



Western Economic Diversification Canada

2002-2003
Estimates

Part III – Report on Plans and Priorities

Canada

The Estimates Documents

Each year, the government prepares Estimates in support of its request to Parliament for authority to spend public monies. This request is formalized through the tabling of appropriation bills in Parliament. The Estimates, which are tabled in the House of Commons by the President of the Treasury Board, consist of three parts:

Part I – The Government Expenditure Plan provides an overview of federal spending and summarizes both the relationship of the key elements of the Main Estimates to the Expenditure Plan (as set out in the Budget).

Part II – The Main Estimates directly support the *Appropriation Act*. The Main Estimates identify the spending authorities (votes) and amounts to be included in subsequent appropriation bills. Parliament will be asked to approve these votes to enable the government to proceed with its spending plans. Parts I and II of the Estimates are tabled concurrently on or before 1 March.

Part III – Departmental Expenditure Plans which is divided into two components:

- (1) **Reports on Plans and Priorities (RPPs)** are individual expenditure plans for each department and agency (excluding Crown corporations). These reports provide increased levels of detail on a business line basis and contain information on objectives, initiatives and planned results, including links to related resource requirements over a three-year period. The RPPs also provide details on human resource requirements, major capital projects, grants and contributions, and net program costs. They are tabled in Parliament by the President of the Treasury Board on behalf of the ministers who preside over the departments and agencies identified in Schedules I, I.1 and II of the *Financial Administration Act*. These documents are to be tabled on or before 31 March and referred to committees, which then report back to the House of Commons pursuant to Standing Order 81(4).
- (2) **Departmental Performance Reports (DPRs)** are individual department and agency accounts of accomplishments achieved against planned performance expectations as set out in respective RPPs. These Performance Reports, which cover the most recently completed fiscal year, are tabled in Parliament in the fall by the President of the Treasury Board on behalf of the ministers who preside over the departments and agencies identified in Schedules I, I.1 and II of the *Financial Administration Act*.

The Estimates, along with the Minister of Finance's Budget, reflect the government's annual budget planning and resource allocation priorities. In combination with the subsequent reporting of financial results in the Public Accounts and of accomplishments achieved in Departmental Performance Reports, this material helps Parliament hold the government to account for the allocation and management of public funds.

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**2002-2003
Estimates**

Report on Plans and Priorities

Minister of Western Economic Diversification

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LIST OF ACRONYMS

ADM	Assistant Deputy Minister
CBSC	Canada Business Service Centre
CFDC	Community Futures Development Corporation
DIAND	Department of Indian Affairs and Northern Development
DM	Deputy Minister
EMS	Environmental Management System
FEDO	Francophone Economic Development Organization
GDP	Gross domestic product
GOL	Government of Canada On-Line
ITPP	International Trade Personnel Program
OECD	Organization for Economic Co-operation and Development
PCO	Privy Council Office
R&D	Research and Development
RPP	Report on Plans and Priorities
SI	Strategic Initiatives
SME	Small- and medium-sized enterprises
SD	Sustainable Development
SDS	Sustainable Development Strategy
TBS	Treasury Board Secretariat
WCBSN	Western Canada Business Service Network
WD	Western Economic Diversification Canada
WDP	Western Diversification Program
WEI	Women's Enterprise Initiative
WEPA	Western Economic Partnership Agreement

SECTION I: MESSAGES

A. Minister's Portfolio Message

Today, our people, our universities and our industries are successfully competing around the globe. At the same time, we have a democratic society and way of life that continues to be judged one of the best in the world. To continue our economic growth and social development, indeed, to continue our success as a nation, we must strive to be among the best in creating and commercializing new knowledge. We are committed to building a world-leading, knowledge-based economy and we need to be more innovative to stay competitive.

To support a nation of innovators, we are investing in the skills and abilities of all Canadians so that they can actively contribute to and participate in today's knowledge-based economy.

By harnessing our human potential and talent, we can continue our economic success.

The Government of Canada is investing in research and development to improve the capability of our universities and private sector firms to compete internationally. To foster a culture of innovation, we are creating an environment that is favourable to innovation, an environment of trust and confidence, where the public and private interests are protected and there are marketplace incentives for innovation.

Whether stimulating the creation and use of knowledge, supporting the creation and development of businesses and industries, promoting inclusive economic growth, or ensuring a fair and equitable marketplace, each of the fifteen member organizations of the Industry Portfolio is contributing to Canada's innovation strategy. Their work with public and private sector partners across the country is key to Canada's success.

I am pleased to present the Report on Plans and Priorities for Western Economic Diversification Canada (WD), which describes its expected achievements and results over the next three years.

The Industry Portfolio Organizations are:

- 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 a Report on Plans and Priorities.*

Through WD funding support, the benefits of innovation and technology commercialization are being extended to western Canadians – and to Canada. For instance, new discoveries in scientific research at the B.C. Cancer Agency and in microsciences at the University of Alberta will greatly improve our health and longevity. The development of environmentally friendly technologies at Fuel Cells Canada in Vancouver and the Petroleum Research Centre in Regina will contribute to solving climate change issues and nutraceuticals research in Winnipeg will contribute to a better quality of life as well as new business opportunities.

To secure Canada's continued success in the 21st century, we are committed to nurturing and developing the potential of all our citizens in every community across our nation. By investing in organizations like the B.C. Cancer Agency, we will continue building an innovative economy and society for the benefit of all Canadians.

The Honourable Allan Rock

B. Secretary of State Western Economic Diversification Canada



Stephen Owen
Secretary of State

Over the past year, Western Economic Diversification Canada (WD) solidified its strategic direction by investing in programs and **services** that inspire innovation, encourage entrepreneurship, build partnerships and provide sound economic research.

Innovation is the future of the West. WD supports the development of knowledge-based industries by strengthening knowledge infrastructure, leveraging new funding for research and development, and helping to accelerate the rate of technology commercialization. Acting as a catalyst for major projects ranging from nanosciences and new media to biotechnology and nutraceuticals, WD is working to close the gap between the discovery of new ideas and processes and the marketing of new products and services.

Entrepreneurship is the spirit of the West. WD promotes business development and entrepreneurship by providing skills development, offering advisory services, facilitating access to capital, encouraging the adoption of e-commerce, and enabling small and medium-sized enterprises to hire promising young marketing and technology graduates.

Partnerships are the strength of the West. Recognizing the competitive advantages of cooperation and strategic alliances, WD works to strengthen partnerships with different levels of government, industry, universities and volunteer organizations to help the West enhance its connections to the rest of Canada and the world.

Economic research and advocacy promote the value of the West. WD sponsors research projects that lead to better information in critical areas such as medical research, growth opportunities for small business, research infrastructure capacity, urban development challenges, and broad economic and social trends. The department also undertakes advocacy activities to ensure western needs are taken into account in national policy decisions.

In all its activities and across its broad partnership network, Western Economic Diversification Canada extends its programs and services to women, youth and disabled Canadians and to urban, rural, francophone and Aboriginal communities. As part of the Industry Portfolio, WD supports the development and growth of a western Canadian economy that is innovative, inclusive, sustainable and diversified. This commitment is important to us now and will continue to define our business approach to the West.

The Honourable Stephen Owen

C. Management Representation

Report on Plans and Priorities

I submit, for tabling in Parliament, the 2002-03 Report on Plans and Priorities (RPP) for Western Economic Diversification Canada.

To the best of my knowledge the information:

- Accurately portrays the organization's plans and priorities;
- Is consistent with the reporting principles contained in the *Guide to the Preparation of the 2002-03 Report on Plans and Priorities*;
- Is comprehensive and accurate; and
- Is based on sound underlying departmental information and management systems.

I am satisfied as to the quality assurance processes and procedures used for the RPP production.

The reporting structure, on which this document is based, has been approved by Treasury Board Ministers and is the basis for accountability for the results achieved with the resources and authorities provided.

Oryssia J. Lennie
Deputy Minister
Western Economic Diversification Canada

Date: _____

SECTION II: RAISON D'ÊTRE

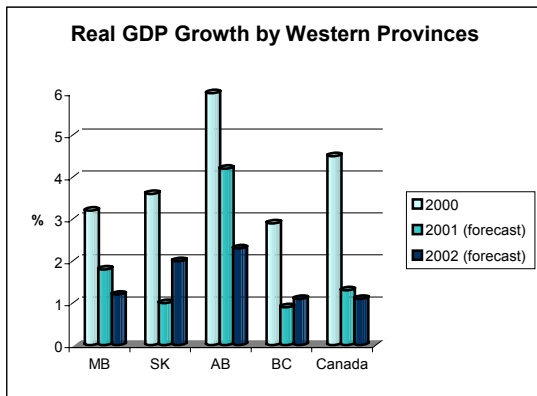
Western Economic Diversification Canada is building an innovative, sustainable, diversified, entrepreneurial and inclusive economy in Western Canada through a focus on Innovation, Entrepreneurship and Partnerships.

Western Canada - A Region of Diversity

Excluding the northern territories, Western Canada comprises almost half of Canada's landmass. It accounts for about a third of the country's population, and about a third of the country's economic output. On close examination, the West is revealed to be a very diverse place.

The province of Manitoba is home to Western Canada's most diversified economy which helps insulate the province to some extent from the boom and bust economic cycles found further west. At the same time, Manitoba is challenged to move from the "old economy" to the new, given its heavy reliance on industries such as bus manufacturing, furniture, garments and food processing. Saskatchewan's longstanding reliance on an agriculture sector facing massive international challenges has resulted, over time, in that province changing from the most populous western province in 1920 to the least populous today. Alberta's energy industry has resulted in the province often leading the nation in economic growth and prosperity, and then facing serious economic downturn when world energy prices decline. British Columbia accounts for almost all of Canada's trade with the Pacific Rim, and represents an economy in transition as it copes with major changes in the fishing and forestry sectors.

Within each province, even more dramatic differences arise. Lifestyles and economic and social issues are very different in urban centres compared to rural and remote areas. Westerners themselves often have competing identities, at times seeing themselves as western Canadians, at times as residents of a specific province or city, and at times as members of Western Canada's diverse range of ethnic groups. This is the environment in which WD operates.



Outlook for the Western Provinces¹

Manitoba's well-diversified economy will help it weather the current economic downturn. The manufacturing sector has proven its resilience in the past but some "old economy" players will be challenged in today's rapidly changing economic environment. Output from the farming sector is down due to last year's rainy growing season. The rate of growth in the Manitoba economy is

forecast at 1.8 per cent in 2001 and 1.2 per cent, in 2002.

Saskatchewan's economic structure means it has not been as directly impacted by the events of September 11th as some other provinces. But this summer's hot and dry weather has caused crop production to drop way below the 10-year average. Continued negative net inter-provincial migration will lead to a decline in population of 0.4 per cent this year. GDP is forecast to grow by 1 per cent in 2001 and 2 per cent in 2002.

The Alberta economy will not escape the effects of the battered U.S. economy, but it will not suffer as much as most other provinces. While Alberta's important tourism industry is taking a beating with foreign visitation numbers to Jasper and Banff on the downswing, the energy industry is acting as an economic buffer. Despite the uncertain world energy outlook, investment in the oil sands continues at a high rate. GDP growth for Alberta is forecast at 4.2 per cent in 2001 and 2.3 per cent in 2002.

British Columbia has been economically battered in recent months due in large part to the Canada – U.S. softwood lumber dispute. On August 10, 2001 the U.S. imposed a 19.3 per cent countervailing duty, and on October 31, 2001 added a 12.6 per cent anti-dumping duty (a total combined duty of 31.9 per cent) on Canadian softwood lumber exports. These duties, in conjunction with market downturns have significantly affected the BC forestry sector.

The terrorist attack of September 11th compounded the difficulties and left the tourism industry languishing. The provincial government has announced that one third of the public service is facing layoffs. A new decline in consumer confidence and demand is expected. GDP growth in British Columbia is currently forecast at 0.9 in 2001 and 1.1 per cent in 2002.

¹ This economic overview was prepared using data sources that include: Conference Board of Canada Autumn 2001 Canadian and Provincial Outlooks; Recent Economic Forecasts from the TD Bank, CIBC, and the Bank of Canada; Government Policy Consultants International's analysis of September 11th impacts.

SECTION III: DEPARTMENTAL PLANS, RESULTS, ACTIVITIES AND RESOURCES

In WD's Report on Plans and Priorities for 2001-02, we identified key results commitments for five service lines/activity areas: Innovation, Partnership and Coordination, Business Development and Entrepreneurship, Economic Research and Analysis, and National Programs and Other Initiatives. In this report we have simplified the names of these service lines/activity areas by making the following changes: Innovation, Partnerships, Entrepreneurship, Economic Research and Advocacy, and National Programs and Other Initiatives. As well, minor changes have been made to the strategic outcome and planned results for each of the service lines.

The Department monitors its progress in achieving these outcomes on a regular basis throughout the year, and makes appropriate adjustments where necessary.

Strategic Outcome 1	Total Planned Spending - \$79.9 M
Innovation	
A strengthened western Canadian innovation system	

Planned Results	Plans and Priorities
Improved knowledge infrastructure and capacity	WD will provide support to innovation infrastructure (physical), and to initiatives that build capacity and linkages among innovation players.
Enhanced technology commercialization	WD will support initiatives that contribute to an organization's ability to develop, transfer or adopt innovative technologies. Two programs that contribute are the First Jobs in Science and Technology program and the Innovation and Community Investment Program.
More innovative rural communities	WD will support the development of community innovation strategies, enhanced linkages between communities and research institutions, enhanced technology commercialization, and increased linkages.
Enhanced coordination and alignment of innovation priorities and strategies between federal, provincial and other innovation players leading to strategic multi-jurisdictional innovation initiatives	Under WD's leadership, a Senior Officials Forum on Innovation and a DMs committee of economic development is convened to address priorities.

WD's innovation strategy contributes directly to its mandate "to promote economic development and diversification in Western Canada". To achieve our strategic outcome of strengthening the western Canadian innovation system, WD supports projects and activities that will: improve knowledge infrastructure and capacity; enhance technology commercialization, assist rural communities in their transition to become more innovative; and enhance the coordination and alignment of innovation priorities between the various government, industry, community and academic players. By building and sustaining a critical mass of research, technological, financial and human resource in the West, and by forging strong linkages among innovation players, WD contributes to the formation of technology clusters that will provide the basis for the continued economic growth and prosperity of Western Canada.

WD's innovation priorities contribute to the objective in the Speech from the Throne of making Canada one of the most innovative countries in the world. WD's focus on innovation complements and supports the activities of Industry Canada and its partners in the federal Industry Portfolio such as the National Research Council. By working closely with our federal and provincial government partners, WD is able to make strategic investments and leverage additional resources from other partners that build on western Canadian opportunities and address gaps and weaknesses.

WD's performance for the year March 31, 2001 reflects the importance of innovation activities within the departmental strategic plan, with 44% of WD's Grant and Contribution approvals directed to innovation priorities. Examples of our investments in Western Canada include the New Media Centre (NewMIC) and Fuel Cells Canada in B.C. the Alberta Proteomics Network, the Greenhouse Gas Technology Centre in Regina, the Alberta Synchrotron Institute, the Manitoba Virtual Reality Centre, the Manitoba Functional Foods and Nutraceuticals Centre and the Clinical Research Institute of St. Boniface General Hospital. Consistent with our strategic priorities, these investments strengthened the innovation system in Western Canada and nationally by increasing R&D infrastructure and capacity, enhancing technology commercialization, increasing specialized skills related to technology commercialization and addressing rural innovation issues.

In 2002-03, WD's strategic outcome related to innovation is consistent with the previous year. WD will continue to make investments in basic knowledge infrastructure and to foster strong communications and linkages that will lead to increased technology commercialization. Our planned results also reflect the need to increase the capacity of rural Western Canada to successfully make the transition to a more innovative economy. WD will also work to ensure our efforts and investments align with the priorities of federal and provincial governments as well as universities, industry and other innovation players to ensure activities are coordinated and avoid duplication of efforts.

Reflecting research and consultations undertaken to develop our innovation strategy, WD will give priority to promoting the growth of key knowledge-based sectors within Western Canada, including life sciences, new media, climate change technologies, advanced manufacturing technologies and platform technologies such as those arising from the Canadian Light Source and nanotechnology centres. To address significant challenges of recruiting and retaining highly qualified personnel to the western Canadian innovation system, WD will continue to work with our partners to create new opportunities that support specialized skill development related to technology commercialization, such as the WestLink Technology Commercialization Internship Program.

Another key challenge for WD in the coming year is to ensure that our innovation activities build on earlier investments made by government and industry and support existing and emerging western Canadian strengths in both the knowledge-based and more traditional industry sectors. Our approach will address increasing innovation capacity within each western province and ensure that the benefits of new investments are maximized on a western-wide and national basis. Although economic activity in Canada and globally has experienced a downturn which has resulted in some constraints on the fiscal capacity of federal and provincial governments, WD's strategic plan for 2002-03 will continue to place a high priority on investing in and fostering an innovative economy in Western Canada. To not proceed will result in a reduced competitive position globally over the long term, and lost opportunities for knowledge-based investment and the potential loss of skilled personnel. WD will need to continue to focus its investments on issues of importance to the West including community innovation, collaborative initiatives such as TRILabs and WestLink, and on the technology commercialization outputs of the innovation process.

**Strategic Outcome 2
Partnerships**

Total Planned Spending - \$26.3 M

Enhanced economic development through partnering with other levels of government

Planned Results	Plans and Priorities
Address key federal/regional economic development issues and opportunities through increased interdepartmental/intergovernmental coordination & strategic planning.	<ul style="list-style-type: none"> ◦ Develop new collaborative arrangements that lever provincial investment in federal priorities of innovation, northern & urban development, and trade & investment, as well as provincial priorities. ◦ Lead/participate in Federal Councils and work in cooperation with provincial governments to address federal and regional priorities.
Innovative regional models for interdepartmental/intergovernmental relationships, thereby creating a culture of coordination and cooperation.	

Consistent with WD’s legislated mandate to take a leadership role in forging partnerships with western governments and advocating on behalf of westerners within the federal government, WD leads, coordinates and partners with other federal departments, other governments and the private sector to address issues that are horizontal in nature and that have been identified as federal priorities.

The objectives of these activities are:

- To connect the federal government to westerners,
- To develop closer working relationships with provincial governments,
- To address regional priorities in a sustainable way,
- To plan and develop federal strategies in key horizontal issues,
- To address issues that are federal priorities, and
- To forge partnerships with other governments, other departments and the private sector to implement federal strategies.

The department actively engages westerners in consultations to identify needs and priorities and to forge new and expanded partnerships with western stakeholders. The department has unique insights into the activities of provincial and municipal governments in the West. It also has a strong network including business associations, research organizations, voluntary organizations and other interests that provide insights into, and sensitivity to, the regional dynamic. The Secretary of State’s Business Advisory Councils, the western federal provincial

Deputy Ministers Economic Development Forum and the Assistant Deputy Ministers' Policy Forums have been established in order to allow WD to anticipate emerging issues, communicate these clearly to other federal agencies and plan effective responses.

Western Economic Partnership Agreements (WEPAs) are cost-shared federal provincial arrangements that have proven to be useful joint planning and implementation mechanisms. Existing agreements have focused on innovation, business development, community development and other regional priorities. The existing agreements will expire at the end of March 2002.

In 2002, WD plans to work with the provincial governments to consider joint federal provincial initiatives for northern and urban development, trade and investment, tourism development as well as innovation, business development and other regional priorities.

WD's Urban Development Agreements provide a mechanism for cooperation and coordination on strategic issues between levels of government and the private sector to maximize economic development efforts. The Winnipeg Development Agreement, the Edmonton Development Agreement and the Vancouver Agreement have brought provincial, municipal and federal departments together to share information, jointly plan and coordinate activities to address unique developmental issues.

In 2002-03, WD will continue to work with provincial governments, municipalities and other federal departments to bring focused efforts to bear on key economic development issues in each of the seven major western cities.

WD will also take an active facilitating role in identifying communities at risk and working with them to respond to changing economic and industry circumstances (e.g. declining industries, capitalizing on opportunities for new industry). At the same time, WD will continue to work with the Regional Federal Councils. (These Councils are comprised of senior federal officials and are a forum for information exchange as well as a vehicle to advance a more collaborative approach to the delivery of programs and services by the federal government in a particular region.) WD will assume an active role in horizontal issues, such as the Urban Aboriginal Strategy to address the economic development issues facing aboriginal people in urban areas and DIAND and PCO's Regional Partnering Strategy that aims to enhance cooperation with the provincial governments in order to address issues and realize opportunities.

This cooperative approach is expected to yield an improvement in the state of federal provincial relations, reductions in duplication of effort and broader participation by westerners in the benefits of economic growth. Finally, the partnerships with the provincial governments and the private sector will enhance investments and improve the prospect of realizing economic opportunities.

**Strategic Outcome 3
Entrepreneurship**

Total Planned Spending - \$78.1 M

A developed and expanded business sector in Western Canada

Planned Results	Plans and Priorities
Improved business management capabilities of SMEs	WD, the WCBSN and other partners will provide information and advisory services, including e-business advice, to SMEs and entrepreneurs.
Improved access to financing for SMEs	Through arrangements with financial institutions and the WCBSN, WD will provide financing and referrals to SMEs.
Increased participation in international markets	<ul style="list-style-type: none"> ◦ WD will work with its partners to deliver skills development and export advisory services to help SMEs become export ready. ◦ WD will continue to deliver the International Trade Personnel Program to support graduates and SMEs.
Increased participation of western firms in selling their products and services to government.	<ul style="list-style-type: none"> ◦ WD will provide information to firms on selling to government and to Prime Contractors on Major Crown Projects. ◦ WD will advocate that major federal procurement contracts include industrial regional benefits for the West.

WD supports business growth and development in Western Canada through innovative, cost-effective programs and services that facilitate small business success.

Since the department was established in 1987, it has recognized that small- and medium-sized enterprises (SMEs) are critical to the economy in Western Canada. Small and micro businesses account for about fifty percent of all jobs in Western Canada, which is about five percent higher than for the rest of Canada. However, in order to grow and be successful in today's global economy, SMEs require business and management information and access to capital. SMEs also require assistance in adapting to new technology, exporting, selling to government and e-commerce.

WD will continue to address the needs of SMEs and entrepreneurs through more than 100 offices of the Western Canada Business Service Network (WCBSN) including WD Client Service Branches, Community Futures Development Corporations (CFDCs), Women's Enterprise Initiatives (WEIs), Francophone Economic Development Organizations (FEDOs), and the Canada Business Services Centres (CBSCs).

As well, WD partners with Aboriginal economic development organizations and financial institutions to provide services to SMEs in the West. In support of the federal Government On-Line initiative, WD's programs and services for SMEs will be delivered on-line where appropriate.

CFDCs, WEIs, and FEDOs are operated by boards of directors drawn from the communities that they serve. WD provides operating assistance to these organizations to help them provide local solutions to community challenges. Through these partnerships, WD provides citizen-centred service delivery to meet the needs of western entrepreneurs including rural, women, youth, Francophone and Aboriginal entrepreneurs as well as entrepreneurs with disabilities.

WD will continue to deliver its current portfolio of leveraged Loan Funds with financial institutions. WD's Loan/Investment Fund Program is a public/private partnership that provides loans and counseling services to firms and entrepreneurs in key growth areas. WD provides loan loss reserves to leverage private sector investment in higher-risk, emerging and export-oriented small business. WD provides business-planning advice and screens applicants, but loan decisions are made by financial institutions on a commercial basis under this program.

The challenge is to maximize the availability of capital to target growth sectors and specific groups of clients that are of priority to the federal government and are underserved by traditional sources of capital at a minimum cost and risk. WD meets this challenge by leveraging its funds by a minimum of 5-to-1 through collaborative arrangements with financial institutions. For example WD has leveraged loan funds for both Agricultural Value-Added and Knowledge-Based sectors as well as leveraged micro-loan funds for very small and start-up urban entrepreneurs unable to obtain such funds through normal lending.

One risk is that financial institutions will make loans under the program that do not qualify or that they would normally do without such a program. This risk is mitigated by the requirement for WD to provide written confirmation of client eligibility on all larger loans and through close contact and periodic reviews of files for micro-loans. In addition to the financial institutions' certification that the loans are "incremental", loan rates in excess of normal bank rates are required both to ensure that only clients unable to access traditional financing are accepted and to partially offset the cost associated with the increased risk.

On micro-loan funds in particular, WD has learned that the most successful funds are with financial institutions that enter the program with a strong interest in contributing to the economic development of their community and not just bottom line profits.

WD partners with other federal and provincial partners in the Canada Business Service Centres (CBSCs) in each of the western provinces. These centres provide a one-stop location for a business person to access information about government programs (federal and provincial, and in some instances municipal) as well as information on exporting, market opportunities, the economy, and other material of interest to the business community.

WD will continue to build community capacity and support businesses in strategic sectors through financial support of conferences, business associations, and other projects. These initiatives in particular will encourage innovation among SMEs in order to increase productivity, competitiveness and the adoption of sustainable development practices.

WD will expand its reporting on the CF Program in its 2002-03 Departmental Performance Report. The department will strengthen procedures to assess the accuracy and validity of CFDC performance information provided and will initiate an evaluation of CFDCs. An audit of the management control framework of both WD and the CFDCs for operational and loan funding will be undertaken concurrent with the evaluation.

Prior to 1995, WD provided repayable contributions to businesses. WD will continue its collections of these repayable contributions in accordance with the terms of agreements approved under the Western Diversification and other programs.

Strategic Outcome 4 Total Planned Spending - \$4.6 M
Economic Research and Advocacy

Effective strategies, policies and programs that address the economic development needs, opportunities and aspirations of Western Canada

Planned Results	Plans and Priorities
Information and analysis that provides a sound basis for economic development action in Western Canada	The development, sponsorship, dissemination and promotion of research on Western Canada
Increased regional collaboration on economic development research and programming	<ul style="list-style-type: none"> ◦ Leading federal-provincial forums on economic development in Western Canada ◦ Working with and advising partners on research activities
Alignment between national policies and programs and the economic circumstances of Western Canada	Using research results to advocate western-sensitive positions and actions to federal policy makers on proposed policies, programs and initiatives

The Economic Research and Advocacy function embraces a continuum of activities that result in strategies, policies and programs that address the economic development needs, opportunities, and aspirations of Western Canada.

Economic research is undertaken in order to understand Western Canada, its place in the country, the world, and the present and future challenges and opportunities facing the region. Through the knowledge generated by disseminating and promoting research, awareness is created about relevant issues and a climate conducive to effective policy formulation is established. The department sponsors research projects that have a direct relationship to its economic development mandate and core program areas. Importantly, research findings as applied to economic development are intended to lead to policies that help the region achieve its ultimate economic potential, thus leading to a stronger national economy.

The research generated by the department helps create increased regional collaboration among economic development stakeholders. Through the collaborative sharing of research and knowledge, a variety of stakeholders including federal and provincial governments convene to explore policy options and best practices. It is through such collaborative efforts that economic development occurs.

Research findings are also used to help create an alignment between national policies and programs and the economic circumstances of Western Canada. Within a country as large and economically diverse as Canada, it is difficult to create national policies and programs that impact all regions of the country equitably. Effective national policies and programs can only be developed when departments such as WD have the knowledge to undertake informal advocacy to promote a better understanding of regional circumstances by national policy makers.

Strategic Outcome 5 Total Planned Spending - \$179 M
National Programs and Other Initiatives

Mitigation of the economic impact on communities affected by federal facility closures or reductions, natural disasters, or by changes in federal policies and programs through the delivery of National Programs in Western Canada

Planned Results	Plans and Priorities
Enhanced municipal infrastructure and improved quality of life through investments that protect the environment and support long-term economic growth	Implement the Infrastructure Canada Program in partnership with other governments.
Mitigation of the impacts of natural disasters, base closures or changes to federal policies and programs	Coordinate efforts by federal departments to mitigate effects of natural disasters, base closures or conditions arising from changes to federal policies and programs.

Consistent with WD's legislated mandate to be the federal government's lead economic development agency in the west, the department is called upon to implement national programs and, as required, to address the economic impacts of natural disasters, base closures and other situations arising from changes in federal policies. The department carries out these activities after thorough consultations with provincial and municipal governments and local groups and, whenever possible, through partnerships with those governments and local stakeholders.

The objectives of these activities are to deliver national programs in Western Canada and to mitigate the economic impact on communities affected by federal facility closures or reductions, natural disasters or by changes in federal policies and programs.

The department was responsible for the delivery of the first two Canada Infrastructure Programs in the west. WD's responsibility for delivery of the Infrastructure Canada program in Western Canada will continue, with a focus on "green" infrastructure providing improved water and waste treatment systems, and transportation projects. In 2002-03, the program in Western Canada will be entering its second year of delivery, and getting into full stride in terms of project approvals and financial expenditures as the program reaches its full operational level. While the program experience will vary by individual provincial jurisdictions, a high level of cooperation between the three levels of government -

federal, provincial, and municipal - will be evident as investments are made in several hundred projects.

The department also coordinates and/or leads efforts to mitigate the impacts of natural disasters (e.g. the Manitoba Flood and the decline of the West Coast salmon fishery), base closures (e.g. Moose Jaw, Portage la Prairie and Royal Roads) or situations arising from changes in federal policies and programs (e.g. Pinawa), on behalf of the federal government.

In 2002-03, base closure funds will be used to continue the upgrading of the historic Royal Roads buildings in Victoria, British Columbia to meet the needs of the new Royal Roads University. The upgrades are done with community input and retain the look and feel of the turn of the century Edwardian estate. The funds will also mitigate the cost of operating a modern university in the heritage buildings and maintaining the four historic gardens.

Base closure funds are also being used in Moose Jaw, Saskatchewan to address issues related to changes at the air force base. In 2002-03, the major project will be the construction of a tourism information centre for the community.

In Manitoba, WD continues to implement the Canada-Manitoba Partnership on Red River Valley Flood Protection. The agreement provides assistance to towns and municipalities to improve flood protection infrastructure (with the Prairie Farm Rehabilitation Administration agency) and to support research efforts into ways to reduce damage from future floods.

SECTION IV: ORGANIZATION

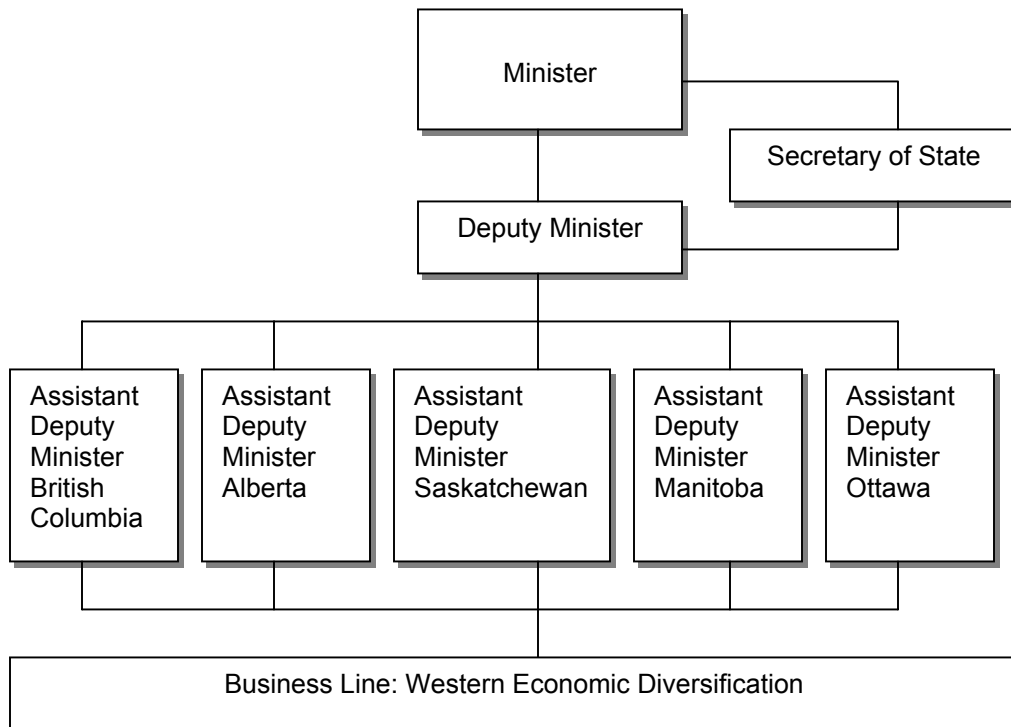
The Department has one business line, Western Economic Diversification. The objective of the business line is:

To more effectively guide, in close cooperation with western stakeholders, federal government policies, regulations and resources so that they become more constructive instruments of western economic growth and diversification.

The Department's Head Office is located in Edmonton, Alberta, co-located with the Regional Office for Alberta. There are regional offices located in each of the other western provinces, in Winnipeg, Saskatoon and Vancouver, and a Liaison Office located in Ottawa. Regional satellite offices have also been opened in Calgary, Regina and Victoria. The Department's Deputy Minister is located in Edmonton, and Assistant Deputy Ministers are located in Vancouver, Edmonton, Saskatoon, Winnipeg and Ottawa.

The department has one business line, Western Economic Diversification, and each of the western Assistant Deputy Ministers are responsible for the delivery of programs and services in their region which support this business line, as well as corporate responsibilities. The Ottawa based Assistant Deputy Minister plays the lead role in the department's advocacy activities.

Western Economic Diversification Canada Organization Structure



The following table identifies the resource relationships between Strategic Outcomes and WD's business line:

Business Line	Strategic Outcomes					Total
	Innovation (Page 7)	Partnerships (Page 10)	Entrepreneurship (Page 12)	Economic Research and Advocacy (Page 15)	National Programs and Other Initiatives (Page 17)	
Western Economic Diversification	\$79.9 M	\$26.3 M	\$78.1 M	\$4.6 M	\$179.0 M	\$367.9

Departmental Planned Spending

(\$ thousands)	Forecast Spending 2001-02	Planned Spending 2002-03	Planned Spending 2003-04	Planned Spending 2004-05
Budgetary Main Estimates (gross)	284,446.5	338,077.3	254,842.6	233,921.1
Non-Budgetary Main Estimates (gross)	...	...	...	...
Less: Respendable Revenues	...	...	...	...
Total Main Estimates	284,446.5	338,077.3	254,842.6	233,921.1
Adjustments **	(26,626.0)	29,900.0	...	...
Net Planned Spending	257,820.5*	367,977.3	254,842.6	233,921.1
Less: Non-respendable revenue	36,000.0	26,500.0	17,200.0	10,200.0
Plus: Cost of services received without charge	4,086.7	4,050.8	4,044.9	3,891.6
Net cost of Program	225,907.2	345,528.1	241,687.6	227,612.8

Full Time Equivalents	364	364	360	360
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* Reflects the best forecast of total net planned spending to the end of the fiscal year.

** Adjustments are to accommodate approvals obtained since the Annual Reference Level Update (ARLU) exercise.

Explanation of change: The decrease in forecast spending for 2001-02 reflects the transfer of contractual commitments to fiscal 2002-03 plus \$10 million of additional resources included in the Budget 2001. In year 2002-03, the \$29.9 million in adjustments represents the additional contribution resources included in the Budget. The decline in non-respendable revenues reflects the decreasing repayments situation of the Department, a direct result of the virtual elimination of repayable loans in 1994-95.

SECTION V: ANNEXES

ANNEX 1 - Contact List - Western Economic Diversification Canada

General Inquiries

Toll free telephone service
(in Western Canada only)
1-888-338-WEST (9378)

WD Web site

www.wd.gc.ca

Headquarters

Canada Place
Suite 1500, 9700 Jasper Avenue
Edmonton, Alberta T5J 4H7
Telephone : (780)495-4164
Fax : (780)495-6876

British Columbia Office

Price Waterhouse Building
700-601 West Hastings
Vancouver, British Columbia V6B 5G9
Telephone (604) 666-6366
Fax: (604) 666-6256

Alberta Office

Canada Place
Suite 1500, 9700 Jasper Avenue
Edmonton, Alberta T5J 4H7
Telephone: (780) 495-4164
Fax: (780) 495-4557

Saskatchewan Office

Suite 601, 119 - 4th Avenue South
P.O. Box 2025
Saskatoon, Saskatchewan S7K 3S7
Telephone: (306) 975-4373
Fax: (306) 975-5484

Manitoba Office

The Cargill Building
Suite 712, 240 Graham Avenue
P.O. Box 777
Winnipeg, Manitoba R3C 2L4
Telephone: (204) 983-4472
Fax: (204) 983-4694

Ottawa Office

Gillin Building
141 Laurier Avenue West
Suite 500
Ottawa, Ontario K1P 5J3
Telephone: (613) 952-9378
Fax: (613) 952-9384

ANNEX 2 - Legislation Administered

The Western Economic Diversification Act, 1988

ANNEX 3 - Financial Tables

TABLE 1: Summary of Transfer Payments

(\$ thousands)	Forecast Spending 2001-02	Planned Spending 2002-03	Planned Spending 2003-04	Planned Spending 2004-05
GRANTS				
Grants	10,000.0	5,000.0	5,000.0	5,000.0
Total Grants	10,000.0	5,000.0	5,000.0	5,000.0
CONTRIBUTIONS				
Western Diversification	125,771.0	132,960.2	62,346.0	54,346.0
Canada Infrastructure Works Program	6,387.2	...	...	...
Infrastructure Canada Program	34,350.0	152,200.0	116,090.0	110,500.0
Innovation and Community Investment Program	7,546.9	10,774.7	10,774.7	10,774.7
(S) Liabilities under <i>the Small Business Loans Act</i>	19,000.0	12,000.0	5,000.0	2,000.0
(S) Liabilities under the <i>Canada Small Business Financing Act</i>	5,000.0	10,000.0	12,000.0	12,000.0
Total Contributions	198,055.1	317,934.9	206,210.7	189,620.7
Total Transfer Payments	208,055.1	322,934.9	211,210.7	194,620.7

(S) Statutory Vote

Explanation of change: The increase in planned spending for 2002-03 reflects transfer of contractual commitments to fiscal 2002-03; \$29.9 million of additional contribution resources included in the Budget 2001 and increased resources for the Infrastructure Canada Program.

TABLE 2: Details on Transfer Payment Programs

Grants

Objective: To more effectively guide, in close cooperation with western stakeholders, federal government policies, regulations and resources so that they become more constructive instruments of western economic growth and diversification.

Planned Results	Milestones
<ul style="list-style-type: none"> • A strengthened western Canadian innovation system • Strategic partnerships, and leadership and coordination to deliver economic programs and services to western Canadians • A strengthened and expanded business sector in Western Canada • Research on the western Canadian economy that results in new programs or policies contributing to innovation, growth and diversification (Grants 2002-03 \$5 million)	See Section III, Innovation, pages 7-9 See Section III, Partnerships, pages 10-11 See Section III, Entrepreneurship, pages 12-14 See Section III, Economic Research and Advocacy, pages 15-16

Western Economic Diversification Program

Objective: To more effectively guide, in close cooperation with western stakeholders, federal government policies, regulations and resources so that they become more constructive instruments of western economic growth and diversification.

Planned Results	Milestones
<ul style="list-style-type: none"> • A strengthened western Canadian innovation system • Strategic partnerships, and leadership and coordination to deliver economic programs and services to western Canadians • A strengthened and expanded business sector in Western Canada • Research on the western Canadian economy that results in new programs or policies contributing to innovation, growth and diversification (contribution 2002-03, \$132.9 million)	See Section III, Innovation, pages 7-9 See Section III, Partnerships, pages 11-13 See Section III, Entrepreneurship, pages 12-14 See Section III, Economic Research and Advocacy, pages 15-16

Infrastructure Canada Program

Objective: To improve urban and rural local government infrastructure in Canada. It also includes improving Canadians' quality of life through investments that enhance the quality of the environment, support long-term economic growth, improve community infrastructure, and build 21st century infrastructure through encouraging the use of best technologies, new approaches and best practices.

Planned Results	Milestones
<ul style="list-style-type: none">To improve urban and rural municipal infrastructure in Canada (contribution 2002-03, \$152.2 million)	See Section III, National Programs and Other Initiatives, pages 17-18

Innovation and Community Investment Program

Objective: To improve innovation infrastructure and linkages in sectors of strategic importance to the West; enhance technology commercialization; enhance the capacity of firms to develop and adopt new technologies; and, assist communities to adapt to the new knowledge-based economy.

Planned Results	Milestones
<ul style="list-style-type: none">Increasing the number of knowledge-based jobs;Supporting the growth of knowledge-based businesses;Accelerating the commercialization and adoption of innovative processes and products by businesses; and,Increasing the diversification of community economies (contribution 2002-03, \$10.8 million)	See Section III, Innovation, pages 7-9

Canada Small Business Loans Act and Canada Small Business Financing Act

Objective: To encourage private sector lenders to increase the availability of loans for the purpose of the establishment, expansion, modernization and improvement of small business enterprises.

Planned Results	Milestones
Refer to Industry Canada (contribution 2002-03, \$22.0 million in total)	See Section III, Entrepreneurship, pages 12-14

TABLE 3: Source of Non-respondable Revenue

(\$ thousands)	Forecast Revenue 2001-2002	Planned Revenue 2002-2003	Planned Revenue 2003-2004	Planned Revenue 2004-2005
Repayment of repayable contributions	15,000.0	8,000.0	...	...
Adjustment to previous years payables at year-end	1,000.0	...	...	...
Service fees under the <i>Small Business Loans Act</i>	8,000.0	6,000.0	4,000.0	3,000.0
Service fees under the <i>Canada Small Business Financing Act</i>	11,000.0	12,000.0	13,000.0	7,000.0
Other Revenue	1,000.0	500.0	200.0	200.0
Total Non-respondable Revenue	36,000.0	26,500.0	17,200.0	10,200.0

Explanation of change: The decline in planned revenue for 2002-2003 and on-going years reflects the dwindling repayable portfolio of the Department as a result of the 1994-1995 decision to virtually eliminate the provision of repayable loans. Other Revenue for 2002-03 includes interest and other revenue associated with the collection of repayable contributions.

TABLE 4: Net Cost of Program for the Estimates Year

(\$ thousands)	Total
Net Planned Spending	367,977.3
<i>Plus: Services Received without Charge</i>	
Accommodation provided by Public Works and Government Services Canada	2,186.4
Contributions covering employees' share of employees' insurance premiums and expenditures paid by Treasury Board Secretariat	1,820.4
Workman's compensation coverage provided by Human Resources Development Canada	24.0
Salary and associated expenditures of legal services provided by Justice Canada	20.0
	4,050.8
Less: Non-respendable Revenues	26,500.0
2002-2003 Net Program Cost	345,528.1

ANNEX 4 - Government wide and horizontal/collective initiatives

GOVERNMENT WIDE INITIATIVES

A. Government On-Line Vision and Strategy



WD's Government On-Line (GOL) vision is to deliver the department's mandate by providing products and services to western Canadians through all types of service channels. This is an excerpt from the WD GOL Public Plan that can be found at French: <http://www.wd.gc.ca/fra/rpts/strategies/default.htm>

English: <http://www.wd.gc.ca/eng/rpts/strategies/default.htm>

The strategy focuses on transposing WD's business lines into an electronic delivery service on the Internet. This electronic delivery channel will be designed around client needs and a GOL process will be developed that is scaleable, demand-driven, self-regulating and economical. WD's strategic action plan will be implemented gradually over a number of fiscal years to the end of 2005:

- 1. Innovation.** An E-Centre of Research Excellence will give clients the on-line opportunity to access and comment upon WD economic research and policies.
- 2. Business Development and Entrepreneurship.** On-line business seminars, business planning and analysis tools, such as E-Business seminars and fact sheets will focus on our SME clients.
- 3. Partnerships and Coordination.** A new Partners On Line initiative will allow partners to use the suite of e-tools developed by WD for promotion and business information purposes.
- 4. Developing Web Capacity.** A new Suite of E-Tools will include virtual presentations and interactive learning e-workshops on topics of interest identified by WD clients such as innovation, marketing and e-business.
- 5. Staff Training.** Staff will receive extensive training and support on how to use the Internet to better assist clients and partners.
- 6. Information Technology Infrastructure Upgrade.** A major upgrade of WD's Internet infrastructure is proposed to keep pace with changing technology requirements and rising client expectations, including a new video-conferencing capability, the installation of a new wide-area network (WAN), along with other Internet-related hardware and infrastructure equipment.

B. Sustainable Development Strategy

Through an amendment to the *Auditor General Act*, twenty nine government departments are now required to table a Sustainable Development Strategy (SDS) every three years in the House of Commons. WD developed its first SDS in December 1997 and tabled its second in 2001. This second strategy has given the Department the opportunity to review its progress and set a challenging and relevant course for this three-year period.

In preparing for, and conducting consultation on the draft SDS, WD did an assessment of the successes and weaknesses of the previous strategy. An extensive consultation process was also undertaken. "Lessons learned" from the review of the previous strategy and the consultations had a substantial impact on the updated SDS 2000.

WD is committed to a SDS that is achievable and meaningful. The WD SDS 2000 has an improved performance measurement system and accountability framework. Our new SDS focuses on three main goals:

- to facilitate the integration of SD into the business practices of SMEs in Western Canada through our network partners;
- to integrate sustainable development into the programs, services and activities that we deliver directly and in partnership; and
- to foster a sustainable development culture within WD.

The department will continue with implementation of an Environmental Management System (EMS), integrating sustainable development practices into our operational system. This will include implementation of a departmental Environmental Policy as well as sustainable development training for WD and WCBSN staff. Annual reporting on the three-year SDS in the Department Performance Report will ensure that we are achieving our SDS goals in a timely manner and that we are committed to continuous improvement.

C. Modern Comptrollership

Modernizing comptrollership and management is a high priority for WD. A number of initiatives consistent with modern comptrollership are already underway within the department. A senior level Modern Comptrollership Steering Committee has been established along with a Modern Comptrollership Office to oversee the initiative.

Participation in the modern comptrollership initiative is expected to allow WD to expand the initiatives already underway and to properly plan and manage the transition to a modern values-oriented planning, performance based management and accountability structure in keeping with the Comptrollership Modernization Road Map developed by Treasury Board.

A capacity assessment to review the current state of modern comptrollership within WD will be completed early in the fiscal year. An action plan containing specific timelines and milestones for activities required to implement recommendations stemming from the assessment will be implemented over a two year period commencing in the 2002-03 fiscal year. Progress made towards implementation of the Modern Comptrollership initiative will be reported in the Departmental Performance Report beginning in the fall of 2002.

D. Service Improvement Initiative

To continue WD's commitment to citizen-centred service delivery, the next year will see the implementation of the first phase of WD's service improvement plan. This plan focuses on achieving direct service delivery improvements based on the priorities identified in the 2001 client survey, particularly in the areas of timeliness and meeting clients' expectations. Planned activities will be reviewed and adjusted to address any shifts in clients' priorities resulting from the more recent 2002 survey. Efforts will be directed at improving service delivery in a changing environment, including using, where appropriate, alternative delivery methods. The aim is to move satisfaction levels to 2% improvement over the previous year.

HORIZONTAL/COLLECTIVE INITIATIVES

As a small department with a broad mandate, WD collaborates with a wide variety of other federal government departments, provincial and municipal governments, community organizations and others. For example, WD partners with provincial governments to invest in economic development through the Western Economic Partnership Agreements (WEPA). The Deputy Minister for WD chairs a forum of western provincial economic development deputies to share information and explore opportunities for collective action on a range of policy issues facing the West. This forum is supported by the western ADM Policy Group.

In addition, WD participates in the Senior Officials Forum on Innovation, along with members from the four western provinces and two other federal departments. WD's strategy for its Entrepreneurship core program area is heavily dependent on collective initiatives with non-profit organizations such as Community Futures Development Corporations, Women's Enterprise Initiatives, Francophone Economic Development Organizations, and Federal/Provincial cooperation through Canada Business Service Centres.

The following table summarizes WD's key co-delivery relationships:

Service Line	Strategic Outcome	List of Partners
Innovation - implemented 2001-02 – reported annually	A strengthened western Canadian innovation system	<ul style="list-style-type: none"> ◦ Western provincial governments ◦ Industry Canada ◦ National Research Council ◦ Universities ◦ Research Institutions
Partnerships - implemented 2001-02 – reported annually	Enhanced economic development through partnering with other levels of government	<ul style="list-style-type: none"> ◦ Western provincial and municipal governments ◦ Other federal departments
Entrepreneurship	A developed and expanded business sector in Western Canada	<ul style="list-style-type: none"> ◦ CFDCs ◦ WEIs ◦ CBSCs ◦ FEDOs ◦ Aboriginal economic development organizations ◦ Financial institutions
Economic Research & Advocacy	Effective strategies, policies and programs that address the economic development needs, opportunities and aspirations of Western Canada	<ul style="list-style-type: none"> ◦ Western provincial governments ◦ Other federal departments