firms survive compared with 28% of unassisted firms.

ACOA's Performance in 2001-2002

In pursuing its mission, ACOA has accomplished a great deal in several strategic areas. The following table demonstrates how these accomplishments are linked to the Agency's strategic outcomes in helping Atlantic Canadians enhance the growth of earned incomes and employment opportunities.

ACOA's Priorities by Strategic Outcome		
To provide Canadians with	Strategic Priority	Strategic Outcome
Improved growth and competitiveness of Atlantic SMEs, leading to increased productivity, earned incomes and job creation	Entrepreneurship and Business Skills Development	<ul style="list-style-type: none"> Increased opportunities for Atlantic Canadians to learn the process of becoming an entrepreneur and starting a business through entrepreneurship education and training. Participation in programs addressing entrepreneurship needs of groups such as women, Aboriginal peoples and youth. Enhanced SME owner/operator management skills.
	Innovation	<ul style="list-style-type: none"> Increased regional capacity to carry out leading-edge R&D, enhanced capacity for commercialization of new technologies, more opportunities for technology skills development, and partnerships and alliances among private sector firms, universities and research institutions.
	Trade, Tourism and Investment	<ul style="list-style-type: none"> More SMEs exporting; more export-ready SMEs; existing exporters selling more and to more diversified markets. Increased profitability, investment and wages in the tourism sector resulting from higher quality in-demand products that operate over longer seasons. Increase in Foreign Direct Investment (FDI) in the Atlantic region.
	Access to Capital and Information	Employment and new business start-ups as a result of access to capital for Atlantic SMEs.
Resources: \$204.6 million		
Economic opportunities for rural Atlantic Canada through community economic development (CED)	Community Economic Development	<ul style="list-style-type: none"> Support to rural communities in developing and implementing strategic and operational plans to create self-sustaining economically viable communities. Expanded access to government business services (financing, counselling and information). Increased number of loans and resultant jobs created and maintained in rural areas as a result of SME counselling and financing services by Community Business Development Corporations (CBDCs). Self-development of communities and alternative employment in areas affected by the closure of the Atlantic groundfish fishery.
Resources: \$84.9 million		
Greater economic activity in Atlantic Canada through national policies sensitive to the needs of the region	Policy, Advocacy and Co-ordination	<ul style="list-style-type: none"> Co-ordinated action by key stakeholders on a contemporary policy framework for economic development resulting in productivity growth and improved competitiveness. Active pursuit and promotion of Atlantic Canada's interests in respect of national policies, programs, issues and procurement. Co-ordination of economic development activities and functions in Atlantic Canada.
Resources: \$6.7 million		
Total Resources of \$296.2 million are for key activities only and are based on 2002-2003 Estimates.		

The tables and information presented on the following pages describe ACOA's major accomplishments. Accomplishments are grouped by the Agency's strategic priorities and link strategic outcomes to targets and results.

Entrepreneurship and Business Skills Development

Strategic Outcome

Increased opportunities for Atlantic Canadians to learn the process of becoming an entrepreneur and starting a business through entrepreneurship education and training

Planned Results (Targets)	Results
Increased intent to start a business among students and young people by 2002-2003	<i>On track. In 1992, surveys indicated 13% of young people intended to start a business. More recent research reveals this figure has risen to 19%.²</i>

Accomplishments

Entrepreneurs starting new businesses are responsible for over half of all jobs that are created in Atlantic Canada. Because entrepreneurs are so vital to our economy, ACOA continues to implement an entrepreneurship and business skills development strategy. Its goal is to increase the number of Atlantic Canadians with the motivation and skills to start and grow a business.

The following examples illustrate how ACOA works with its partners to support entrepreneurship and to create jobs in Atlantic Canada:

- To ensure the Government of Canada's investments in youth entrepreneurship stay on target, a major study of young entrepreneurs in Atlantic Canada was undertaken. A key finding was that 20% of young Atlantic Canadians (100,000 people) are very interested in creating their own businesses³. The challenge is to ensure that as many of these young people as possible have access to the encouragement and help they need to act successfully on their intentions. This is the rationale behind ACOA's entrepreneurship development activity for young people.
- In the last year, over 600 students and teachers participated in entrepreneurship learning activities outside the classroom, including two major conferences. The participants at these events were able to learn what it takes to be an entrepreneur, and to consider how they can create their own futures here in Atlantic Canada.

² Corporate Research Associates Inc., *Atlantic Omnibus Survey*, May 2001

³ Corporate Research Associates Inc., *Study of Entrepreneurship Among Young Atlantic Canadians Aged 15-29* – 2001

- The Regional Economic Development and Schools Program now has over 70 learning modules developed for schools throughout Newfoundland and Labrador which introduce students to the economic opportunities, challenges and career options that exist in their local areas. The program has been profiled as a success story both nationally and internationally.
- ACOA continues to facilitate the development and implementation of entrepreneurship education curriculum for use in schools. Assisted by ACOA's office in Nova Scotia, the Centre for Entrepreneurship Education and Development revised materials for use in grade 12 entrepreneurship classes, which will be published in 2002. To ensure such resources are implemented effectively, over 50 teachers in Nova Scotia participated in entrepreneurship education training sessions in 2001-2002.
- ACOA's partner, the Atlantic Colleges Committee for Entrepreneurial Development, set up 10 student-entrepreneurship clubs on college campuses. Through this same partnership, 100 college instructors participated in workshops on how to effectively foster entrepreneurship in the college classroom.
- ACOA and Mount Allison University teamed up to support the John Dobson Micro Enterprise Centre. The centre will expose non-business university students to entrepreneurship and establish closer links between the university and the business community.
- In Nova Scotia, ACOA partnered with a network of five University Business Development Centres to provide entrepreneurial education and opportunities for students. The Acadia Centre for Small Business and Entrepreneurship alone exposed over 1,400 students to entrepreneurship education through its Entrepreneurship Skills Development Program.

Strategic Outcome	
Participation in programs addressing entrepreneurship needs of groups such as women, Aboriginal peoples and youth	
Planned Results (Targets)	Results
Enhanced awareness of entrepreneurship as a career option among young people (by 2002-2003)	<i>On track.</i>
Increased number of young adults and women starting businesses	<i>On track. 6.2% of all Atlantic Canadians aged 15-29 were self-employed in 2000. This still lags slightly behind the Canadian figure of 6.6% indicating room for improvement.⁴ Between 1989 and 2000, the number of self-employed women increased by 36%.⁵ This is very significant growth, but challenges remain.</i>

⁴ Statistics Canada: Labour Force Survey

⁵ Ibid

Accomplishments

Ensuring that Atlantic Canadians are aware of entrepreneurship as a viable career option continues to be a key part of ACOA's strategy. During 2001-2002, young business owners were profiled on television in both English and French and the Agency supported the development of a 13-module web-based, French-language college course on entrepreneurship. Partners included CBC Television and l'Université de Moncton's Centre Assomption de recherche et de développement en entrepreneuriat.

It is not enough to simply create awareness of, and enthusiasm for, entrepreneurship. Practical opportunities to develop the attitudes and skills required to start and grow a business are needed. For example, the Centre for Entrepreneurship Education and Development, with support from ACOA, is expanding its network of "Open For Business" centres in Atlantic Canada. These are youth-friendly, walk-in locations, which provide support to aspiring entrepreneurs. A new centre was established in Restigouche County, New Brunswick.

In Newfoundland and Labrador, ACOA supported the Youth Ventures Program, which provides business planning and counselling support to students operating ventures during the summer break. The program has seen a steady increase in the number of participants. It is expected that this year over 500 young people will participate in the program, representing approximately 400 summer business start-ups.

ACOA supported the Chair in Technology Entrepreneurship at Memorial University of Newfoundland, which conducts research on entrepreneurship and works to foster an entrepreneurial culture. For example, the Chair launched "The Enterprise and Entrepreneurship Gateway" which supports young entrepreneurs and offered a workshop to 20 faculty members on making the university-learning environment more entrepreneurial.

Atlantic Canada is experiencing rapid growth in the number of women-owned businesses, yet there are challenges. For example, Atlantic Canada still lags behind the national rate of growth of women in business. As well, compared to men, women tend to start smaller businesses, grow their businesses more slowly, and are less likely to employ others or to incorporate.

ACOA is working to ensure women in business have access to the necessary support to grow and prosper. For example, a Women in Business Initiative was developed and implementation will proceed in 2002-2003.

Strategic Outcome	
Enhanced SME owner/operator management skills	
Planned Results (Targets)	Results
Increased use of management training products	<i>Developed the Innovation Skills Development Initiative (ISDI) to enable firms to enhance management skills. Implementation in 2002-2003.</i>
Increased awareness of the benefits of good management practices	<i>Recent research focussing on young entrepreneurs indicates a high level of awareness of the importance of management skills for success, with over 90% indicating they would like to work with a mentor or experienced businessperson to improve management skills and practices.⁶</i>
Enhanced co-ordination of skills development activities across the region, in partnership with provincial governments, industry associations and others	<i>A pan-Atlantic ACOA committee continues to meet on a regular basis to co-ordinate and develop business skills development activities. The development of the ISDI program mentioned above is an example of the results of this co-ordination.</i>

Accomplishments

Research indicates that the main cause of failure of new Canadian firms is the lack of management training and experience of their leaders.⁷ The challenge is clear when one considers that Canada ranked 35th out of 49 countries in an international study measuring management competencies.⁸ The Atlantic Region's small business owners need access to programs and opportunities to enhance business skills. Here are some ways that ACOA is helping:

- The Entrepreneurs' Forum, in Nova Scotia, developed and delivered seven financing seminars. Through other ACOA partnerships, a four-part seminar series for small businesses was offered at 13 locations throughout Nova Scotia.
- The Agency's New Brunswick office supported the ProfitLearn initiative. Through this partnership, over three dozen business skills courses were offered around the province, with over 1,000 individuals participating. This is a practical example of how the Government of Canada can help create jobs and opportunities by helping entrepreneurs get into and stay in business.

⁶ Corporate Research Associates Inc., *Study of Entrepreneurship Among Young Atlantic Canadians Aged 15-29* – 2001

⁷ Gasse, Y., *Research Project on Best Business Management Practices*, 1996

⁸ ATI Consulting Corporation, *Methods Used by Leading Nations to Engender Best Management Practices in SMEs and the Application to Atlantic Canada*, 1997

Innovation

Strategic Outcome

Increased regional capacity to carry out leading-edge R&D, enhanced capacity for commercialization of new technologies, more opportunities for technology skills development, and partnerships and alliances among private sector firms, universities and research institutions.

Planned Results (Targets)	Results
New partnerships for technology development and commercialization – 20 per year	<i>Target achieved.</i>
New products and processes commercialized	<i>On track. For example, in partnership with Agriculture and Agri-Food Canada and National Research Council, commercialization of a harvest storage device was realized.</i>
Increased sales of new products/services/processes and SME adoption of state-of-the-art technologies	<i>On track. Discussions initiated with Natural Resources Canada and BioAtlantech – a biotechnology transfer enterprise – on the development of a joint commercialization Memorandum of Understanding. The MOU could outline the process of helping to bring biotechnology advancements to the marketplace.</i>
Start-ups of technology-based SMEs	<i>On track. Approximately 80 SME start-ups received \$8.9 million in support.</i>
Increase in the number of SMEs and linkages between SMEs in key sectors	<i>On track. For example, 10 SMEs in N.B. completed projects with a 'Lean Manufacturing' firm on how to improve productivity.</i>
Increased numbers of technically skilled people/increased SME technology management, technical and research and development capacity	<i>On track. The Innovation Skills Development Initiative was developed and will be launched in 2002-2003.</i>
Increased awareness and use of e-commerce by SMEs in Atlantic Canada	<i>On track. The e-commerce strategy was launched and awareness activities are underway in all regions. ACOA and several partners undertook Phase I of the E-MERGE program where 30 companies were invited to design and implement appropriate e-business solutions. More information is available at http://www.emergewithus.com.</i>

Accomplishments

Innovation is a primary driver of our productivity growth. In fact, innovative companies are growing companies. They help create jobs and new opportunities for businesses faster and more successfully than do their less innovative and technologically savvy counterparts. By supporting these companies, ACOA plays a role in building an environment where more companies can fully participate in, and contribute to, the global knowledge-based economy, a key to Atlantic Canada's long-term competitiveness.

Following are some examples of where ACOA has continued, in the past year, to help strengthen the innovation capacity of the Atlantic region:

- The first round of the \$300 million Atlantic Innovation Fund, a key component of Atlantic Canada's research and development capacity-building strategy, has generated a tremendous response from the Atlantic Region's research institutions and business community. A total of 195 proposals were received, seeking \$810 million in funding. This much-needed fund will help increase Atlantic Canada's capacity to carry out leading-edge R&D. The fund's focus on R&D, and the commercialization of new products, processes or technologies is expected to produce a number of important partnerships.
- In New Brunswick, ACOA hosted two Stage Gate™ sessions in 2001, which were attended by 65 companies. Stage Gate™ is a new product development process that companies follow to attain a higher likelihood of success.
- In Newfoundland and Labrador, ACOA has supported the IT sector through Operation ONLINE. Over its four-year life, ONLINE contributed annual double-digit growth in revenues and employment within the IT industry. As of 2001, the IT industry is comprised of approximately 160 firms, with estimated revenues of \$157 million. Employment totalled 1,400 people, up from approximately 800 in 1997.⁹
- ACOA contributed to the Canadian National Site Licensing Project (CNSLP). CNSLP is a consortium of 64 university libraries whose objective is to bolster the research and innovation of Canada's universities through licensing, on a national scale, electronic subscriptions to publications and databases in the science, engineering, health and environmental disciplines.
- Through the Entrepreneurs Forum, ACOA rolled out a series of seven seminars in Halifax and Yarmouth. Topics included financing, Science Research Experimental Development Tax Credits, Nova Scotia Equity Tax Program, seed and venture financing, valuation and corporate governance.

⁹ Innova Quest, *Survey of Information Technology Employment Trends in Newfoundland and Labrador*, June 2001

- Seminars on 'Lean Manufacturing' were arranged in Nova Scotia and New Brunswick. Over 180 participants, mostly from the private sector, learned to minimize losses by improving their competitiveness and productivity through such areas as inventory control, waste reduction, and plant layout and design, among others.
- ACOA continues to nurture its support for Strategic Technology Networks such as Telecom Applications Research Alliance (N.S.); Softworld 2002 (P.E.I.); the New Brunswick Environmental Industry Association (N.B.); and the Newfoundland and Labrador Alliance of Technical Industries.

Trade

Strategic Outcome

More SMEs exporting; more export-ready SMEs; existing exporters selling more and to diversified markets

Planned Results (Targets)	Results
Increased number of potential exporters committed to exporting and meeting basic export readiness/skills requirements - 300 per year	<i>Target exceeded (510).</i>
Increased number of new (first-time exporters) - 80 per year	<i>99% of target achieved.</i>
Sector export strategies - 2 per year	<i>Target exceeded. Two Atlantic sector strategies and four provincially based sector strategies developed and/or implemented.</i>
Existing exporters equipped with necessary information and skills and targeting new export markets - 50 per year	<i>Target exceeded (113).</i>
Existing exporters successfully securing new export markets - 40 per year	<i>Target achieved.</i>

Accomplishments

Over the past few years, strong national and regional economies and increasingly liberalized trade agreements have provided the impetus for continued export growth among Atlantic Canada's SMEs. In order to increase the numbers of exporting SMEs, ACOA's strategy has focussed on developing exporting capabilities by placing greater emphasis on identifying and developing market and sector potential. With the recent introduction of the Atlantic Investment Partnership and its trade component, ACOA's trade strategy has evolved significantly. This new five-year, \$54 million program has enabled ACOA to undertake comprehensive pan-Atlantic and provincially based development initiatives that build upon partnerships established with trade partners.

Under this program, the Agency continues to focus on pan-Atlantic trade missions specific to the United States and European markets. Building on the success of previous trade missions, ACOA organized two Team Canada Atlantic Missions to Atlanta, Georgia. The first, held in May 2001, was led by the Prime Minister and the four Atlantic Premiers. It included a business delegation of 67 Atlantic Canadian firms, and resulted in approximately 250 business meetings with firms in the greater Atlanta region. Over the next two years, companies are projecting sales of \$34.5 million and the creation of nearly 250 new jobs. A follow-up trade

mission to Atlanta in November 2001 was again very successful with 30 Atlantic companies in attendance. Over \$25 million in sales is expected within the next two years.¹⁰ See the Team Canada Atlantic web site at <http://www.teamatlantic.com>.

A Prince Edward Island Trade Mission to Ireland also met with positive results. Under the umbrella of Trade Team Prince Edward Island, ACOA and Industry Canada organized this mission with 11 P.E.I. companies exploring trade and export opportunities in Europe's fastest-growing economy. The companies participated in seminars, business meetings and networking events. Results of the mission include 11 P.E.I. companies introduced to incremental export markets, one sales contract for \$250,000, and additional contracts up to \$1 million being negotiated.

Assistance to SMEs in Atlantic Canada has contributed to the increase of first-time exporters and to existing exporter success in securing new export markets. In fact, during this past year, 79 ACOA-assisted companies have begun to export.

Support under the Canada-Atlantic Provinces COOPERATION Agreement on International Business Development (IBDA) has enabled 28 companies to export to new markets. In addition, 64% of exporters and 23% of first-time exporters identified in the IBDA survey are exporting to the United States.¹¹ Since the IBDA's inception in 1994, the Agreement has enabled 231 companies to start exporting into new markets.¹²

Training and awareness seminars have proven effective in helping companies prepare to export and in addressing export skills gaps. ACOA has funded several training activities during 2001-2002, with promising results. For example, in partnership with Industry Canada and Nova Scotia Business Inc., ACOA officials in Nova Scotia organized an information session for Atlantic Canadian businesses on "Doing Business in the North-East United States", targeted at Information Technology sector firms. Of the session's participants, 74% indicated they intended to pursue this market, and 63% indicated they would use the information to change the way they export.

In New Brunswick, ACOA organized 46 one-on-one trade diagnostic consultations and six trade awareness sessions for over 170 potential exporters and, in Newfoundland and Labrador, ACOA-sponsored trade information seminars were held in five locations across the region, attracting over 60 participants.

¹⁰ ACOA, *Team Canada Atlantic Mission to Atlanta, November 13-15, 2001, Final Report*, February 2002

¹¹ ACOA, *Survey of International Business Development Projects*, June 2001

¹² ACOA, *Cumulative Analysis of the IBDA Survey*, April 2002

ACOA New Brunswick launched the Trade Coaching/Mentoring Program. This program provides export-ready companies the assistance of a qualified trade professional to help them enter new markets. Twelve companies benefited from this program this past year.

ACOA and its provincial partners continue to engage industry organizations and Atlantic Canadian firms in looking at the situation of, and prospects for, their industry and their involvement in planning and undertaking development activities. This year, with support from the IBDA, two export strategies for the Information Technology and Plastics sectors have been undertaken. In addition, the Agency has supported four provincially based sector strategies including the Aerospace and Defence and Oil and Gas sectors in Nova Scotia, and the Professional Services sector and Geomatics Industry in Newfoundland and Labrador.

Investment

Strategic Outcome	
Increase foreign direct investment in the Atlantic region	
Planned Results (Targets)	Results
Strengthen Corporate investment, intelligence and leads	<i>On track.</i>
Increased pan-Atlantic investment initiatives	<i>On track.</i>

Accomplishments

Industry Canada estimates reveal that about one in ten jobs and 50% of total exports are derived from inward foreign direct investment to Canada. Investment research to identify barriers and facilitators to Foreign Direct Investment (FDI) in Atlantic Canada is fundamental to ACOA’s investment strategy. This year, ACOA completed a research paper laying the foundation for the Agency’s ongoing FDI initiatives. The Atlantic Provinces Economic Council (APEC) has completed a study entitled, “*Foreign Direct Investment in Atlantic Canada*”. The APEC study is a first step in addressing knowledge gaps regarding the full extent of foreign investment in Atlantic Canada, the factors that determine the amount of foreign investment in the region and the impact of this investment on the regional economy. The study may be found at <http://www.apec-econ.ca/index.htm>.

ACOA continues to develop closer working relationships with its federal and provincial investment partners¹³ through greater co-operation, increased consultation and joint activities. Through these partnerships, the Agency has completed site selector familiarization tours and investment conference joint activities, including investment booths and networking events.

The Agency's greater involvement with Investment Partnerships Canada in the KPMG 2002 Competitive Cost Analysis study led to the inclusion of a larger number of Atlantic Canadian cities in the study and the delivery of a KPMG presentation on its new interactive web site at <http://www.competitivealternatives.com/> which enables on-line evaluations and customized reports of the study results. The Agency organized a training session for the interactive web site for municipal, provincial and federal investment officers. In addition, ACOA participated in the release of the KPMG study in Norway and Belgium.

The Brand Canada Pilot Project, a survey of 100 selected senior U.S. executives located in Boston and Dallas with the objective to gain a clear understanding of the current issues affecting FDI location decisions, was completed this year. Results show that opinions of Canada as an FDI location came out reasonably well. Atlantic Canada, however, was less familiar to investors. In an effort to increase the awareness of Atlantic Canada as an attractive FDI location among investors, the Agency has developed a number of marketing tools. For example, ACOA has completed a media campaign of investment promotion advertisements placed in selected U.S. and European site selector and sector magazines. The series of advertisements was produced using the theme "Atlantic Canada: A Profitable Place to Do Business". In addition, e-business CD cards on the energy and biotechnology sectors and a KPMG Atlantic Canada brochure were produced for distribution to investment partners and key contacts. To see the Brand Canada report, please visit: <http://www.ic.gc.ca/cmb/Welcomeic.nsf/ICPages/SpecialReports>.

The Atlantic Investment Co-ordination Committee (AICC), whose membership includes Agency and provincial government officials, organized an Atlantic Canadian delegation to attend the International Development Research Council Conference in Dallas in October. The Atlantic presence included a joint ACOA/Atlantic provinces booth and reception. The event attracted over 1,500 investment developers, corporate realtors and site selectors from the U.S. and Europe and is considered one of the largest in the investment industry.

¹³ Partners include: Provinces of New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island; and Investment Partnerships Canada's (IPC) parent organizations Industry Canada and the Department of Foreign Affairs and International Trade.

A follow-up survey with participants indicated AICC's promotion and awareness efforts are working – 63% of those surveyed were aware of Atlantic Canada's presence at the IDRC events. In addition, survey participants commented that it "was a great and effective manner to promote a region such as Atlantic Canada. It offered a way in which to increase Atlantic Canada's name recognition."¹⁴

Other investment promotion activities included integrating promotion and awareness within the Team Canada Atlantic trade missions to Atlanta and New York during the past year. During the mission to New York, the investment program was led by the ACOA Minister of State and the four Atlantic Premiers, and involved a series of meetings and roundtables showcasing Atlantic Canada to corporate lawyers, site selectors, business executives and energy leaders.

ACOA, in partnership with the Province, provided continued support for the Ambassador Newfoundland and Labrador Program. Currently, there are over 400 ambassadors living across Canada and around the world who actively promote the province. The program produces a bi-monthly newsletter, distributed to 43,000 addresses throughout Canada and the world.

¹⁴ ACOA, *Report on IDRC Dallas Survey Results*, March 2002

Tourism

Strategic Outcome

Increased profitability, investment and wages in the tourism sector, resulting from higher quality in-demand products that operate over longer seasons

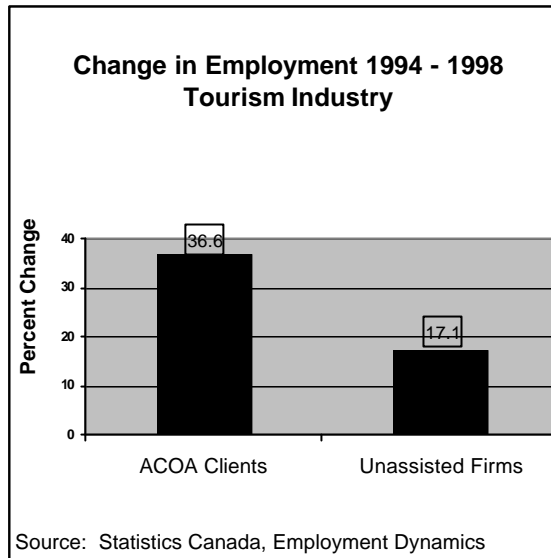
Planned Results (Targets) ¹⁵	Results
Develop a functional, sustainable tourism community screening and mentoring model based on the Bouctouche Best Practices Program. Deliver the model to 10 tourism communities in Atlantic Canada	<i>90% of target achieved.</i>
Develop strategic public and private sector partnerships to develop six new high-quality, niche tourism products and experiences	<i>Co-ordinated pan-Atlantic approach to developing and marketing five niche tourism products: cruise ship; lighthouses; ecosystems, economuseums; and seaside resorts.</i>
Co-ordinate six Best Practice missions to empower tourism operators with the knowledge required to develop in-demand, quality tourism products	<i>Target achieved.</i>
Communicate the need to focus on quality and wide deployment of benchmarking/standards development and skills enhancement initiatives (mystery shopping, best practices, grading certification and training programs)	<i>Initiatives helped contribute to increased product quality, accommodation star/grading rating, average room rates and revenues per room; increase in the supply of in-demand high-quality waterfront cottages, historic country inns, campgrounds.</i>
Inform potential partners (industry groups, associations, provincial departments, etc.) of opportunities in tourism	<i>Presentations and information sessions to share research based information and market intelligence on product and marketing opportunities.</i>
Establish long-term strategic planning through partnerships	<i>Partnerships established with P.E.I. Tourism Marketing Authority, N.S. Tourism Partnership Council, Tourism Industry Associations in P.E.I., N.S., N.B., Newfoundland and Labrador, and Cape Breton.</i>
Direct promotion of Atlantic Canada as a travel destination both domestically and internationally	<i>For example, Atlantic Canada's share of U.S. over-night arrivals from the New England market increased by 13% over 5 years.</i>

¹⁵ For enhanced clarity and understanding of the reader, the planned results (targets) are a refinement of the planned results from the Report on Plans and Priorities 2001-2002.

Accomplishments

The tourism industry is one of the most important sectors of the economy in Atlantic Canada. In fact, it is one industry where employment growth has increased at a higher rate than that of Canada as a whole. For Atlantic Canada, there is strong evidence that tourism is a growing market.

Results of ACOA's contribution to job creation are evident in that employment growth of assisted firms was double that of unassisted firms.



The funding provided to these firms is essential to increasing tourism visitation and revenues, and is mainly directed at establishing, improving or expanding existing accommodations or facilities, such as bed and breakfasts or tourist chalets and cabins.

The Atlantic Canada Tourism Partnership (ACTP) is comprised of nine partners. These partners work together to promote tourism in the Atlantic region as a whole, leveraging resources, creating brand awareness and market impacts that far exceed what can be achieved by the provinces working separately. The partnership is mainly a marketing consortium, its purpose being “to focus efforts totally in marketing-related activities and to focus on international markets, with particular sustained emphasis in the United States so as to effect increased tourism visitations and expenditures from its international markets.”¹⁶

ACTP Partners

- ACOA
- The Province of New Brunswick, Business New Brunswick and the Department of Tourism and Parks
- The Province of Nova Scotia – Department of Tourism and Culture
- The Province of Prince Edward Island – Fisheries and Tourism
- Tourism Industry Association of New Brunswick
- Tourism Industry Association of Nova Scotia
- The Province of Newfoundland and Labrador – Department of Tourism, Culture and Recreation
- Tourism Industry Association of Prince Edward Island
- Hospitality Newfoundland and Labrador

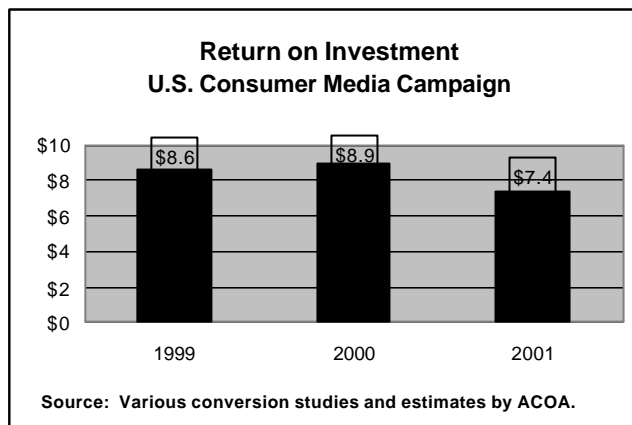
For the past nine years, this partnership has been cited as a strong example of how working together benefits the overall region.

¹⁶ Memorandum of Agreement, Renewal of the Atlantic Canada Tourism Partnership (“ACTP”), February 24, 2000

The cost sharing for this partnership is 50%-30%-20%. ACOA's and the Provinces' contributions are in the form of cash contributions. Industry contributions include in-kind and other cash investments in relation to partnership-related activities, e.g., trade registrations.

Financial Scope \$19.52M 2000-2003		
ACOA	50%	\$9.76M
The Provinces	30%	\$5.86M
Industry	20%	\$3.90M

The U.S. consumer media campaign, a three-year ACTP project, is primarily directed at the New England marketplace, with secondary emphasis on the mid-Atlantic regions of the United States. Its aim is to attract visitors to Atlantic Canada. Investment in this campaign has resulted in increased tourism-related awareness, visitations and revenues. Since 1999, the campaign generated a high number of inquiries, increased revenues and an



average return on investment of 8:1.

The 2001 campaign has again had a very positive impact in Atlantic Canada. Average spending in Atlantic Canada by converted parties²⁰ increased by 31% compared with 2000's spending levels. The return on investment for this campaign was 7:1. In other words, every advertising dollar spent has resulted in \$7.40 in tourism spending in Atlantic Canada.

2001 U.S. Consumer Media Campaign	
Inquiries¹⁷	100,525
Visitor Parties	17,527
Conversion¹⁸	17% ¹⁹

ACTP's partnership with the Canadian Tourism Commission (CTC) continued to build on the "Canada's East Coast" brand in European markets. Consumer and trade initiatives in the United Kingdom resulted in approximately 270 bookings to Atlantic Canada and generated a return-on-investment of \$4.50 for every dollar invested in the CTC program.

¹⁷ Only inquiries that are directly attributable to ACTP advertisements are counted. Tracking mechanisms to draw a direct relationship between the advertisement and inquiry are in place.

¹⁸ Conversion is a measurable ratio of the total number of prospective visitors that called or requested tourism information versus those callers who actually visited the destination.

¹⁹ The methodology for the calculation of conversion rates was modified for the 2001 to ensure that already-committed visitors are not counted as having been converted by the media campaign.

²⁰ A converted party is a party who called or requested tourism information and then actually visited the destination.

Marketing initiatives continue to promote Atlantic Canada internationally as a travel destination. Overnight arrivals from other countries have increased over a five-year period. Most notable are overnight arrivals from Germany.

International Overnight Visits Percentage Increase 1996 - 2000	
Germany	8.1%
Japan	1.6%
United Kingdom	1.4%
United States	1.1%

The attacks of September 11, 2001 affected the tourism industry globally. As a result of the attacks, ACOA initiated a research and tracking project to assess the impacts in the New England market. This research suggests residents of New England have not fundamentally changed their travel plans as a result of the terrorist attacks. However, Atlantic Canada has moved to a higher position on the list of preferred destinations because it is viewed as a safer and more welcoming destination than it was prior to September 11.

The research results necessitated a re-examination of marketing activities for Atlantic Canada to remain competitive post-September 11 and, as a result, ACOA and the provinces, under the auspices of ACTP, formed a \$600,000 partnership with the Canadian Tourism Commission (CTC). This partnership was part of the CTC's "New Realities Program", aimed at the New England market.

ACOA also introduced a new pan-Atlantic marketing initiative in January 2002. This one-time, concentrated tourism marketing effort in Ontario and Quebec, resulted from the uncertainty faced by the regional industry in the wake of the events of September 11. ACOA's investment was \$3.75 million, or 75%.

With assistance from the Business Development Program, 75% of fixed roof accommodations in Atlantic Canada were rated by the Atlantic Canada grading authority. Many operators throughout Newfoundland and Labrador have been able to increase their "star" rating through a number of quality enhancements and front-line staff training. In the last five years, professional certifications have increased from 1 to 229. In fact, since the Newfoundland and Labrador Accommodations Rating Council (NLARC) was introduced in 1994, the average star grading has increased from 1.96 to 2.70.

"The Newfoundland and Labrador Accommodations Rating Council has been a real ACOA success story. In 1993, we were given ACOA funding and by 1997, the Council became self-sufficient. Star rating of Newfoundland and Labrador accommodations has increased by 72% over the 1994-2001 period".
Bruce Sparks, Chairman, NLARC.

Community Economic Development

Strategic Outcome

Support to rural communities in developing and implementing strategic and operational plans to create self-sustaining economically viable communities

Planned Results (Targets)	Results
Increase use of integrated community planning	<i>On track.</i>
Job creation and strategic infrastructure development	<i>On track.</i>
475 loans per year to young entrepreneurs	<i>83% of target achieved.</i>

Accomplishments

ACOA works with regional and local partners to build community capacity to plan and implement self-sustaining viable opportunities for economic development. Through these efforts, the Agency is working to support viable rural communities and to help them realize the full benefit of economic development opportunities. The Agency continues to work in partnership with Regional Economic Development Organizations throughout Atlantic Canada, a key component of the partnership being the development, maintenance and co-ordination of economic development plans for the communities they represent.

In the past year, ACOA has made considerable progress in support of rural communities in New Brunswick. Some examples include:

- developed a new operating framework and mandate for 15 Community Economic Development Agencies to replace existing Regional Economic Development Commissions;
- participated on the official committee related to the Premier's Action Committee on the renewal of the Acadian Peninsula, and support for shellfish aquaculture development, research and development, and trade;
- conducted research related to the economy of the Chaleur/Restigouche region and initiated dialogue to help address the economic situation faced by the area due to the impending mine closure; and
- held workshop/professional development sessions for all Young Entrepreneurs ConneXion Seed Capital and Counselling Program co-ordinators to strengthen their portfolio management skills and to further encourage training/counselling of Seed clients in New Brunswick.

The ACOA/Newfoundland and Labrador Federation of Municipalities (NLFM) Community Economic Development Workshop Initiative is a multi-year, collaborative information and training project intended to build on existing community economic development efforts and expertise. It has:

- helped build partnerships and co-operation among key players in community economic development in the province of Newfoundland and Labrador;
- provided a mechanism for communication between organizations and individuals to discuss resources and to share opportunities and ideas;
- helped to raise the level of optimism within the province at a time when it is needed and is justified; and
- delivered six workshops to approximately 170 of the 291 incorporated municipalities in Newfoundland and Labrador.

Throughout Atlantic Canada, ACOA continues to provide loans to young entrepreneurs through its Young Entrepreneurs ConneXion Seed Capital and Counselling Program. To ensure the greatest possible rural access, the program is delivered by the 41 Community Business Development Corporations (CBDCs) (and six other delivery agents in urban areas.) About 80% of the loans have been made in rural areas. More information on this program is available on ACOA's web site <http://www.acoa-apeca.gc.ca>.

In 2001-2002, Young Entrepreneurs ConneXion Seed Capital and Counselling Program:

- issued nearly 400 loans
- provided \$3.8 million in assistance
- \$9.8 million additional leveraging achieved

Strategic Outcome	
Expand access to government business services (financing, counselling and information)	
Planned Results (Targets)	Results
Increase number of government services/programs accessible at the local level, particularly in rural areas and Aboriginal communities	<i>On track.</i>

Accomplishments

ACOA continued its support of expanding access to government business services. Some examples:

- Under the Aboriginal Business Development Initiative, ACOA played the lead role with partners²¹ in implementing the Aboriginal Business Service Network (ABSN) in 42 Aboriginal communities and organizations throughout Atlantic Canada, almost 30% above the target. These networks provide Aboriginal communities with public access to workstations and hard-copy small business libraries.
- Forty communities/organizations in Atlantic Canada received computer hardware, software and training in order to improve their understanding of and capacity to access CBSC/ABSN databases. Hopedale and Davis Inlet in Newfoundland and Labrador are also expected to join the network soon.
- ACOA and the CBSCs continue to collaborate with the Atlantic ABSN Working Committee and are concentrating their efforts on the development of Aboriginal-specific information products, completion of their regional presence on the Internet and additional training. An inaugural meeting of federal departments was held with the goal of improving co-ordination and responsiveness of federal efforts to meet Atlantic Canada's Aboriginal economic development needs.
- CBSCs outreach efforts have succeeded in providing access to their information holdings to a total of 128 local economic development organizations and intermediaries. An evaluation study is currently underway and will help to determine the next steps in this initiative.
- "Talk To Us" technology (web-enabled interactive technology) was launched region-wide.
- In Newfoundland and Labrador, continued co-operation between ACOA, the Province and the Canada-Newfoundland and Labrador Business Service Centre has resulted in increasing the range and breadth of information services available to small business and the general public.
- In New Brunswick, ACOA provides both financial and technical support to the 13 Regional Economic Development Commissions as well as the 10 Community Business Development Corporations that are among the key partners at the community level.

²¹ Partners in this initiative include a broad cross-section of Aboriginal stakeholders including the Atlantic ABSN Working Committee and several Aboriginal communities and organizations throughout Atlantic Canada.

Strategic Outcome	
Increase number of loans and resultant jobs created and maintained in rural areas as a result of SME counselling and financing services by Community Business Development Corporations (CBDCs)	
Planned Results (Targets)	Results
1,100 loans to SMEs in rural areas	<i>94% of target achieved.</i>
Approximately 10,000 enquiries/information requests and counselling sessions annually	<i>Target exceeded. Approximately 10,700.</i>

Accomplishments

In the past year, the Agency contributed \$17.5 million to the network of CBDCs in Atlantic Canada to fund its operations investment funds.

ACOA provided \$1.3 million

over three years to fund “The Exceptional Assistant”, an Internet-based technology that will manage and streamline its computerized loan management and administrative processes. This tool will provide CBDC staff with more time to focus on their areas of expertise - business financing and advice. ACOA also contributed \$9.1 million over three years to support the Atlantic Canada Community Investment Fund, established to provide an ongoing source of investment capital for SMEs in rural Atlantic Canada. The Fund augments the existing loan portfolio and, in turn, provides a larger pool of investment capital, on a repayable basis, when the demand for loans exceeds available funds.

2001-2002 CBDC Activity:
<ul style="list-style-type: none"> • 1,030 loans • \$33.3 million in support of business establishments and expansions • 3,000 jobs will be created or maintained through these loans²²

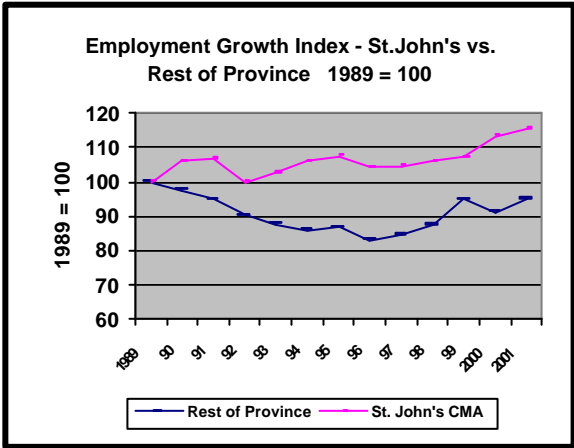
²² This estimate is adjusted for incrementality and for indirect and induced job impact.

Strategic Outcome	
Self-development of communities and alternate employment in areas affected by the closure of the Atlantic groundfish fishery (Canadian Fisheries Adjustment and Restructuring (CFAR) initiative)	
Planned Results (Targets)	Results
Increase community leadership in areas related to economic development	<i>On track.</i>
Sustainable SME and job creation in areas other than the traditional fish harvesting and processing occupations	<i>Under the Economic Development Component of CFAR, ACOA in Newfoundland and Labrador supported 67 projects totalling \$ 5.8 million in assistance. In Nova Scotia, ACOA supported 54 projects totalling \$9.3 million in assistance.</i>

Accomplishments

ACOA is delivering the economic development component of CFAR as part of a multi-departmental horizontal initiative. It is designed to respond to the needs of small-scale, rural businesses and to assist affected rural communities in becoming more self-reliant by diversifying and expanding their economies.

Rural communities in Newfoundland and Labrador have experienced a partial rebound in employment since 1996 (see chart on right). While the St. John’s Census Metro Area (CMA) has experienced significant gains in employment, the rest of the province has yet to return to pre-moratorium levels. Most rural areas have continued to lose young people as indicated by the 7% decline in the province’s population between 1996 and 2001. Growth in the tourism industry in particular helped stem the tide, as have call centre jobs in the larger centres of Gander, Grand Falls and Corner Brook.



Access to Capital and Information

Strategic Outcome

Employment and new business start-ups as a result of Access to Capital and Information for Atlantic SMEs

Planned Results (Targets)	Results
Approximately 800 Atlantic SMEs assisted in helping to create or maintain jobs	<i>69% of target achieved.</i>
An expanded Consulting Advisory Services (CAS) placing more emphasis on counselling/mentoring, skills development/productivity improvements, and specific initiatives under trade and innovation strategic priorities	<i>On track.²³</i>
Examination and promotion of venture capital and micro-credit options to address funding gaps	<i>On track.</i>

Accomplishments

Easing access to capital continues to be one of ACOA's most important strategic priorities in the pursuit of its mandate. Access to capital remains central to economic development in Atlantic Canada where access to commercial financing is relatively more difficult than in the rest of the country.²⁴

The Business Development Program (BDP) is the principal instrument used by the Agency to provide support for the higher risks of doing business in Atlantic Canada. During the 2001-2002 fiscal year, 551 SMEs received assistance under the BDP, for a total of \$84.6 million in authorized assistance.

²³ For specific initiatives under Trade, refer to pages 19-21, for Innovation, refer to pages 16-18.

²⁴ The Auditor General's 1995 comprehensive audit of ACOA determined that 81% of cases did not have sufficient means to raise the necessary funds for the proposed project.

It is expected that this support to SMEs will result in the creation and maintenance of over 5,500 jobs. This estimate includes only jobs associated with incremental projects.²⁵ Also, the figure includes indirect and induced employment resulting from the spending of assisted companies and their employees. These impacts have been estimated using the Conference Board of Canada's model of the Atlantic economy.

ACOA's Consulting Advisory Services (CAS) expenditures increased 17%, to \$2.9 million in the last year. The results of the Agency's goal of placing more emphasis on counselling/mentoring and skills development/productivity improvements are evidenced by the increase in CAS engagements. Eighty-six percent of CAS engagements were either Diagnostic Assessments or Business Plan Mentoring.

ACOA has supported five venture capital funds since the mid-1990s, two of which have been very active in making investments.²⁶ Venture capital is more important now than it was in 1995²⁷, yet it remains a small part of the overall supply of capital. Venture fund investments are more likely to be technology- or idea-based. This targeting of highly specialized, young companies is an area that ACOA can increasingly aim toward as it continues to support the promotion of the venture capital industry.

ACOA has worked with several partners²⁸ to examine the roles governments may play in assisting further development of micro-credit as a community-building tool. An initial study²⁹ reviewed micro-credit programs in the international and North American arenas, investigated applicable measures of program success, effective delivery mechanism and structures, as well as gave consideration to performance characteristics that might apply to the Atlantic Canadian context.

²⁵ The Auditor General, in his report dated November 1995, Chapter 18, defines an incremental project as one which would likely "not have proceeded with the same scope, at the same time and in the same location without government assistance". Independently conducted surveys of clients by Statistics Canada found that 95% of projects could not have proceeded as planned. A follow-up survey by ACOA of viable projects refused for support revealed that 91% did not go ahead as planned. For the purposes of assessing impact, the Agency used a conservative incrementality factor of 67%, meaning that for every 100 jobs generated by assisted projects, only 67 are actually reported.

²⁶ The five funds include: ACF Equity Atlantic Inc.; Telecom Application Research Alliance (TARA); PEI Capital; Workers Investment Fund New Brunswick; and Community Catalyst Fund. ACF Equity Atlantic Inc. and TARA are the two funds very active in making investments.

²⁷ Canmac Economics Ltd, *Venture Capital Firms Report*, July 2001

²⁸ Regional Co-operative Development Centre, Canadian Youth Business Foundation (Saint John), Community Loan Fund, the Rural Secretariat, Human Resources and Development Canada

²⁹ CFO Sustainability Group, *Micro Credit Review*, August 2001

Some preliminary results show that:

- ACOA, as a federal development agency, is well positioned to advocate for further financial resources for micro-credit;
- more effective on-line screening tools and support systems for practitioners could enhance micro-credit programs; and
- consideration must be given to the means to establish strong networks of support as well as the ability to replicate programs and resources across the region.

Policy, Advocacy and Co-ordination

Strategic Outcome

Co-ordinated action by key stakeholders on a contemporary policy framework for economic development resulting in productivity growth and improved competitiveness

Planned Results (Targets)	Results
A sound basis for co-ordinated action by key economic stakeholders in Atlantic Canada	<i>On track.</i>
Credible rationale for a regional economic development strategy	<i>Ongoing.</i>
Intelligence required to strategically seek out regional opportunities	<i>Ongoing.</i>

Accomplishments

ACOA's policy research supports the Agency's strategic priorities and federal policy issues and priorities. In addition, research topics reflect emerging issues of importance to the Atlantic region, such as the oil and gas industry and attraction of foreign direct investment.

In support of its economic development mandate, ACOA carries out policy-relevant research on a broad range of issues, challenges and opportunities associated with the development of the region's economy. The Agency's policy research efforts are strategically focussed and actively involve public and private sector partners and key stakeholders from across Atlantic Canada and outside the region.

Policy research initiatives having region-wide applicability that were completed during the year included:

Studies and Reviews

- *Innovation and Commercialization in Atlantic Canada*

This research, available on ACOA's web site: <http://www.acoa-apeca.gc.ca>, examined the region's current technology commercialization practices and processes, including strengths and weaknesses, and examined best practices in technology commercialization and lessons learned from other jurisdictions that could be applicable to Atlantic Canada.

- *Employment, Skills and the Knowledge Economy in Atlantic Canada*

In partnership with the Canadian Institute for Research on Regional Development, ACOA examined some of the strategic issues and challenges related to developing skills in the context of a more knowledge-based economy in the four Atlantic provinces.

- Quarterly economic review and outlook report on the Atlantic economy.
- Performance of key economic indicators, including population, immigration, innovation, labour markets and exports.
- The economic impact of September 11 on the Atlantic economy.

Other Activities:

- In partnership with the Public Policy Forum and Industry Canada, a roundtable was organized focussing on “Innovation in a North American Context: Atlantic Canada’s Perspective”. Participants included representatives from the federal and provincial governments, colleges and universities, the private sector, associations, labour and the Aboriginal community. The round-table explored innovation in terms of research infrastructure, skills development, research and business linkages.
- Papers addressing the economics of immigration in Atlantic Canada were presented at the 5^h National Metropolis Conference in Ottawa.
- In Newfoundland and Labrador, ACOA published the second issue of “Zone Profiles”, which provides statistical comparisons between the province’s 20 economic zones. For more information, see <http://www.linkproject.nf.ca/linkproject.htm>

Strategic Outcome	
Co-ordination of economic development activities and functions in Atlantic Canada	
Planned Results (Targets)	Results
Policies and programs of federal departments that have a greater impact on economic growth in Atlantic Canada	<p><i>On track. Completed activities include:</i></p> <p><i>Partnered with the Canada Economic Development Agency for the Regions of Quebec (CED-Q) in a research project that examined the economic dynamics of peripheral regions in an increasingly knowledge-based economy. The research report can be found on ACOA's web site at http://www.acoa-apeca.gc.ca</i></p> <p><i>In partnership with Industry Canada and Natural Resources Canada, provided funding for a follow-up study to a key regional study on natural gas utilization completed in 1999. The reports are available on the Newfoundland Ocean Industries Association's web site at http://www.noianet.com</i></p> <p><i>Partnered with Natural Resources Canada to advance the federal government's priorities in areas such as innovation and to respond to challenges and opportunities in Atlantic Canada as they related to the sustainable development of natural resources.</i></p> <p><i>A joint initiative sponsored by ACOA, the National Research Council of Canada and the Province of Prince Edward Island, involved working toward a Bioresources-Based Technology Cluster Roadmap (BTCRM). The report can be found at: http://www.nrc.ca/atlantic/pei/reports.html</i></p>

Accomplishments

- The implications of research on Peripheral Regions in the Knowledge Economy occupied ACOA's attention during the past year. Researchers in Quebec and Atlantic Canada met with economic stakeholders in various rural and outlying areas and prepared analytical reports outlining some of the challenges and opportunities facing these regions. The research findings have prompted ACOA, CED-Q and other federal departments to consider the implications of research for their respective policies and programs.

- A framework that serves to extend the reach of Natural Resources Canada beyond its research establishments in the Atlantic region and allows ACOA to more broadly address innovation and other issues in resource sectors are the results of the partnership with Natural Resources Canada. Four areas were identified for action with departmental champions named for taking the lead:
 - energy production and distribution;
 - ocean-related R&D;
 - trade and investment; and,
 - efficient, renewable and clean energy.
- The Bioresources-based Technology Cluster Roadmap (BTCRM) is a needs-driven technology planning process to help identify, select and develop technology alternatives to satisfy a set of product needs. As a follow-up to the roadmapping exercise, ACOA is providing support for a feasibility study to examine the development of a multi-disciplinary science laboratory in Prince Edward Island.

Strategic Outcome	
Active pursuit and promotion of Atlantic Canada's interests in respect of national policies, programs and issues and procurement	
Planned Results (Targets)	Results
Alignment between national policies and programming and regional development circumstances	<i>Ongoing.</i>
Improved access to federal contracts for Atlantic firms to build the industrial capacity of the region	<i>Ongoing.</i>
Secure significant Industrial and Regional Benefits (IRBs) for Atlantic firms on major defence procurements	<i>Ongoing.</i>

Accomplishments

In fiscal year 2001-2002, ACOA worked closely with other Industry Canada portfolio partners to ensure that key government priorities such as the proposed broadband deployment, Canada's Innovation Strategy, and the government's overarching connectedness agenda would help build the economic capacity of Atlantic Canada.

Activities included:

- worked to ensure that the national innovation agenda discussion papers, *Achieving Excellence* and *Knowledge Matters*, were reflective of issues and challenges resident in Atlantic Canada and that the region would have an opportunity to participate in the consultations planned for next year. More information can be found at:
<http://www.innovationstrategy.gc.ca/cmb/innovation.nsf/MenuE/InnovationStrategy>
- in collaboration with other regional development agencies and Transport Canada, consistently argued for increased competition in the airline industry and for ensuring that airports in the region were not unfairly disadvantaged by the imposition of costly fees and other charges. The Agency supported changes to the *Competition Act* that would encourage a more diverse airline industry. Overall, ACOA worked to ensure that broad national transportation policies would address the capacity needs of the region.
- advocated that the border investments promised in Budget 2001 include the ability to address small strategic regional border crossings, for example, in St. Stephen, New Brunswick. The Agency also worked to ensure that each province in Atlantic Canada would have an opportunity to participate in the Canada Strategic Infrastructure Fund, another initiative announced in Budget 2001.
- in consultation with Natural Resources Canada, emphasized the need to more directly identify and quantify the industrial and regional benefits that could accrue from oil and gas development over the long term.
- worked with other federal partners to negotiate economic benefits from Voisey's Bay, including those targeting Aboriginals in Newfoundland and Labrador. The Agency also ensured that there would be an adequate economic adjustment package to help the Cape Breton Regional Municipality respond to the closing of the Devco mine.
- worked with Public Works and Government Services Canada to undertake regional bidders conferences related to the Government On-Line supply arrangements with a potential value in excess of \$700 million. Bidders conferences were held at Halifax, St. John's, Charlottetown and Fredericton in January 2002.
- continued its participation in the approval of procurement strategies for all major federal procurement activities over \$100 million. In 2001-2002, the Agency continued to work with Atlantic suppliers to identify opportunities for which they were qualified to bid.

Corporate Administration

Strategic Outcome

To ensure that ACOA's resources are efficiently and effectively managed and that administrative systems and services are in place to support management decision-making, accountability and operational control

Planned Results (Targets)	Results
Recommendations for improving the effectiveness of ACOA's programs and services	<i>On track.</i>
Increased awareness and understanding of ACOA's rationale, programs and services among both the general public and the Agency's key stakeholders	<i>On track.</i>
Ensure representation for all four target groups (Aboriginals, persons with disabilities, women, and visible minorities) in line with external availability throughout all regions of the Agency	<i>On track.</i>
Complete the implementation of Universal Classification System (UCS) and manage the impact of the new classification system on the organization and the employees	<i>The suspension of the Universal Classification System (UCS) by the Treasury Board of Canada across the Public Service has placed this project on hold.</i>
Increase the availability of corporate information	<i>On track.</i>

Accomplishments

- Treasury Board Secretariat's new Evaluation Policy and Results-Based Management Accountability Framework was implemented.
- The implementation of the Financial Information Strategy (FIS), a government-wide initiative to enhance decision-making and accountability across government, was completed.
- The Agency is committed to using information and communication technologies by ensuring direct, on-line access to its information and services. On-line delivery of its programs has been identified under Government On-Line (GOL) as the Agency's priority key service. On-line application for proposals under the Atlantic Innovation Fund was developed in collaboration with Government Telecommunications and Informatics Services and Entrust TruePass. (For more information, please see Annex A, page 45.)

- The Agency considerably increased the availability of corporate information through the introduction of the new Client Relationship Information Management System. The system, by focussing on the entire client as opposed to discrete project information, provides account managers with a better picture of client businesses with the Agency. Also, the system contains business intelligence that safeguards the quality of management information as it assists staff in completing the operational processes in their day-to-day work.
- Part of the Human Resource culture and values is to promote policies, practices and programs that ensure Canadian diversity in the public service workforce. Measures continue to be taken to promote representation of all employment equity target groups throughout ACOA.

ACOA's Repayable Portfolio

Definition

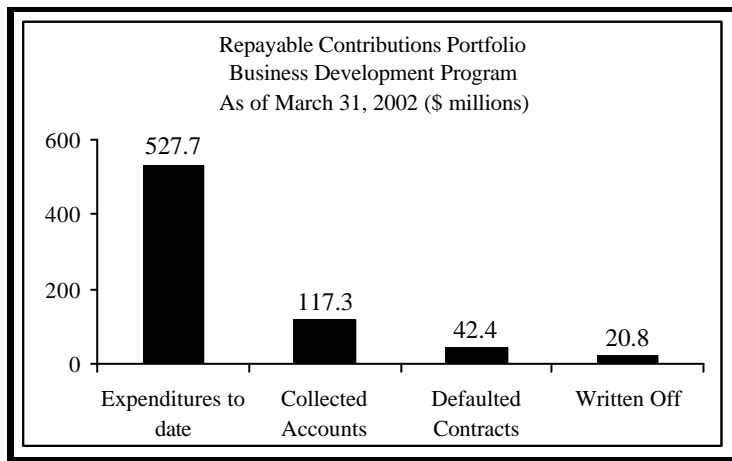
Among its many activities, ACOA provides interest-free, unsecured loans to SMEs to help them start up, expand, improve productivity, develop new markets and the like. ACOA's funding fills financing gaps that commercial lenders find too risky. If the Agency were not filling this gap, then ACOA would not be doing its job.

The Agency enters into each loan contract expecting to be repaid, but the harsh reality is that, even though the five-year survival rate of ACOA-assisted businesses is over 2 ½ times that of all businesses, some projects will not succeed. In those instances, partial repayment or write-off becomes a necessity.

Repayable Contributions

Under the Business Development Program (BDP), commercial assistance is repayable over an average repayment term of five to seven years. Total outstanding repayable contributions for all ACOA programs were \$346.3 million as of March 31, 2002. From inception of the BDP in 1995 until March 31, 2002, the Agency collected \$117.3 million of repayable contributions.

The chart below gives a picture of the BDP Repayable Contributions Portfolio. Under this program, full repayment of commercial assistance has been in effect since 1995.



Risk Rating

All commercial clients are “risk rated” based on a five-tier gradation system. Accounts are reviewed regularly and the level and frequency of monitoring applied is adjusted in accordance to the risk taking.

As of March 31, 2002, the risk mix of the BDP portfolio was distributed as follows:

Risk Rating	Portion of Portfolio	Principal Outstanding
1 – Low	14%	\$48.5 M
2 - Low-Med	31%	\$107.3 M
3 – Medium	35%	\$121.2 M
4 - Med-High	13%	\$45.0 M
5 – High	4%	\$13.8 M
Not yet rated	3%	\$10.3 M
Total		\$346.3 M*

Default Ratio

From inception of the BDP to March 31, 2002, a total of \$527.7 million in repayable contributions was disbursed. From that amount, a total of \$63.2 million has defaulted and provisionally repayable contributions totaling \$900,000 were closed due to success criteria not being met.

In the last five years, the BDP repayable portfolio experienced significant growth and it is now starting to level off. During the same period, the annual default rate has remained relatively stable. The following table summarizes the annual default rate performance for each of the last five fiscal years:

Fiscal Year	Defaulted	Principal Outstanding*	Annual Default Rate
1997/1998	\$2.52 M	\$173.40 M	1.4%
1998/1999	\$12.14 M	\$278.72 M	4.3%
1999/2000	\$14.27 M	\$337.55 M	4.2%
2000/2001	\$14.87 M	\$387.15 M	3.8%
2001/2002	\$19.68 M	\$404.80 M	4.8%

*At year-end. Includes annual defaults and collections

ANNEX A

1. Government Themes and Management Issues

a) Government On-Line (GOL)

Government On-Line is the Government of Canada's plan to deliver information, programs, and services over the Internet and a key component in ACOA's plan to improve service delivery to Canadians.

ACOA's Government On-Line strategy outlines the Agency's commitment to improving the quality of interaction between Canadians and the Agency by enabling them to request and receive information and services when and where it is most convenient for them. An important part of that strategy is the use of on-line tools. ACOA's vision for Government On-Line can be found at:

<http://www.acoa-apec.ca/e/about/gol.shtml>.

The Agency is also committed to identifying areas for collaboration on GOL initiatives by chairing a Regional Development Agency committee comprised of Western Economic Diversification, Community Economic Development Quebec, ACOA, Enterprise Cape Breton Corporation and FedNor, co-chairing the Government of Canada's Grants and Contributions Committee and the GOL-Infrastructure Working Group, and being a member of the board of governors for Canadian Heritage's Grants and Contributions Pathfinder project.



One of the first on-line tools offered by ACOA to the general public is a searchable database of ACOA projects. This "ACOA Project Summary Information Site", now available on the ACOA web site, contains information on all projects approved between January 1995 and March 2002. Using this database, the general public is able to create instant, ad hoc reports on ACOA-funded projects without having to submit a request under the *Access to Information Act*.

The direct link to this site is: <http://pub.acoa-apec.ca/atip>

In a second phase of this Government On-Line project, the database will be expanded to include information on all ACOA-assisted projects 60 days after the project funding is accepted.

b) ACOA's Commitment to Service Quality

The Agency has undertaken client and employee surveys designed to provide empirical data on client satisfaction with ACOA's key services to the public and to obtain feedback from employees on their perceptions of the Agency's service delivery process.

Questionnaires were mailed to 1,792 clients and 176 employees. Both surveys reflected the required elements of the Government of Canada's Common Measurement Tool which allows organizations to identify client or citizen priorities, their expectations and the gap between performance (satisfaction) and expectations (importance). The employee survey was designed to solicit feedback from staff on the same issues measured in the client satisfaction survey, thus determining if there are any perceived differences in opinions between employees and clients. The overall satisfaction score for the client survey revealed that 83.6% of the respondents were satisfied or very satisfied with the services received from ACOA.

The Agency has also undertaken a process mapping exercise with its main program, the Business Development Program, to assist in the development of process improvement service standards. These process maps will complement the results of the client surveys and will prove a very useful tool in the development of a Service Improvement Plan for the Agency.

c) Sustainable Development

ACOA's Sustainable Development Strategy (SDS) has two established goals: promoting sustainable communities and businesses in Atlantic Canada; and setting an example through the environmental management of ACOA's operations.

AIM	RESULTS
To encourage environmentally responsible practices among ACOA clients and stakeholders	<i>ACOA's web site contains a number of links to information on eco-efficiency including Industry Canada's Eco-efficiency Self-assessment tool. Pilot eco-efficiency reviews are taking place in New Brunswick. ACOA program officers attended training sessions on eco-efficiency so they can promote it to clients.</i>
To explore opportunities for environmental industries	<i>An ACOA policy on environmental industries is in the process of preparation and internal review.</i>
To seek opportunities to collaborate with public and private organizations on common sustainable development goals and objectives	<i>ACOA regional offices have taken specific steps to foster environmental awareness among their stakeholders. Since its inception, ACOA has provided approximately \$60 million in support of environmental programs and technologies in the Atlantic provinces. In partnership with Environment Canada and the Miramichi Environmental Assessment Committee, ACOA is currently evaluating the pilot project known as the Enviro Club.</i>
To increase awareness and understanding of what ACOA employees and contracted resources can do to support the goal of sustainable development	<i>Baseline research on attitudes of young Atlantic Canadians toward entrepreneurship included questions regarding sustainable development. This season's "MeInc" and "Jeunes Entrepreneurs" television vignettes will feature some young environmental entrepreneurs.</i> <i>ACOA has reached agreement to partner with the Office of Energy Efficiency within Natural Resources Canada to assist in launching its Industrial Energy Innovators Audit Incentive Service in Atlantic Canada.</i>
To make more efficient use of resources	<i>ACOA's web site includes the Agency's detailed action plan as well as tips and links to additional information. The SDS and its Update are also provided on the site. Head Office and regional offices all operate an SDS Committee, from which one or two representatives are members of the Agency Committee on Sustainable Development. An SDS update presentation has been given at Head Office and in the regional offices.</i> <i>Agency printers are defaulted to double-sided printing.</i> <i>The Agency has purchased two gasoline/electric vehicles and anticipates another purchase before fiscal year-end.</i> <i>Video conferencing equipment has been installed in Head Office, regional offices and the Minister's Office to reduce travel.</i>

d) Modern Comptrollership

In 2001-02, the Agency commenced implementation of its Modern Business Management Initiative (MoBMI) in response to the Government of Canada's Modern Comptrollership agenda. During the year, an office was established to direct the initiative and a management capacity assessment was carried out resulting in the identification and approval of ten priority areas where efforts will be made to improve management capacity. By way of example, one of the ten priorities is to further "increase the Agency's public reporting transparency". Considerable progress has already been made on this front as evidenced by the availability of several key informational items on our web site, such as: the current status of the Agency's Repayable Contribution Portfolio; download capability of studies undertaken by the Agency; customized project information for all projects approved by ACOA between January 1, 1995 and March 31, 2002; as well as the availability of the Modern Business Management Capacity Assessment. Further details of the priorities as well as information on the current status of the initiative can be found on the Agency web site at <http://www.acoa-apeca.gc.ca>.

e) Official Languages Act – Section 41

"The Government of Canada is committed to (a) enhancing the vitality of the English and French linguistic minority communities in Canada and supporting and assisting their development; and (b) fostering the full recognition and use of both English and French in Canadian society."

ACOA is currently preparing its report on the results obtained for its 2000-2002 Action Plan regarding the implementation of Section 41 of the *Official Languages Act*, as required under the accountability framework created by Cabinet in August 1994. In addition, the Agency will submit its 2002-2004 Action Plan, outlining further objectives for advancing the Section 41 commitments. This plan will be prepared in consultation with representatives of the French linguistic minority community to reflect their needs and propose initiatives identified by them.

ACOA's support of the French linguistic minority community is evidenced by its continued, active participation on the National Committee for Canadian Francophonie Human Resources Development. The Committee has recently submitted its Operational Strategic Plan for 2002-2007. ACOA will support the goals outlined in this five-year framework as a sitting member on the Committee.

Co-ordinating groups on economic development and employability in each of the four Atlantic provinces are mandated to design and implement economic development plans and initiatives. They are assisted in this task with the co-operation of ACOA's regional Section 41 co-ordinators. A close working relationship has been established in order to ensure that both parties undertake consistent and complementary measures.

The Agency has recently entered into a \$10 million partnership agreement with the Department of Canadian Heritage. The Atlantic Canada Cultural and Economic Partnership will stimulate economic development in the cultural sector and serve to celebrate the history and the cultural diversity of Atlantic Canada, primarily in respect to the 400th anniversary of l'Acadie in 2004.

Through the Business Development Program, ACOA has invested in over 40 initiatives focussed on the French linguistic minority communities in New Brunswick. It has also supported various other projects centred on the Francophone communities including the CE2000 conference in Edmundston. CE2000 was a Francophone business conference promoting electronic commerce, which attracted 250 delegates.

In Nova Scotia, ACOA continues to promote Acadian entrepreneurship and skills development through core financial assistance to Centre Jodrey at the Université Sainte-Anne, one of five Nova Scotia University Business Development Service Centres supported by the Agency. The Centre is an important part of the Community Economic Development network supporting the Francophone community as well as being a focus for Francophone entrepreneurship development. ACOA has also supported numerous initiatives in Nova Scotia ranging from covering operational and marketing expenses for the 2004 Acadian World Congress Planning Project to participating in, and benefiting from, pan-Atlantic entrepreneurship development projects focussing on Francophone youth.

Economic diversification projects in Newfoundland and Labrador continue with the assistance of ACOA. These include the French Ancestors Route on the Port au Port Peninsula and the development of a French theme touring route on the Avalon Peninsula. Through the Francophone Affairs Steering Committee, represented by federal and provincial departments, information on programs and services is actively shared with representatives of the Francophone community, keeping the level of interaction with the linguistic minority groups at a premium.

On Prince Edward Island, ACOA authorized seven applications for financial assistance of \$275,000 under various programs in support of Francophone cultural activities.

2. Collective Initiatives

a) Aboriginal Economic Development

ACOA's support to Aboriginal Economic Development in Atlantic Canada is evident in several areas. Again, this year, more Aboriginal communities and organizations gained access to government service and programs. (See page 29 for more details.)

In Nova Scotia, the Agency makes a significant contribution to Aboriginal economic development through its work on the Tripartite Economic Development Committee, a committee established in 2000 with a budget of \$150,000. It is mandated by the Nova Scotia Chiefs as well as representatives from the federal and provincial governments, with ACOA acting as federal Co-chair. In July 2001, the Committee identified three main strategic priority areas: entrepreneurship, information and communications technology, and capacity building. To enable the Committee to support community-based projects that address the priorities set out in its work plan, an additional \$150,000 was provided through the Cooperation Agreement on Economic Diversification.

Examples of some projects:

- (1) *Procurement Officer (Phase III)* – to assist Aboriginal firms and individuals to access and participate effectively in the public and private sector procurement processes. In the past two years, there has been an increase by bands in establishing joint ventures with the private sector. The Aboriginal Alliance of Companies has reported that there is an increased awareness of procurement-related activity. An Aboriginal Business Directory has been developed.
- (2) *First Net* – to develop an approach to the use of Information Technology to assist First Nation communities and organizations in providing public access and access to the Internet.
- (3) *Ulnooweg Development Corporation* – designed to provide management support for the Economic Development Officers' Network.
- (4) *Feasibility Study for an Aboriginal Employment Agency* – market research project that examined the need and feasibility of implementing an Aboriginal Employment Agency.

In addition, ACOA is involved in a number of other initiatives designed to support Aboriginal economic development in Nova Scotia. These include:

- *Aboriginal Youth Roundtable* – to discuss views on the perception of entrepreneurship among youth and the challenges and opportunities faced by Aboriginal entrepreneurs or potential entrepreneurs. A proposal for a follow-up initiative, Aboriginal Entrepreneurship and Business Skill Training Project, is being developed by the Economic Development Officers.
- *Information and Communications Technology (ICT) Roundtables* – a collaborative effort of several individuals from the Atlantic First Nations, federal and provincial departments, and private sector partners to identify challenges and opportunities of ICT and to produce a framework and strategic agenda for addressing ICT among First Nations in Atlantic Canada.
- *Aboriginal Business Service Network* – Emphasis over the coming year will focus on renewal of library materials, completion of the Nova Scotia version of the ABSN web site, renewal of library materials, promotion and further training sessions.
- *Atlantic Economic Summit* – This summit took place in Halifax in September 2001. The summit provided an opportunity for Aboriginal economic leaders and senior corporate officials to explore the benefits of working together toward mutual economic gain.
- *Nova Scotia Federal Council Committee on Aboriginal Co-ordination* – to provide a forum for communication and exchange of information.
- *Collaboration with Indian and Northern Affairs Canada* – to participate in reviewing current programming and explore opportunities for horizontal co-ordination in support of Aboriginal economic development.

In New Brunswick, ACOA is involved in another tripartite process implemented by Aboriginal communities and the federal and provincial governments. The Joint Economic Development Initiative (JEDI) aims to stimulate economic development in Aboriginal communities within New Brunswick through the identification of policy actions and funding partners that would encourage capacity building, education and training initiatives to develop the skills essential for individual and community self reliance. ACOA has provided support for various capacity building projects including the First Nation Business Administration Certificate Program, which will be delivered at the University of New Brunswick for the first time in the fall of 2002.

While ACOA does not currently offer dedicated programming or services for the Aboriginal populations in Newfoundland and Labrador, Inuit, Metis and M'ikmaq entrepreneurs have regularly accessed ACOA financial support through regular financial programming. However, in anticipation of mine development at Voisey's Bay, ACOA entered into discussions with the Innu Nation to develop dedicated service and programs to build the capacity within those communities

for both entrepreneurial and economic development activities. Once established, these programs and services are likely to be extended to other Aboriginal peoples in the province.

In Prince Edward Island, the Atlantic Tourism and Hospitality Institute received funding to develop and deliver a tourism-training program designed to meet the needs of Aboriginals. The Aboriginal Tourism Training Initiative will teach Aboriginals entry-level skills required to develop and run quality tourism ventures. Furthermore, it will enable Aboriginals to participate in and benefit from the growing tourism and hospitality industry.

b) ACOA's Support to the Federal Government's Rural Policy

ACOA has supported the Canadian Rural Partnership since its inception in 1998. ACOA's participation has occurred through the Ottawa-based Interdepartmental Working Group and, at the regional level, through provincial Rural Teams that initially were made up of representatives of federal departments and agencies. Since 1998, ACOA has chaired the Rural Teams in Atlantic Canada and has contributed financial and human resources to the provision of secretariat services for the Atlantic teams. Each team across Canada, including Atlantic Canada and the territories, contributes to a "Team Canada" approach aimed at building partnerships, networks and alliances to address key rural issues, yet each team has its individual character, composition and agenda of projects and activities.

By their nature and plan, Rural Teams are in a constant state of evolution and change. For example, the Nova Scotia Rural Team more than doubled in size in 2001-2002 to 40 members. The expansion of this team has signalled a successful transition from a government team to a government-community team with six rural citizen representatives fully participating in all activities.

ACOA has made arrangements with Agriculture and Agri-Food Canada (AAFC) through Memorandums of Understanding (MOUs) to engage co-ordinator and support services for certain provinces. The concept was further evolved in Prince Edward Island in 2001-2002. The engagement of a Regional Advisor position through the ACOA-AAFC MOU is being implemented as a pilot project with the P.E.I. Federal Regional Council. This means that a direct link has been created between the Rural Team and the Federal Regional Council, thereby giving rural issues greater prominence among federal senior management within Prince Edward Island.

To help understand local and regional issues, "dialogues" with rural citizens have been a prominent feature of the Canadian Rural Partnership. In this regard, the Nova Scotia Rural Team organized a Rural Conference in 2001 with

125 participants representing a cross-section of Nova Scotian geography, sectors, language and culture. A final report of the conference identifies priority areas and action items. Involving more than 500 participants, the second National Rural Conference was held in Charlottetown. ACOA was a lead sponsor of this conference which focussed on rural Community Capacity Building and, in particular, on the sub-themes of developing leadership, attracting and retaining people, and developing skills that take advantage of opportunities for progress.

In conjunction with the national conference, an Exhibition Market Place was held allowing Atlantic rural entrepreneurs to showcase and market their products. ACOA was a major sponsor of this event. The P.E.I. Rural Team organized the National Rural Youth Forum that was held as a pre-conference event. The Newfoundland and Labrador Rural Team undertook a new partnership with Futures in Newfoundland and Labrador Youth and the Government of Newfoundland and Labrador's Strategic Social Plan, in order to co-ordinate the province's youth participation at the National Conference.

ACOA strives to ensure its programs and services are accessible to the public. In New Brunswick, for example, ACOA has 11 points of service, of which eight are in rural areas. In 2001-2002, improvements were made to the network of district and satellite offices through additional resources for the Bouctouche, Miramichi, Tracadie and Campbellton locations. Also, ACOA launched the Strategic Community Investment Fund (SCIF) in June 22, 2001. The program was designed to focus on the strategic initiatives of rural communities.

**c) Organization for Economic Co-operation and Development (OECD)
Territorial Review**

The OECD Territorial Development Policy Committee has assisted Canada in the review of its territorial policies and evaluation of their impact at the regional level.

The Agency is contributing to a study to:

- assess the knowledge of spatial, economic and social policies influencing regional and local development;
- understand economic and social trends and innovations influencing policies; and
- identify mechanisms for co-ordinating sectoral and territorial policies.

ACOA's contribution is \$46,900 toward the total \$300,000 cost of the study.

The process of assessing existing policies, the gathering of information across departmental and governmental boundaries, the OECD mission to Canada and the joint participation of eight departments and agencies have already provided better understanding of national territorial trends.

d) Federal Council and Policy Initiatives

In addition to Federal Regional Councils providing a collaborative approach to the delivery of federal programs and services in a particular region, opportunity is present for Federal Regional Councils to provide a regional perspective on policy issues. The agenda and committee structure of each federal regional council does differ from province to province along with the policy capacity. When and where possible, ACOA encourages and supports Federal Regional Council activities that are directed at economic development co-ordination and policy development.

A greater understanding of issues affecting the province of Newfoundland and Labrador and any associated policy imperatives is gained from Federal Regional Council activities involving economic development co-ordination and policy development. The Policy Committee of the Newfoundland and Labrador Federal Regional Council, for example, led or provided input into research in five areas: Labrador; demographics; the fishery sector; the forestry sector; and, innovation.

One of the major pieces of research supported by the Policy Committee of the Newfoundland and Labrador Federal Council during 2001/2002 was the Demographic Consultations and Long-term Population Projections project undertaken by the Province and ACOA. The results provide a strong basis for future policy analysis and development for all levels of government as well as community development groups. For more information, see:
<http://www.economics.gov.nf.ca/demography/consultation.asp>.

In Nova Scotia, economic development co-ordination activities of the Federal Regional Council have been conducted through a committee known as the Federal Economic Development Committee/Provincial Deputy Ministers (FEDC/DM). The FEDC/DM has become the forum of choice for federal and provincial department heads to share information and work together on economic development-related initiatives. During 2001–2002, the Committee continued to sponsor the Sustainable Communities Initiative which has field teams from participating departments working in the Bras d'Or Lakes watershed area and the Annapolis River watershed area including the adjacent Fundy shore. For more information on this initiative, refer to
<http://www.gov.ns.ca/snsmr/muns/plan/plandev/news.asp>

Collaborative activities in New Brunswick resulted in a joint federal-provincial environmental scan which provides a first-level analysis of issues facing the province.

In Prince Edward Island, members of the Federal Regional Council are actively involved with its Rural Committee, advising the public about Government On- line and assisting citizens in the use of this electronic system for their personal and business benefits. In addition, the Human Resource Committee of Council is actively working and partnering with Treasury Board to modify staffing needs in a manner to be more accommodating to recruiting young, educated, and highly skilled workers.

ANNEX B - Financial Information

Financial Table 1

Summary of Voted Appropriations

This table displays the way Parliament approved resources in the 2001-2002 Report on Plans and Priorities, and shows the changes in resources derived from supplementary estimates and other authorities, as well as how funds were spent.

Financial Requirements by Authority (millions of dollars)				
Vote	2001-2002			
	Planned Spending	Total Authorities	Actual	
Atlantic Canada Opportunities Agency				
20	Operating expenditures	60.6	74.6	71.2
25	Grants and Contributions	277.1	268.2	232.5
(S)	Liabilities in Atlantic Canada under the <i>Small Business Loans Act</i>	5.0	6.0	6.0
(S)	Liabilities in Atlantic Canada under the <i>Canada Small Business Financing Act</i>	2.0	1.5	1.5
(S)	Liabilities for loan or credit insurance pursuant to the <i>Government Organization Act, Atlantic Canada, 1987</i>	1.0	0	0
(S)	Contributions to employee benefit plans	6.0	6.2	6.2
(S)	Refunds of amounts credited to revenues in previous years		.6	.6
Total Agency		351.7	357.1	318.0
Total authorities are main estimates, supplementary estimates and other authorities.				

Financial Table 2

Comparison of Total Planned Spending to Actual Spending

The information below illustrates how the Agency used the resources reported in the 2001-2002 Report on Plans and Priorities. The net cost of the program is shown by displaying expenditures and revenues together with costs of services provided by other government departments.

Departmental Planned versus Actual Spending by Business Line for 2001-2002								
(millions of dollars)								
Business Lines	FTEs	Operating	Grants and Contributions	Subtotal: Gross Expenditures	Statutory Grants and Contributions	Total Gross Expenditures	Less: Respendable Revenues	Total Net Expenditures
Development								
Planned	418	48.0	277.1	325.1	8.0	333.1		333.1
<i>Total Authorities</i>	<i>418</i>	<i>61.5</i>	<i>268.2</i>	<i>329.7</i>	<i>7.5</i>	<i>337.2</i>		<i>337.2</i>
Actuals	418	58.3	232.5	290.8	7.5	298.3		298.3
Corporate Administration								
Planned	121	18.6		18.6		18.6		18.6
<i>Total Authorities</i>	<i>121</i>	<i>19.9</i>		<i>19.9</i>		<i>19.9</i>		<i>19.9</i>
Actuals	119	19.7		19.7		19.7		19.7
Total								
Planned	539	66.6	277.1	343.7	8.0	351.7		351.7
<i>Total Authorities</i>	<i>539</i>	<i>81.4</i>	<i>268.2</i>	<i>349.6</i>	<i>7.5</i>	<i>357.1</i>		<i>357.1</i>
Actuals	537	78.0	232.5	310.5	7.5	318.0		318.0
Other Revenues and Expenditures								
Non-respendable Revenues								
								50.0
								<i>50.0</i>
								58.4
Cost of services provided by other departments								
								4.1
								<i>5.8</i>
								5.8
Net Cost of the Program								
								305.8
								<i>312.9</i>
								265.4
<p><i>Numbers in italics denote Total Authorities for 2001-2002 (main and supplementary estimates and other authorities).</i> Bolded numbers denote actual expenditures/revenues in 2001 -2002. Due to rounding, columns may not add to totals shown.</p>								

Financial Table 3

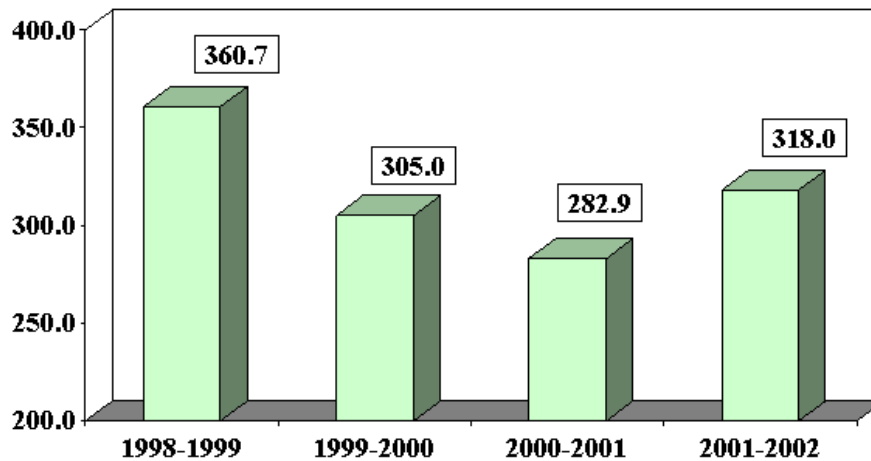
Historical Comparison of Total Planned Spending to Actual Spending

An historical perspective on the way in which resources were used is shown along with a graph illustrating the trend for actual results.

Departmental Planned versus Actual Spending by Business Line (millions of dollars)					
Business Lines	Actual 1999- 2000	Actual 2000- 2001	2001-2002		
			Planned Spending	Total Authorities	Actual
Development	291.3	266.8	333.1	337.2	298.3
Corporate Administration	13.7	16.1	18.6	19.9	19.7
Total	305.0	282.9	351.7	357.1	318.0

Total Authorities are main estimates, supplementary estimates and other authorities. Total Authorities include a \$35.7 million adjustment by ACOA to reprofile resources to future years.

Actual Spending \$ millions



Financial Table 5

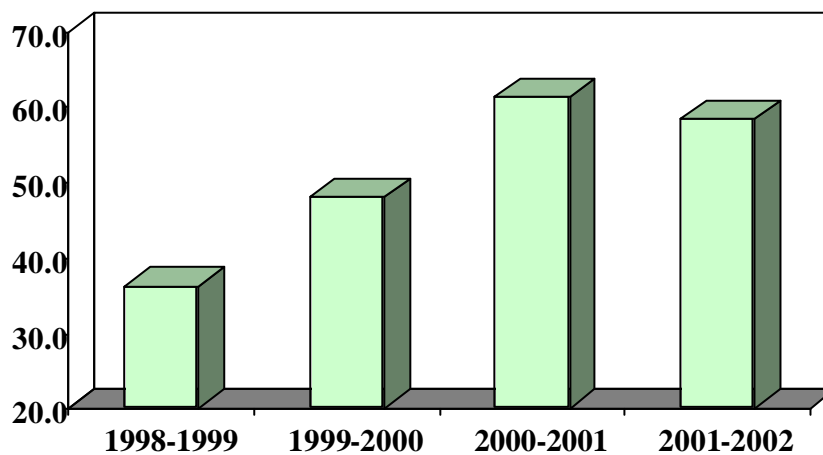
Revenues

The types of revenues collected are illustrated along with an historical perspective of actual revenues received. The graph below indicates the performance trend for collections.

Revenues for the Development Business Line (millions of dollars)					
Type of Revenues	Actual 1999- 2000	Actual 2000- 2001	2001-2002		
			Planned Revenues	Total Authorities	Actual
Non-Respendable Revenues					
Repayable Contributions	36.7	47.6	40.0	40.0	49.1
Other	11.3	13.8	10.0	10.0	9.3
Total Revenues	48.0	61.4	50.0	50.0	58.4

Total Authorities are main estimates, supplementary estimates and other authorities.

Revenue \$ millions



In Fiscal Year 2001-2002, the adoption of accrual accounting results in 11 rather than 12 calendar months of collections.

Financial Table 6

Statutory Payments

Statutory payments made by the Agency for Liabilities in Atlantic Canada under the *Small Business Loans Act*, Liabilities in Atlantic Canada under the *Canada Small Business Financing Act*, and Liabilities for loan or credit insurance pursuant to the *Government Organization Act, Atlantic Canada, 1987* are shown below.

Statutory Payments by Business Line (millions of dollars)					
Business Lines	Actual 1999- 2000	Actual 2000- 2001	2001-2002		
			Planned Spending	Total Authorities	Actual
Development	11.2	6.8	8.0	7.5	7.5
Total Statutory Payments	11.2	6.8	8.0	7.5	7.5

Total authorities are main estimates, supplementary estimates and other authorities.

Financial Table 7

Transfer Payments

Transfer payments refer to resources transferred to organizations and individuals and include expenditures made for both statutory appropriations and voted items for Grants and Contributions under Agency programming.

Transfer Payments for the Development Business Line (millions of dollars)					
Business Lines	Actual 1999- 2000	Actual 2000- 2001	2001-2002		
			Planned Spending	Total Authorities	Actual
Grants	4.1	3.7	5.0	5.0	1.9
Contributions	245.8	212.2	280.1	270.7	238.1
Total Transfer Payments	249.9	215.9	285.1	275.7	240.0

Total authorities are main estimates, supplementary estimates and other authorities.

Financial Table 13

Contingent Liabilities

Contingent liabilities are future costs that may have to be disbursed due to events or decisions beyond the Agency’s control. The table below shows the amount of contingent liabilities that could arise from Loan Guarantees and Litigations.

Loans

The amount for loan guarantees represents loans by financial institutions that have been guaranteed by the Agency. Where financial institutions claim amounts against the guarantee, the Agency has authority to charge these payments against a statutory authority.

Claims, Pending and Threatened Litigation

Amounts captured as Litigation are claims against the Agency for damages alleged to have been incurred from losses suffered by outside parties.

Contingent Liabilities (millions of dollars)			
List of Contingent Liabilities	Amount of Contingent Liability		
	March 31, 2000	March 31, 2001	Current as of March 31, 2002
Loans			
Loan Guarantees	7.9	5.5	4.5
Claims, Pending and Threatened Litigation			
Litigations	10.0	10.1	10.2
Non-litigations	0.0	0.0	0.0
Total	17.9	15.6	14.7
Total Authorities are main estimates, supplementary estimates and other authorities.			