



Western Economic
Diversification Canada

Diversification de l'économie
de l'Ouest Canada

Canada

Western Economic Diversification Canada

**2004-2005
Estimates**

Report on Plans and Priorities

**Minister of Western Economic Diversification
and
Minister of State (Sport)**

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SECTION I

MINISTER'S MESSAGE

Western Economic Diversification Canada (WD) is working to build a stronger West and a stronger Canada. We do this by working in partnerships that strengthen federal-provincial relations, ensuring a more equitable society that offers economic opportunity to all, and fostering innovation that creates long-term economic benefits and a more sustainable future. Prime Minister Martin has affirmed WD as a full department, headed by a Minister. The department will continue to work closely with Industry Canada and other regional development organizations (RDOs) to ensure a coherent and comprehensive approach to regional and community development.

These principles, consistent with the priorities of the Government of Canada as a whole, are reflected in all of WD's programs and initiatives. Together they contribute to building a 21st century economy in the West while also helping to strengthen the social foundations of both urban and rural communities.

Many of WD's activities are designed to support the development of innovation clusters, leveraging the knowledge of westerners to create new sources of economic growth. For example, WD is working to build on the West's expertise in energy production and to position the region's capacity to maximize new opportunities being created by growing global environmental awareness. By helping establish Western Canada's leadership in environmental technologies, we are contributing not only to the economic success of the region but also to quality of life and our shared environmental future.

Another significant WD focus is expanding opportunities for all western Canadians to participate in, and contribute to, the economic strength of the region. With 40 per cent more small businesses per capita in the West than elsewhere in Canada, supporting entrepreneurship is an important means of accomplishing this goal. Many of our programs are designed to address barriers to small business ownership for specific segments of the population, including Aboriginal people, women, persons with disabilities, and new Canadians.

Over the past year, the department has re-aligned activities to strengthen its Western Canada Business Service Network (WCBSN) as the prime source of services for small- and medium-sized enterprises (SMEs). By increasing WD's policy capacity, we have been able to focus on broader, more strategic assistance to key sectors of the economy, including promoting new investment into Western Canada, enhancing the presence of western businesses in key domestic and global markets, and supporting collaborative ventures in innovative technologies and research development.

Increasingly, WD is placing new emphasis on a more integrated approach to the complex challenges facing Western Canada today, particularly in major urban centres. This has led to Urban Development Agreements (UDAs) in key western cities designed to revitalize downtown cores, improve infrastructure and stimulate business enterprise. This includes measures to better meet the needs and concerns of growing inner city Aboriginal populations.

For example, through the Urban Aboriginal Strategy (UAS), WD is working with a wide range of private and public partners in Vancouver, as well as five other western cities, to develop innovative solutions to address Aboriginal priorities, including youth inclusion in the workforce, better health care and solutions for homelessness.

Such complex challenges extend beyond economic measures. For communities to be sustainable and capable of supporting a high quality of life, they must be healthy not only economically, but socially and environmentally as well. WD's role has evolved to ensure coordinated and collaborative responses to these realities. Working in partnership with all levels of government is now a fundamental premise of the way the department works.

WD will continue to identify new opportunities to build a sustainable future for the West –a future defined by a 21st century economy that extends its benefits to all. This requires balancing economic, social and environmental priorities so that investments and activities are mutually beneficial. There is a clear recognition that WD must be accountable for achieving measurable results in areas westerners identify as economic priorities, and for delivering value to all Canadians. We are committed to doing so with the highest standards of fiscal efficiency and integrity.

The Honourable Stephen Owen

MANAGEMENT REPRESENTATION

I submit, for tabling in Parliament, the 2004-2005 Report on Plans and Priorities (RPP) for Western Economic Diversification Canada.

This document has been prepared based on the reporting principles and disclosure requirements contained in the *Guide to the Preparation of the 2004-2005 Report on Plans and Priorities*:

It accurately portrays the organization's plans and priorities.

- The planned spending information in this document is consistent with the directions provided in the Minister of Finance's Budget and by the Treasury Board Secretariat.
- Is comprehensive and accurate.
- Is based on sound underlying departmental information and management systems.

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: _____

LIST OF ACRONYMS

ADM	Assistant Deputy Minister
BSE	Bovine Spongiform Encephalopathy
CBSC	Canada Business Service Centre
CFDC	Community Futures Development Corporation
DM	Deputy Minister
FDI	Foreign Direct Investment
FEDO	Francophone Economic Development Organization
G&C	Grants and Contributions
GDP	Gross Domestic Product
GOL	Government of Canada On-Line
OLA	<i>Official Languages Act</i>
OLMC	Official Languages Minority Community
R&D	Research and Development
RPP	Report on Plans and Priorities
SARS	Severe Acute Respiratory Syndrome
SME	Small- and Medium-sized Enterprises
SD	Sustainable Development
UAS	Urban Aboriginal Strategy
UDA	Urban Development Agreement
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 II: RAISON D'ÊTRE

A Stronger West, A Stronger Canada

“The regional agencies are precisely what the federal government now needs going forward. If they did not exist, the federal government would need to create them.”

Donald Savoie, University of Moncton, July 2003

Western Economic Diversification Canada (WD) was established in 1987 to help lessen the West’s economic dependence on natural resources. Under the Western Diversification Act, 1988, the department is mandated to “promote the development and diversification of the economy of Western Canada and to advance the interests of Western Canada in national economic policy, program and project development and implementation.”

Between 1987 and 1995, WD actively supported western businesses by providing direct re-payable financial assistance to promote new products, markets and technology development. During this period, the department invested a total of \$645 million in 1,889 projects, which leveraged some \$2.16 billion in additional funding to support the creation and growth of some of Western Canada’s most innovative and fastest growing companies.

In 1995, as a result of Program Review decisions and associated budget reductions, WD moved away from its direct assistance programs. The department redirected its core resources towards establishment of innovative partnership arrangements with the members of the Western Canada Business Services Network (WCBSN), and also with entities including other levels of government, universities, financial institutions, the private sector, and the not for profit sector. These arrangements helped to support the establishment and growth of small- and medium-sized enterprises (SMEs), the growth of knowledge-based industries, and the economic inclusion of traditionally economically disadvantaged groups such as women, youth, Aboriginal people, francophone entrepreneurs, and new Canadians.

The department actively engages westerners in consultations to identify needs and priorities, and to develop the kinds of partnerships required to respond to horizontal and complex issues that cannot be managed unilaterally. This collaborative approach, along with a targeted research agenda, is an integral part of WD’s efforts to ensure that western Canadian views are effectively represented at the national level. WD also delivers a range of federal programming in the West on behalf of the Government of Canada, such as the Infrastructure Canada Program. This program is aimed at increasing the quality of life in rural and urban communities, by addressing both immediate infrastructure pressures and long-term requirements.

Alignment With Government of Canada Priorities

WD's priority areas reflect the government's priorities, and are aligned with the Speech from the Throne and special initiatives such as the National Innovation Strategy.

Innovation and the growth of knowledge-based industries represent a major opportunity for diversifying the economies of Western Canada. In 2004-2005 WD will work to increase investment and support for the commercialization of new technologies and processes developed in Western Canada in areas such as the life sciences, environmental technologies, and other sectors where the West has demonstrated research and development (R&D) and commercial strengths.

Canada's decision to sign the Kyoto Accord and the federal government's Climate Change Agenda presents new challenges and opportunities for many western Canadian industries. WD will play a key role in Western Canada to ensure a collaborative and cooperative approach to the identification and implementation of economic opportunities afforded by the climate change agenda.

The rising Canadian dollar and strong global competition for markets, investment capital, and skilled labour presents significant challenges for Canadian SMEs to increase productivity and presence in key markets. WD will continue to support Western Canada's claim to its share of global opportunities and to target markets and investment development initiatives.

WD will support the government's focus on creating a better quality of life for Aboriginal Canadians by building partnerships that promote Aboriginal economic development and increase Aboriginal participation in the broader economy. WD will work with other governments, Aboriginal communities and the private sector to develop strategies to better link Aboriginal employability skills training with private sector demand.

And in support of the government's commitment to Sustainable Development and Building Sustainable Communities, WD will negotiate and implement multi-party arrangements that promote community development, adjustment, and sustainability. WD will also continue to participate in federal efforts to mitigate the impact of crises such as natural disasters, on Western Canada. WD has a unique ability to work with its network to provide a flexible response to community needs in times of crisis to provide local solutions to local problems.

Insights on the West

To facilitate a better understanding of Western Canada, WD provides support for and disseminates research. In 2003, three important research initiatives supported by WD were completed: "Insights on Western Canada" prepared by the Conference Board of Canada, "State of the West" prepared by the Canada West Foundation, and "The Economic Transformation of Western Canada" by the Public Policy Forum. These initiatives are helping to create a much better understanding of the economy and society of Western Canada, and the challenges Western Canada faces in sustaining a high quality

of life for residents of the region. The reports in their entirety, and a video production of the “State of the West” report can be accessed on WD’s website at <http://www.wd.gc.ca>.

Over the past twenty years, Western Canada’s economy has grown at a rate very close to its potential, meaning that the economy is operating at optimal levels given the availability of capital and labour. This has enabled most residents of the region to experience a relatively high standard of living and a very high quality of life. Western Canada’s strengths include a well-educated, flexible, dynamic workforce; an abundant supply of natural resources; and a population that eagerly embraces technological change. But in order for Western Canada to sustain a high quality of life for its residents over the long term, the region must come to grips with a number of important challenges. Key among these are dealing with environmental issues, addressing potential labour shortages in skilled trades and occupations, increasing Aboriginal and new immigrant participation in the economy, improving investment in research and development and technology commercialization, addressing current and future infrastructure shortfalls in urban and rural centres, and continuing to reduce dependency on natural resources.

The sectoral analysis presented in the Conference Board “*Insights on Western Canada*” report reinforces the need for Western Canada to further diversify its industrial base over the next twenty years. The long-term decline in world commodity prices, reduced supply of resources, and ongoing trade disputes signal a difficult future for many of Western Canada’s traditional industries. It will therefore be important for the western provinces to build alternative industries with higher value-added employment opportunities.

The challenges posed by the difference in economic growth and opportunities between rural and urban areas, and the exodus of rural residents to urban centres, has created a policy dilemma in the West. Although the trend of moving from rural to urban areas seems to be slowing, rural areas will continue to experience a declining population if natural economic forces continue to be the predominant factor. With the exception of a few Aboriginal communities that are experiencing relatively high birthrates, virtually all population growth in the West is occurring in urban centres—primarily Vancouver, Calgary and Edmonton. The growth is fueled by new residents moving from other parts of Canada, and new immigrants settling from other parts of the world.

The Economic Outlook for the Western Provinces

Manitoba



Broad-based strength in housing, manufacturing and construction industries, solid growth in consumer demand, and strong growth in the U.S. economy will help the Manitoba economy grow by 3 per cent in 2004 and 3.2 per cent in 2005. Food processing, in particular, will be bolstered by the reopening of the Springhill slaughter plant in Neepawa and the new J.R. Simplot food processing plant in Portage La Prairie.

As a result, manufacturing is expected to grow by an average of 4 per cent this year and next. Housing demand is also expected to be strong, even though housing starts will likely taper off during the course of the year. As a result of this overall goods-producing

industrial strength, the service sector (including wholesale and retail trade, community, business, and personal service industries) is expected to grow strongly. Employment is forecast to grow healthily over the next two years, and therefore disposable income and retail sales are expected to grow accordingly.

Saskatchewan



Saskatchewan's agriculture sector is recovering from two straight years of drought, and will come back to help the province's real GDP grow by 3.1 per cent this year, and another 2.7 per cent in 2005. After an estimated bounce-back of 60 per cent in 2003, agricultural output is predicted to return to a level that is more consistent with historical average output – so long as the weather does as well. Precipitation through the winter was higher than average in much of southern Saskatchewan, leading to a cautious optimism in the sector. A number of industries will benefit from a recovery in agriculture, including wholesaling and transportation, which will improve in tandem with higher crop shipments. In construction, residential development is expected to continue its downward trend, but continued exploration activity, especially in natural gas, will stimulate non-residential development. Heavy and light oil production will continue to drop as the Western Canada Sedimentary Basin matures. Modest gains in metal and non-metal mining production will result in moderate growth in the mining sector in 2004 as prices for uranium and potash start to improve. Sustained job gains in service industries and renewed hiring by manufacturers, in combination with overall economic growth, a decent labour market, wage gains and federal tax relief, will result in retail sales that should increase moderately in 2004 and even better in 2005.

Alberta



Growing by 3.5 per cent, the Alberta economy will post the strongest overall growth in real provincial GDP in 2004, and the growth pace of 3.7 per cent in 2005 will be second only to that of Ontario. Much of this growth will come from non-residential construction, in particular from oil sands projects (including upgraders), as well as a host of power projects in the province. Residential development will also fare well – although housing starts will continue to decline in 2004 and 2005, the number of units expected to be built will still be impressive. Alberta's 2004 outlook reflects a changing trend in mineral fuel production that started last year and is expected to continue indefinitely. Natural gas production dropped in 2003 as new reserves became more difficult to locate and exhibited productivity levels than in the past. However, bitumen and synthetic crude oil production from northern Alberta are showing strong growth, and this trend is expected to continue through 2004. Growth in this area has been so strong that it has helped to offset the effects of the border closure to livestock due to Bovine Spongiform Encephalopathy (BSE) on the province's GDP. In September 2003 and again in April 2004, the U.S. lifted import restrictions on Canadian beef

products from cattle under 30 months of age, but industry hopes for a widespread recovery are still tied to a U.S. decision on allowing the importation of live Canadian cattle. Manufacturing output will bounce back in 2005, following muted growth this year. Solid economic prospects will continue to lure people to Alberta, further stimulating the domestic economy and labour requirements. Employment growth will be very strong over 2004 and 2005, and will result in strong income growth. Consumer expenditures will rise solidly this year and next, easily surpassing the national rate of growth.

British Columbia



In British Columbia, the sluggish performance of 1.2 per cent growth in 2003 is forecast to improve to 3.1 per cent in 2004 and 3.5 per cent in 2005. The year 2003 was especially difficult for the British Columbia economy as structural economic challenges were compounded by devastating forest fires, severe flooding, reduced tourism due to Severe Acute Respiratory Syndrome (SARS), a sluggish U.S. export market, continued impacts due to BSE, and the ongoing softwood lumber dispute with the U.S. The fact that the province recorded any growth in 2003 is testimony to the underlying strength of the service sector,

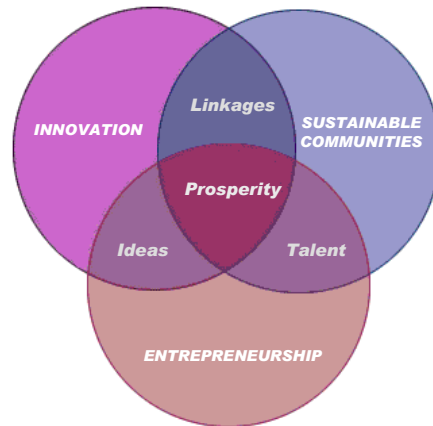
much of which is fuelled by imported wealth. The gain in momentum in the U.S. economy will lead the province to a better performance in 2004 despite a less favourable exchange rate than in past years. The manufacturing sector is showing improvement with increased shipments transportation equipment and computer electronics. Pulp and paper shipments are expected to improve this year in line with the U.S. economic revival. The energy sector should continue to show growth after record sales of drilling rights in late 2003, and other actions the provincial government continues to take that should make BC a competitive oil and gas jurisdiction. Continued strength in public and private sector investment spending next year should stimulate the construction industry over the medium term. In particular, solid consumer confidence, buoyed in part by the successful bid for the 2010 Winter Olympics, and low financing costs should keep residential spending strong in 2004. With moderately increased tourism, and sustained strength in the construction industry, the service sector will generate significant job growth this year. Job gains in public administration, construction, and wholesale and retail trade will be highest. As a whole, employment growth is expected to exceed that of most other provinces this year, driving the unemployment rate down.

SECTION III: PLANNING OVERVIEW

WD's mandate is delivered primarily through grants and contributions (G&C) under a variety of programs. Key among these is the Western Diversification Program (WDP) whose terms and conditions were approved in August 2003, enabling, among other changes, renewal of the Western Economic Partnership Agreements (WEPAs). WEPAs are multi-year, joint federal-provincial initiatives aimed at promoting coordinated economic development in each of the four western provinces. At the same time, the department's long term funding base was stabilized, enabling more effective multi-year planning. Members of the Western Canada Business Service Network (WCBSN) also receive G&C funding (see below for detailed description of WCBSN). WD's mandate allows it to take a flexible and innovative approach to working with a wide network of partners in order to make strategic investments in promoting economic development and diversification in the West.

A Strategic Approach

WD has evolved with changing economic pressures and emerging government priorities. WD investments help the West to respond to opportunities and challenges by recognizing the socio-economic drivers that support small businesses and help communities to thrive; and by consolidating partnerships in both the public and private sector to share the costs of major new initiatives. WD's efforts are concentrated in three distinct but interrelated areas: Innovation, Entrepreneurship, and Sustainable Communities.



Innovation

WD is working to close the gap between the discovery of new ideas and processes; market new products and services; and support the adoption of innovative technologies. Efforts will result in a strengthened western Canadian innovation system, ensuring that academic and private sector researchers have the required infrastructure, and are linked to each other and private investors to maximize the western economic potential.

Entrepreneurship

Small businesses are the driving force behind nearly 80 per cent of new jobs in Canada and the West. To fuel this engine of economic growth, WD, through the WCBSN (see below for more detail), supports entrepreneurs in both urban and rural settings, resulting in a competitive and expanded business sector in Western Canada.

Sustainable Communities

WD is working with partners and stakeholders to build sustainable and competitive communities in rural areas and in cities. The department cannot do this alone; nor does it pretend to have all the answers or resources to pursue activities independently. WD can however, leverage its relationships, sharing expertise and gathering intelligence to support communities to create their own future.

WESTERN CANADA BUSINESS SERVICE NETWORK – PARTNERING FOR RESULTS

The Western Canada Business Service Network (WCBSN) was established to ensure that western Canadians have access to capital and services that support their economic success. This network is a partnership of organizations that help entrepreneurs across the West, in both urban and rural communities, find what they need to establish a business or make it grow. The members of the WCBSN provide business information, counselling and planning advice, and financial assistance to entrepreneurs. The network is comprised of over 100 points of service, including the partners detailed below:

Canada Business Service Centres

Canada Business Service Centres (CBSCs) are jointly funded and managed by federal-provincial cooperative agreements, with the mandate of providing a single, seamless gateway to information for business. CBSC offices are located in Vancouver, Edmonton, Saskatoon and Winnipeg, with satellites in Victoria, Calgary and Regina. The services of the CBSCs are extended to rural and northern communities by a growing network of CBSC regional access and Aboriginal business service sites throughout the West. Each Centre offers toll-free telephone service and Internet access at: <http://www.cbsc.org>.

Community Futures Development Corporations

Community Futures Development Corporations (CFDCs) are volunteer-led, non-profit organizations located across Canada that take a grassroots approach to economic development. The 90 CFDCs across the West deliver a variety of services that include strategic community planning, business services and access to capital. CFDCs also focus on community economic development initiatives. For more information on the CFDCs, see <http://www.communityfutures.ca/>

Women's Enterprise Initiative

Women entrepreneurs are playing an increasingly important role in creating and operating small businesses across Canada. In many ways, women are leading the entrepreneurial wave – starting businesses at twice the rate of their male counterparts. However, many encounter barriers and a lack of support. WD helps to remove these barriers by supporting Women's Enterprise Initiative Centres in each of the western provinces. These centres provide business advice and information, networking, mentoring, and access to capital specially designed for women clients. More information on these organizations can be found at their web sites:

- British Columbia <http://www.wes.bc.ca/>
- Alberta <http://www.aweia.ab.ca/>
- Saskatchewan <http://www.womenentrepreneurs.sk.ca/>
- Manitoba <http://www.wecm.ca/>

Francophone Economic Development Organizations

To support the economic viability of the Francophone community in Western Canada, in April 2001, WD welcomed four Francophone Economic Development Organizations (FEDOs) to the WCBSN. FEDOs enhance the vitality of francophone communities in Western Canada by assisting in their economic development.

Support from WD enables these four provincial organizations to provide enhanced services to Francophones – including training, business and community economic development, access to capital, information services, marketing advice, networking and mentoring. More information on FEDOs can be found on their websites:

- British Columbia: <http://www.sdecb.com>
- Alberta: <http://www.lacea.ab.ca>
- Saskatchewan: <http://sk.gazel.ca>
- Manitoba: <http://www.cdem.com>

Aboriginal Business Services Network

The primary focus of WD's Aboriginal strategy is working with partners, including Aboriginal economic development organizations, to assist Aboriginal peoples in the West to participate in the development and diversification of the region's economy.

The department links Aboriginal businesses to the broader business community activities being pursued under the Sustainable Communities pillar, through the Aboriginal Business Services Network (See <http://www.cbsc.org/absn/> for additional detail.) WD is also a partner in the Aboriginal Business Development Initiative with Industry Canada and the other regional development organizations.

SECTION IV: PLANS AND PRIORITIES BY STRATEGIC OUTCOME

SUMMARY

Strategic Outcomes	Planned Results	Planned Spending (thousands)
Innovation A strengthened western Canadian innovation system.	▪ Enhanced technology commercialization and adoption.	Core \$71,614
	▪ Improved knowledge infrastructure and capacity.	Non-Core: \$2,133
	▪ More innovative communities.	Total : \$73,747
	▪ Enhanced coordination and alignment of innovation priorities and strategies between federal, provincial and other innovation players.	
Entrepreneurship A competitive and expanded business sector in Western Canada.	▪ Improved business management capabilities of small- and medium-sized enterprises (SMEs).	Core: \$53,719
	▪ Improved access to financing for SMEs.	Non-Core: \$0
	▪ Increased investment in Western Canada.	Total : \$53,719
	▪ Increased participation in international markets.	
Sustainable Communities Increased economic activity that improves the competitiveness and the quality of life in western Canadian communities.	▪ Greater collaboration and integration among governments and communities.	Core: \$52,504
	▪ Increased economic opportunity and investment within Western Canada's communities.	Non-Core: \$210,836
	▪ Increased participation of Aboriginal people in the economy.	Total: \$263,340
	▪ Enhanced capacity of western Canadian communities to implement strategies that promote sustainable development.	

‘Core’ funding refers to WD’s on-going base of G&C resources, and encompasses programs delivered under the Western Diversification Program (WDP), including Western Economic Partnership Agreements (WEPAs) and Western Canadian Business Service Network (WCBSN) programs. ‘Non-core’ refers to funding for delivery of federal government programs that are not of a continuing nature, such as the Infrastructure Canada Program.

INNOVATION

Strategic Outcome: A strengthened western Canadian innovation system.

Total Planned Spending - \$73,747,000

Overview

Innovation is one of the keys to Canada's economic prosperity. The process by which new economic and social benefits are extracted from knowledge to produce new products, processes and services occurs at a regional level through a complex set of relationships called an "innovation system" (for more in-depth discussion, see <http://www.utoronto.ca/isrn/>). One of WD's strategic priorities is to strengthen the innovation performance of western firms through investments in innovation-related projects. In 2002-2003, WD's new project approvals for innovation represented almost 64 per cent of total approvals, and WD will continue to focus the majority of its new investments in this area.

WD's innovation activities are tailored to complement and support the innovation priorities of federal, provincial and municipal governments. Priorities vary by province due to differing capacity and level of infrastructure development. In Alberta, technology commercialization dominates; in Saskatchewan the majority of investments are related to knowledge infrastructure; British Columbia's investments in Innovation are dominated by technology adoption; and in Manitoba, investments in applied research and development take priority.

Benefits

A strong, effective innovation system will contribute to economic prosperity in Western Canada, providing high paying jobs and enhanced quality of life. The return on investments in R&D made through organizations such as the Natural Sciences and Engineering Research Council of Canada (NSERC), the Canada Foundation for Innovation (CFI), and the Canadian Institutes for Health Research (CIHR) can be maximized through more effective technology commercialization and technology transfer. WD targets many of its investments in innovation to emerging technology clusters in key sectors such as health technologies, clean energy, functional foods and nutraceuticals, composite materials, genomics, environmental technologies, medical devices, and wireless technologies among others.

What's New

Several factors will influence WD's priorities in the next year:

- The federal innovation strategy, "*Achieving Excellence*" (released in February 2002) established ambitious targets for Canada (see <http://www.innovationstrategy.gc.ca>). Through the ensuing consultation process, attention is being placed on the role of industry in meeting the ambitious targets of increased R&D, and a greater focus on technology commercialization, which is also a top priority in the West.
- WD commissioned an independent review of its role in enhancing innovation in the West (see http://www.wd.gc.ca/rpts/research/default_e.asp). The key findings of the resulting report "*Western Diversification: A Catalyst for Innovation in Western Canada*", will help to direct the department's decisions, and ensure WD is focusing efforts in key sectors and aligning priorities with other innovation system players.
- New economic opportunities in the field of health research are being realized. WD is working with Dr. Henry Friesen, and the Canada West Health Innovation Council to develop these opportunities. Examples of areas in which health research is being conducted in the West include:
 - medical devices;
 - functional foods; and,
 - infectious diseases research.

More information is available on the Canada West Health Innovation Council's Web site at <http://www.cwhic.ca>.

- Under WD's leadership in the area of environmental technologies, a Western Environmental Technology Forum was held in December 2003. The resulting action plan (currently being developed by western stakeholders) will address both environmental sustainability and economic opportunities.
- WD is a founding supporter of the WestLink Innovation Network. The WestLink model—which creates broad linkages among innovation system participants, and supports skills development and innovative approaches to bundling technologies—is gaining prominence both nationally and internationally. The challenge will be to build on the WestLink approach to increase capacity in the West. (see <http://www.westlink.ca>)
- Measuring the relationship between innovation inputs (such as expenditures on R&D) and outputs (such as number of spin-off companies created and new technologies commercialized) is challenging. In 2003, WD and its partner organizations focused on understanding the relationships and process of innovation, and how to measure them. Efforts will now be directed to translating these lessons to policies, programs and future directions.

Government Themes And Management Initiatives

WD's Innovation strategic outcome directly aligns with the federal government priorities of building a more innovative economy, increasing technology commercialization from university research, and supporting transformative technologies. These will contribute to training a highly skilled workforce, increasing access to early stage capital, and capitalizing on economic opportunities provided by investments in health research.

WD plans to continue to work with its many partners to strengthen its planning process and to develop and implement performance measures for innovation.

Challenges and Risks

The report "*Western Diversification: A Catalyst for Innovation in Western Canada*" identified some of the challenges that WD will face over the next several years. These include:

- Innovation investments are long term and require sustained efforts to achieve results. The challenge will be to continue to make strategic investments in an environment of competing priorities (financial and others).
- While stakeholders appreciate WD's flexible approach, the challenge is to maintain this flexibility while becoming more strategic.

WD is recognized for its leading role in innovation in the West by many stakeholders, but its role is not as well understood by a broader public audience. The challenge is to effectively communicate WD's contribution to a larger audience.

WD's Partners In Innovation

WD has a successful history of working with partners to meet its innovation objectives. In 2002-2003 WD's contributions to innovation projects averaged 35 per cent of the total value of the innovation projects. The remainder came from partners such as other federal departments, provincial and municipal governments, not-for-profit organizations such as universities, associations and industry. Leveraging private sector investment, particularly as it relates to technology commercialization, will continue to be a primary focus for the department. In the past year, WD formalized its relationship with the National Research Council (NRC) through a Memorandum of Understanding. This mechanism will contribute to WD's priorities of technology commercialization and adoption and community innovation, and help to build capacity through cross-regional linkages in key sectors.

Innovation is a priority for both WD and the provincial governments in the Western Economic Partnership Agreements (WEPAs), which were renewed in 2003. It is expected this mechanism will contribute to WD's planned results of aligning priorities among innovation system players.

Planned Results

Planned Results	Plans and Priorities
Enhanced technology commercialization and adoption	WD will support initiatives that contribute to an organization's ability to develop, transfer, commercialize or adopt innovative technologies.
Improved knowledge infrastructure and capacity	WD will provide support to innovation infrastructure (physical), and to initiatives that build capacity and linkages among innovation players.
More innovative communities	WD will support the development and implementation of community innovation strategies, which may include skill-building initiatives, enhanced linkages between communities and research institutions, and technology transfer.
Enhanced coordination and alignment of innovation priorities and strategies between federal, provincial and other innovation players	Under WD's leadership, a Senior Officials Forum on Innovation and a Deputy Ministers' Economic Development Forum is convened to address priorities.

ENTREPRENEURSHIP

Strategic Outcome: A competitive and expanded business sector in Western Canada.

Total Planned Spending \$53,719,000

Overview

The department has always recognized the critical importance that small- and medium-sized enterprises (SMEs) play in the western Canadian economy. The number of small businesses per capita is 40 per cent higher in Western Canada than the rest of the country. As the source of nearly 80 per cent of new jobs, entrepreneurs are a major source of economic growth in the business service, health and social service, food and beverage, transportation and high tech sectors in the West. 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 adapting to new technology, exporting, selling to government and e-commerce. These areas are the focus of WD's programs and partnering strategies.

Benefits

The expected benefits of WD's entrepreneurship activities are:

- improved access by western Canadian businesses to the capital, services, and information they require to start or expand their operations;
- access by individuals and groups outside of the economic mainstream (e.g. Aboriginals, youth, new Canadians, women entrepreneurs, remote communities) to capital and business services;
- increased trade and export opportunities for western businesses;
- increased investment in Western Canada; and,
- improved skills and capacity of western Canadians and western Canadian businesses to start, expand, manage and innovate in order to increase their competitiveness within the global economy.

Priorities

WD will work with the WCBSN and other stakeholders to ensure that entrepreneurs have access to services in the areas of business planning, e-business, exporting, investment, procurement and financing. Through the WCBSN, WD will continue to provide citizen-centred service 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 be engaged in entrepreneurship development through delivery of business programs, capacity building with partners, industry collaboration and support to industry sector groups. The type of challenges faced by industry sectors varies from forestry issues in British Columbia to agriculture value-added issues in Manitoba, but it is

envisioned that by collaborating with industry to address systemic issues, barriers to growth and success in the western economy can be reduced.

The federal government has placed a high priority on investment attraction and enhanced foreign direct investment (FDI). Foreign firms in Canada engage heavily in R&D and raise productivity and capital investment levels. WD has long been involved in promoting new investment in Western Canada, and the department plans to increase emphasis in this area, in response to the potential of FDI to stimulate economic growth, innovation, and sustainable development. WD will place a priority on working with the Department of International Trade, other federal departments and agencies, western provincial governments and communities, business and industry to promote western Canadian investment opportunities.

Increasing export activity is also critical to creating a competitive and expanded business sector in Western Canada. WD will increase its involvement in key trade policy developments that impact the West, and advocate for western priorities and positions. WD will also continue to work with federal, provincial and private sector partners to undertake enhanced trade promotion and trade development activities, including supporting enhanced management skills to increase the export readiness and export activity of SMEs.

WD also plays a significant role in supporting the formation of an economic infrastructure that supports trade and investment. By enhancing knowledge infrastructure, WD is providing the foundation for technology clusters. These clusters support world-class research, train highly qualified people and attract investment from other sources. WD will continue to identify opportunities to undertake activities and initiatives that enhance the investment attraction potential of the large-scale technology cluster projects supported by the department. Examples of major projects in this area include: Fuel Cells Canada, TRILabs, Canadian Light Source – Synchrotron, and the St. Boniface General Hospital Research Centre.

WD is also well positioned to provide timely responses to unforeseen events that impact the western Canadian economy. In 2003 the western Canadian tourism industry was adversely affected by a number of events such as forest fires, flooding, Bovine Spongiform Encephaly (BSE) and Severe Acute Respiratory Syndrome (SARS). As part of a commitment to help the West become a destination of choice again, WD will contribute \$5 million towards a \$10 million federal-provincial emergency recovery marketing initiative to assist the western tourism industry. This initiative will complement other Government of Canada emergency responses, including the Canadian Tourism Commission's marketing activities.

Adjustments Derived From Previous Performance Assessments

WD has completed evaluations of the CBSCs and CFDCs. The findings are very supportive of the programs (for more information, see http://www.wd.gc.ca/rpts/audit/default_e.asp). Evaluations of FEDOs, WEIs and the WCBSN as a whole are underway and their recommendations will be considered as we

look to renew our contractual arrangements with these organizations and strive to improve reporting on results.

Challenges and Risks

All of the funding agreements with WCBSN members expire in March 2005 and will need to be renegotiated for fiscal year 2005-2006. WD has engaged its partners in a dialogue to examine funding needs as well as address the challenges associated with contributing to WD's strategic outcomes, reporting on results, improving efficiency and examining opportunities to access other sources of funding. WD's challenge is to ensure that WCBSN partners have the capacity to deliver quality services to support WD's entrepreneurship strategy.

Key Partnerships and Relationships

WD objectives relating to entrepreneurship will be accomplished largely through WCBSN partnerships. The CFDCs, WEIs and FEDOs are each governed by volunteer boards of directors drawn from the communities they serve. WD's network of service delivery partners ensures the involvement of key community stakeholders who can identify local community priorities and opportunities. Contacts in rural communities assist WD and its federal partners to work cooperatively with communities to promote improved planning and greater coordination of programs and services that respond to community economic and social development needs. WD will continue to provide assistance to these organizations to help them develop local solutions to community challenges.

WD also works with financial institutions to address access to capital issues facing entrepreneurs. The financial institutions provide loans using their own capital and lending expertise with support from WD in the form of loan loss reserves designed to offset a portion of net losses on defaulted loans. All of these funds are designed to assist financial institutions increase the level of risk taken to support entrepreneurs in the early stages of their businesses or moving into new product lines and markets.

WD's work in trade and investment will be carried out in partnership with other federal departments and the four western provinces. Within the federal government, WD's deputy minister is a member of two key committees that oversee federal activities in trade and investment: the *Deputy Ministerial Committee on International Business Development* and the *Investment Partnerships Canada Deputy Minister Advisory Board*. At the officials level, WD actively participates on the *Team Canada Inc. Advisory Board* as well as a number of committees that oversee the activities of the *Enhanced Representation Initiative* that will result in an enhanced Canadian presence in the United States. Nine new or enhanced Canadian offices will be opened in the United States, six of these in the western United States.

With respect to federal-provincial liaison, WD's Deputy Minister chairs the western federal-provincial *Deputy Ministers' Economic Development Forum*. This forum meets to discuss and coordinate joint action on a broad range of economic development issues, including trade and investment. A federal-provincial Assistant Deputy Minister

committee supports the DM Forum and works to coordinate federal-provincial development activities in Western Canada. At the officials level, WD participates in the Federal-Provincial ADMs Investment Committee, chaired by the Department of International Trade. The goal of this committee is to foster pan-Canadian agreement on collaborative processes in support of investment. WD also participates as a member of western federal-provincial officials' level committees on trade and investment. The purpose of these committees is western coordination, information exchange and joint planning. In addition, WD participates actively in the four western Regional Trade Networks (RTNs). RTNs are the primary coordination mechanism in the regions for a broad range of trade and investment activities.

Planned Results

Planned Results	Plans and Priorities
Improved business management capabilities of SMEs	WD will support initiatives that increase capacity, productivity and viability of SMEs by increasing the skills, knowledge and competencies of entrepreneurs.
Improved access to financing for SMEs	WD will work with financial institutions, members of the WCBSN and other organizations to increase the amount of capital available for borrowing by SMEs in targeted areas where it has been determined that there is a financing gap.
Increased investment in Western Canada	WD will work to increase investment by supporting investment promotion and research in foreign direct investment, investment initiatives in priority areas, major international events, and by strengthening working relationships with provincial and federal stakeholders.
Increased participation in international markets	WD will work to increase export activity by supporting trade promotion and research, SME export readiness, trade missions and international events. WD will strengthen working relationships with provincial and federal stakeholders and utilize Western Canada's multicultural diversity.

SUSTAINABLE COMMUNITIES

Strategic Outcome: Increased economic activity that improves the competitiveness of Canada's cities and the quality of life in urban, rural, northern and Aboriginal communities across Western Canada.

Total Planned Spending - \$263,340,000

Overview

WD's sustainable communities activities reflect WD's endeavors to coordinate and facilitate federal activities to ensure that economic, social and environmental considerations are taken into account in initiatives designed to foster community growth and development. Specifically, these activities include:

- assisting communities to access the expertise and financing required to assess community strengths, weaknesses, opportunities, and potential for new economic activity;
- working with other federal, provincial and municipal government organizations to promote plans and strategies that promote long term community sustainability;
- working to improve the recognition of foreign-obtained credentials;
- assisting in the development of measures and benchmarks that assess community sustainability and progress towards sustainability; and,
- leading multi-government horizontal initiatives that build sustainable communities.

Benefits

The federal government recognizes that sustainable communities are the foundation for economic prosperity. WD's activities will help support sustainable communities in the West that are healthy - socially, economically and environmentally. As such, the Sustainable Communities strategic outcome encompasses economic, social and environmental outcomes and, importantly for the department, requires ensuring that the proper balance between the three outcomes is pursued.

Sustainable communities encompasses WD's work in urban centres through Urban Development Agreements (UDAs), WEPAs, Northern Development Agreements and Accords and other measures including the delivery of the Infrastructure Canada Program. As well, the department's coordination and support for Aboriginal economic development through a variety of programming mechanisms, and community development activities and initiatives carried out in rural and northern areas with CFDCs and other members of the WCBSN all contribute to the development of sustainable communities. All involve economic development and diversification initiatives and coordination activities that allow communities to sustain their economies and adjust to changing and often very challenging economic circumstances.

By focusing on enhancing the sustainability of communities, the department is able to target its activities on areas that have been identified as federal priorities and, at the same time, on issues that represent barriers to western economic development. As a result of these activities, there will be:

- increased economic opportunity and investment attraction within Western Canada's major urban centers;
- enhanced capacity of western Canadian communities to create and implement plans and strategies that promote sustainable growth and development;
- greater collaboration and integration of programs and services offered by government organizations in communities, particularly to Aboriginal communities;
- increased skills acquisition and job creation among Aboriginal communities in Western Canada; and,
- recognition of foreign-obtained credentials.

Priorities

Following the resolution of the uncertainties surrounding WD's funding base in 2003-2004, WD embarked on the negotiation of agreements and arrangements with other governments and other federal departments to enhance economic activity and quality of life in urban, rural, northern and Aboriginal communities across Western Canada. In fall 2003, WD successfully concluded four cost-shared, \$50 million WEPAs with the each of the western provinces. The agreements target both provincial and federal priorities, including environmental technologies, life sciences, tourism, trade, value-added investment, Aboriginal development; and community/regional development.

In 2004-2005, WD will be working through the federal provincial management committees for each of the agreements to establish operational plans and procedures to implement the agreements.

Similarly, the department's stabilized funding base allowed it to begin discussions with provincial and municipal governments on ways that urban development could be supported through formal tripartite urban development agreements. In the past, WD's UDAs have proved to be efficient arrangements for the coordination of efforts in the larger western cities. The agreements provide a mechanism for cooperation, emphasizing strategic partnerships with the private sector, community groups and associations and increasing the effectiveness of existing resources by leveraging individual government's investments.

In 2003-2004, negotiations for a new cost-shared, tripartite Winnipeg Development Agreement were completed, and future efforts will focus on implementing the agreement. In Vancouver, there was a cost-shared \$20 million infusion into the Vancouver Agreement. In the coming year, projects will be carried out following the joint identification of new priorities that can be addressed through the new funding. At the same time, new UDAs will be negotiated in five other cities in the West, including Regina, Saskatoon, Edmonton, Calgary and Victoria. Each agreement will address locally identified priorities.

The department will also discuss ways to address the challenges and opportunities in northern areas of the western provinces and, in particular, to ensure that there is increased Aboriginal participation in the economy.

WD is responsible for the delivery, on behalf of the federal government, of a number of National Programs in Western Canada that are congruent with the department's core programming. WD will deliver National Programs, such as the Infrastructure Canada Program and the Softwood Industry Community Economic Adjustment Initiative, in a manner that will support the objectives of the sustainable communities priority.

WD co-leads the Urban Aboriginal Strategy (UAS) initiative in the West and the department is also discussing ways to become partners in the UAS (in both planning, project development and support) with the provinces. The UAS is designed to improve policy development and program coordination at the federal level and with other levels of government. The intent of the UAS is to reduce the level of disparity that urban Aboriginal people currently face by better tailoring government programs to the local needs and priorities of Aboriginal people living in cities.

Federal Budget 2003 committed \$25 million in new funding to the UAS to develop pilot projects in eight priority cities (Vancouver, Edmonton, Calgary, Saskatoon, Regina, Winnipeg, Thunder Bay and Toronto). These projects are intended to test new ways to better respond to the needs of urban Aboriginal peoples. In each of the designated western cities, WD is working closely with provincial and municipal officials, Aboriginal representatives and other community members to develop innovative projects. In many cases, the UAS projects are part of WD's larger urban development processes, such as the Vancouver Agreement or the Winnipeg Development Agreement. At the same time, the Aboriginal Homelessness Initiative and the UAS are being integrated to work more effectively in the communities. Through these initiatives, federal and provincial officials are expected to co-develop innovative solutions to address local priorities that cannot be undertaken through existing programs.

The department will also continue to actively engage 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.

Challenges and Risks

- The Sustainable Communities strategic outcome encompasses economic, social and environmental outcomes. WD's primary role will be to continue to support economic development activities. However ensuring the proper balance between the three outcomes will be a priority of the department.

- WD’s ability to create partnerships will depend upon the willingness and financial capacity of potential government partners and others to contribute to the sustainable communities priority.
- Effective community-based action requires considerable flexibility to tailor approaches to local needs, opportunities and strengths. The challenge is to tailor approaches while maintaining a focus on federal priorities.

Key Partnerships and Relationships

Partnering is the modus operandi of WD. Partnering with other levels of governments, other federal departments, community organizations such as CFDCs and FEDOs, non-profit groups and the private sector, reduces overlap and duplication, levers additional resources to address western issues and involves westerners in federal decision making.

Planned Results

Planned Results	Planned Activities
Greater collaboration and integration among governments and communities	WD will work with other governments to implement the four recently signed WEPAs and the UDAs in Vancouver and Winnipeg. Additional tripartite UDAs will be negotiated in other western cities.
Increased economic opportunity and investment within Western Canada’s communities	WD will work with communities to identify and attract new sources of business investment and new business opportunities. WD will also assist communities to adjust to severe impacts from changing economic circumstances.
Increased participation of Aboriginal people in the economy	WD will work with partners to implement the UAS by developing innovative solutions to address local priorities, and to invest in programs and services that promote Aboriginal economic development.
Enhanced capacity of western Canadian communities to implement strategies that promote sustainable development	WD will assist communities to assess their strengths, weaknesses, opportunities and potential for new economic activity and enhanced investment.

GOVERNMENT WIDE INITIATIVES

Government On-Line (GOL) Vision and Strategy

WD's Government On-Line vision includes a multi-channel approach to delivering the department's mandate by providing products and services to western Canadians through all types of service channels: in person, correspondence, fax, telephone, and through the Internet. In addition to providing business advisory services to the public through third parties, WD is focusing on electronic vehicles to enhance provision of timely information and service directly to citizens and business.

WD has repositioned the previous year's online product services to include both a Grants and Contributions Funding Service, and Information Sharing and Exchange Service.

The department continues to make progress towards complying with 2005 Treasury Board GOL expectations. The WD Internet public Web site will be refocused to be more client-centric, driven by recommendations of both internal and external clients.

The Grant and Contributions Funding Service will provide enhanced functionality allowing some direct interaction online for program applications. The Information Sharing and Exchange Service will enhance the existing business support tools and provide additional product services as recommended by our clients.

The Information Sharing and Exchange Service sub-components include: Media Centre; E-Centre for Research Excellence; E-Tools; and Other WD and Partner Website Information.

The WD GOL annual report is available on the department's public website at <http://www.wd.gc.ca>.

Official Languages

WD is committed to the objectives of Section 41 of the *Official Languages Act* (OLA) which calls for:

- 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.

WD's Official Languages, Section 41 Implementation Team is the 2003 recipient of the Head of the Public Service Award for Official Languages. To keep the momentum going in the West, the WD team will work towards enhancing the sustainability of the western Francophone community by creating a new Action Plan for 2004-2008 that encourages new partnerships and opportunities to expand on current community and economic development initiatives. WD's OLA team will consult actively with community groups

and stakeholders to identify priorities to address over the next four years. The Action Plan 2004-2008 will work towards strategic long-term planning, renewing partnerships such as the membership of the Francophone Economic Development Organizations in WD's Service Delivery Network, and support economic development initiatives in priority sectors identified by the francophone communities.

WD has a significant role in the implementation of the Economic Development of the Official Languages Minority Community (OLMC) portion of the Action Plan for Official Languages. The department is signing a new Memorandum of Understanding with Industry Canada to implement a number of initiatives, specifically in internships for youth in knowledge based industries, administration and management, and pilot projects in the tele-education and tele-learning industries. New partnerships are also being considered to address priorities identified by western OLMC, such as Francophone immigration and integration into western communities. WD may be the catalyst to bring together stakeholders and departments in the West with a strong position to assist new immigrants to establish a home in Western Canada.

In addition, 2004-2005 will see the renewal of the MOU between WD and Canadian Heritage for the Interdepartmental Partnership with the Official Language Communities program. The program has successfully leveraged investments into the OLMC towards advancing the visibility and economic development of French-speaking communities over the last three years. In addition, WD will look forward to ongoing membership within "*Le Comité national de développement des ressources humaines de la francophonie canadienne*", as it implements a new strategic plan with the OLMC across Canada. WD has enjoyed the opportunity to collaborate and consult with the community and federal members of le Comité national to advance efforts for Section 41 of the *Official Languages Act*.

WD will continue to support and encourage the sustainability of the OLMC, and the department will partner with other organizations to ensure the vitality of the western OLMC.

Sustainable Development Strategy

As a department that supports economic development in Western Canada, WD believes that there is a responsibility to contribute to development in a way that is sustainable and recognizes the interaction of economic, social and environmental considerations. In 2003-2004, WD introduced sustainable communities as a new priority within the department's strategic directions, and the department continues to make it one of our goals in WD's Sustainable Development Strategy for 2003 as we work towards our broader vision of "A stronger West. A stronger Canada".

In 1997, federal departments tabled the first Sustainable Development Strategies (SDS) in Parliament and are required to table new strategies every three years. The department is moving into the first year of the SDS 2003 and will focus on three goals over the three

year duration of the strategy: strengthened innovation; enhanced competitiveness; and sustainable communities.

WD contributes to the Federal Sustainable Development Strategy by supporting economic diversification and an improved quality of life for western Canadians. The department will continue to participate in federal interdepartmental sustainable development committees. In addition, a Green Team has led the department's "greening" activities, encouraging more environmentally friendly procurement practices, participating on the interdepartmental greening operations committees, and ensuring sustainable and energy efficient practices within the department.

WD also acknowledges the importance of measuring impacts of its sustainable development activities, the importance of ensuring broad organizational commitment to the strategy and the need to track and report on the results of efforts. As part of WD's priorities for SDS 2003, the department will enhance these aspects of the sustainable development strategy.

Modern Comptrollership

WD is committed to good management. The requirement to update and improve how the department is managed is evergreen. WD's action plan to implement Modern Comptrollership impacts virtually every management activity in the department. A Modern Comptrollership Capacity Assessment completed in 2002-2003 provided a tool to highlight areas where management processes in all areas of the department can be improved.

An executive level Modern Comptrollership steering committee continues to champion the initiative and ensure it maintains a high profile within the department. Excellent progress has been made in achieving the objectives of the Action Plan and the plan has been kept evergreen with new items added as opportunities for improvement are identified. The current Action Plan is consistent with the new Management Accountability Framework that sets out the Treasury Board of Canada Secretariat's expectations for modern public service management. The Action Plan was developed to provide WD managers with a clear set of management expectations and improvement initiatives.

WD's priorities for advancing Modern Comptrollership over the next three years are to focus on management improvement initiatives in the areas of Human Resource Modernization, development of an Integrated Risk Management Framework, development of an integrated planning, results and performance measurement framework and strengthening support for government-wide horizontal issues including support for western Ministers.

SECTION V: ORGANIZATION

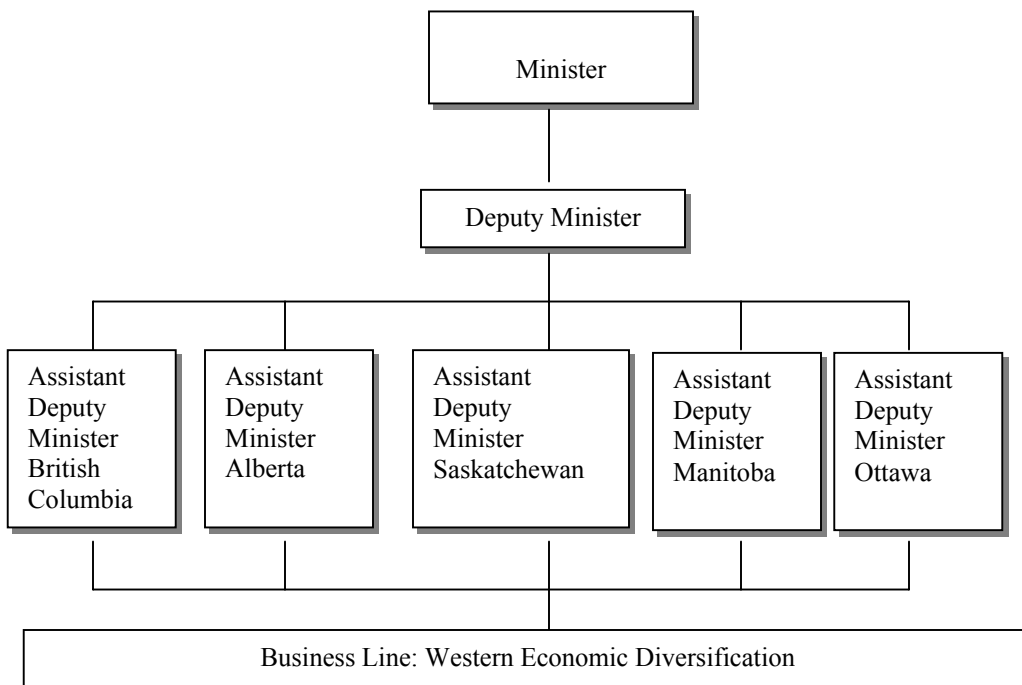
The department has one business line, Western Economic Diversification. The objective of the business line is:

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 Minister of Western Economic Diversification Canada leads the department. 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.

Each of the western Assistant Deputy Ministers are responsible for the delivery of programs and services in their region which support the department's 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



SECTION VI: ANNEXES

Strategic Outcomes

(\$ thousands)	Forecast Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06	Planned Spending 2006-07
Entrepreneurship				
Core	52,623	53,719	51,031	50,047
Statutory (SBLA, CSBFA)*	20,260	...	...	...
	72,883	53,719	51,031	50,047
Innovation				
Core	72,892	71,614	57,994	54,747
Non-Core	2,200	2,133	2,133	2,383
	75,092	73,747	60,127	57,130
Sustainable Communities				
Core	51,458	52,504	47,321	46,620
Non-Core	120,977	210,836	109,164	...
	172,525	263,340	156,485	46,620
Total	320,500	390,806	267,643	153,797

*These items are included in the estimates of Industry Canada commencing in fiscal year 2004-2005.

Departmental Planned Spending

(\$ thousands)	Forecast Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06	Planned Spending 2006-07
Budgetary Main Estimates (gross)	320,443	390,806	267,643	153,797
Non-Budgetary Main Estimates (gross)	...	...	...	...
Less: Respondable Revenues	...	...	...	...
Total Main Estimates	320,443	390,806	267,643	153,797
Adjustments *	57	...	...	...
Net Planned Spending **	320,500	390,806	267,643	153,797
Less: Non-respondable revenue	33,235	6,000	3,800	2,700
Plus: Cost of services received without charge	4,144	4,210	4,120	4,086
Net cost of Program	291,409	389,016	267,963	155,183
Full Time Equivalents	380	380	380	370

*Adjustments reflect the additional funds received through 2003-04 Supplementary Estimates less the expected transfer of contractual commitments to future years for the Infrastructure Canada Program (See table below).

**Reflects the forecast of total net planned spending to the end of the fiscal year.

Explanation of change: The decrease in forecast spending for 2003-04 reflects the expected transfer of contractual commitments under the Infrastructure Canada Program to future years. The decline in 2006-07 reflects the sunset of the Infrastructure Canada Program. The decline in non-respondable revenues in future years reflects the reduction in the repayable portfolio of the department, a direct result of the movement away from repayable contributions to business in 1994-1995.

Adjustments	2003-04 (\$ thousands)
Additional funding to support Western Diversification Programming	47,700
Grant to the Friends of the Canadian Museum for Human Rights	27,000
Vancouver-Richmond-Airport Rapid Transit - Feasibility Study	3,748
Excess collections over target	3,288
Rick Hansen - Man in Motion Foundation	2,200
Operating Budget Carry-forward	2,010
Miscellaneous Adjustments	650
Official Languages Minority Communities	400
Transfers to/from other departments	(3,615)
Contribution to Government Reallocation	(3,000)
Reduction in spending - Red River Flood Protection Program	(1,224)
Reduction in spending - Infrastructure Canada Program	(81,560)
(S) Liability under the <i>Canada Small Business Financing Act</i>	2,400
(S) Liability under the <i>Small Business Loans Act</i>	60
Total Adjustments	57

(S) Statutory Item

TABLE 1: Summary of Transfer Payments

(\$ thousands)	Forecast Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06	Planned Spending 2006-07
Grants				
Grant to the Friends of the Canadian Museum for Human Rights	27,000	...	...	...
Grants for the Western Diversification Program	...	5,000	5,000	5,000
Total Grants	27,000	5,000	5,000	5,000
Contributions				
Core				
Western Diversification Program	72,318	81,880	74,022	73,027
Community Futures Program	20,363	23,200	23,200	23,200
Western Economic Partnership Agreements	8,768	...	...	...
Service Delivery Network Program	10,700	6,000	6,000	6,000
Innovation and Community Investment Program	14,381	10,780	...	...
Loan & Investment Fund Program	4,300	4,100	4,000	4,000
Total Core	130,830	125,960	107,222	106,227
Non-Core				
Rick Hansen Man in Motion Foundation	2,200	2,133	2,133	2,133
Red River Flood Protection Program	2,176	...	...	...
Richmond Airport Vancouver – Rapid Transit Line Study	3,748	...	...	...
Infrastructure Canada Program	85,900	209,376	108,410	
Total Non-Core	94,024	211,509	110,543	2,133
(S) Liabilities under the <i>Small Business Loans Act</i>	7,960	...	...	...
(S) Liabilities under the <i>Canada Small Business Financing Act</i>	12,300	...	...	...
Total Contributions	245,114	337,469	217,765	108,360
Total Transfer Payments	272,114	342,469	222,765	113,360

(S) Statutory Item

Explanation of change: The increase in planned spending for 2004-05 and future years reflects the transfer of contractual commitments from previous fiscal years primarily under the Infrastructure Canada Program. The decrease in subsequent years is primarily due to: Sunset of the Innovation and Community Investment Program and the declining level of the Infrastructure Canada Program.

TABLE 2: Details on Transfer Payment Programs

Grants for the Western Diversification Program

	Forecast Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06	Planned Spending 2006-07
(\$ thousands)		5,000	5,000	5,000

Objective:

To promote economic development and diversification in Western Canada and advance the interests of Western Canada in national policy, program and project development and implementation.

Planned Results:

- A strengthened western Canadian innovation system.
- An expanded business sector in Western Canada.
- Increased investment in strategic federal/regional economic development priorities.
- A better understanding of Western Canada's needs, opportunities and aspirations inside and outside of the region leading to improved programs and services for western Canadians.

An evaluation of this program was completed during fiscal year 2003-04.

http://www.wd.gc.ca/rpts/audit/default_e.asp

Western Diversification Program

	Forecast Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06	Planned Spending 2006-07
(\$ thousands)	72,318	81,880	74,022	73,027

Objective:

To promote economic development and diversification in Western Canada and advance the interests of Western Canada in national policy, program and project development and implementation.

Planned Results:

- A strengthened western Canadian innovation system.
- An expanded business sector in Western Canada.
- Increased investment in strategic federal/regional economic development priorities.
- A better understanding of Western Canada's needs, opportunities and aspirations inside and outside of the region leading to improved programs and services for western Canadians.

Milestones:

- Recipients are requested to submit data, schedules, plans and reports in sufficient detail to confirm that planned results are being achieved; and,
- Results are monitored and reported regularly.

An evaluation of this program was completed during fiscal year 2003-04.

http://www.wd.gc.ca/rpts/audit/default_e.asp

Community Futures Program

(\$ thousands)	Forecast Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-067	Planned Spending 2006-07
	20,363	23,200	23,200	23,200

Objective:

Funding for the network of Community Futures Development Corporations (CFDCs) in the West. CFDCs are volunteer-led non-profit organizations that lead strategic economic planning, and provide advice and commercial loans to local entrepreneurs, which foster economic development and diversity of their communities.

Planned Results:

- Strategic Community Planning: Working with communities to assess local problems, establish objectives, plan and implement strategies to develop human, institutional and physical infrastructures; entrepreneurship; employment; and the economy.
- Business Services : Delivering a range of business, counseling and information services to small-and medium-sized enterprises.
- Access to capital: Provide capital to assist businesses or to help entrepreneurs to create new businesses.

Milestones:

- Community Futures Development Corporations (CFDCs) complete annual business plans including establishment of performance targets. They submit, periodic activity reports, and annual audits of their operations are conducted.
- Evaluations are completed periodically.

For information on the last evaluation, see http://www.wd.gc.ca/rpts/audit/default_e.asp

Western Economic Partnership Agreements*

(\$ thousands)	Forecast Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06	Planned Spending 2006-07
	8,768			...

Objective:

The agreements enable strong federal-provincial cooperation through coordinating priorities and funding for economic and regional development.

Planned Results:

- Expand the international competitiveness of the economy of provinces through investments in the economic growth of key sectors.
- Encourage the creation, expansion, modernization and value-added activities of small- and medium-sized enterprises.
- Provide increased opportunities for private sector investment and entrepreneurship.
- Ensure the programming of this agreement complements other federal and provincial programming.

Milestones:

- The agreement required the approval of projects by March 31, 2002, project completion by September 30, 2003, and claim receipt by March 31, 2004.
- Assessed by a final evaluation of the program.

*Evaluation was completed in May 2002 (http://www.wd.gc.ca/rpts/audit/default_e.asp). The new Western Economic Partnership Agreements, signed during 2003, are funded under the Western Diversification Program (WDP).

Service Delivery Network Program

(\$ thousands)	Forecast Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06	Planned Spending 2006-07
	10,700	6,000	6,000	6,000

Objective:

The Service Delivery Network Program increases access to services in Western Canada through service delivery agreements with community-based organizations.

Planned Results:

- Business Services: Delivering a range of business, counseling and information services to small and medium-sized enterprises.
- Access to capital: Provide capital to assist businesses or to help entrepreneurs to create new businesses.

Milestones:

- The Service Delivery Organizations complete annual business plans, which include the establishment of performance targets. They submit periodic activity reports and annual audits of their operations are conducted.

An evaluation of this program is underway.

Innovation and Community Investment Program

(\$ thousands)	Forecast Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06	Planned Spending 2006-07
	14,381	10,780	0	0

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:

- 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.
- Increasing the diversification of community economies.

Milestones:

- Recipients are requested to submit data, schedules, plans and reports in sufficient detail to confirm that planned results are being achieved.
- Results are monitored and reported regularly.
- Assessed by final evaluation of the program.

An evaluation of this program is underway.

Infrastructure Canada Program

(\$ thousands)	Forecast Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06	Planned Spending 2006-07
	85,900	209,376	108,410	0

Objective:

To improve urban and rural 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 the use of technologies, new approaches and best practices.

Planned Results:

- To improve urban and rural municipal infrastructure in Canada.

Milestones:

- Results are monitored and reported regularly.
- Evaluations are completed periodically.

Small Business Loans Act and Canada Small Business Financing Act

(\$ thousands)	Forecast Spending 2003-04	Planned Spending 2004-05	Planned Spending 2005-06	Planned Spending 2006-07
<i>SBLA</i>	7,960	0	0	0
<i>CSBFA</i>	12,300	0	0	0

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:

- Refer to the Report on Plans and Priorities of Industry Canada.

Milestones:

- Refer to the Report on Plans and Priorities of Industry Canada

These programs are included in the Estimates for Industry Canada effective with the 2004-05 fiscal year.

TABLE 3: Source of Non-respensible Revenue

(\$ thousands)	Forecast Revenue 2003-04	Planned Revenue 2004-05	Planned Revenue 2005-06	Planned Revenue 2006-07
Repayment of repayable contributions	15,700	5,000	3,000	2,000
Adjustment to previous years payables at year-end	1,200	500	500	500
Service fees under the <i>Small Business Loans Act</i>	2,950	...	...	...
Service fees under the <i>Canada Small Business Financing Act</i>	12,885	...	...	...
Other Revenue	500	500	300	200
Total Non-respensible Revenue	33,235	6,000	3,800	2,700

Explanation of change: The decline in planned revenue for 2004-05 and on-going years reflects the reduction in the repayable portfolio of the Department as a result of the 1994-95 decision to move away from the provision of repayable contributions to business. Other Revenue for 2004-05 and future years includes interest and other revenue associated with the collection of repayable contributions as well as other miscellaneous revenue.

TABLE 4: Net Cost of Program for the Estimates Year

(\$ thousands)	Total
Net Planned Spending	390,806
Plus: Services Received without Charge	
Accommodation provided by Public Works and Government Services Canada	2,141
Contributions covering employees' share of employees' insurance premiums and expenditures paid by Treasury Board Secretariat	1,891
Workman's compensation coverage provided by Human Resources Development Canada	31
Salary and associated expenditures of legal services provided by Justice Canada	147
Total Services Received without Charge	4,210
Less: Non-respensible Revenues	6,000
2004-05 Net Program Cost	389,016

**TABLE 5: Horizontal Initiatives -
Canada Strategic Infrastructure Fund (CSIF)**

The Canada Strategic Infrastructure Fund (CSIF) is a cost-shared contribution program for strategic infrastructure projects that are vital to sustaining economic growth and supporting an enhanced quality of life for Canadians. The CSIF is delivered in

partnership between the federal regional economic agencies and Infrastructure Canada. WD is responsible for the delivery of this program in western Canada, including the: Vancouver Convention and Exhibition Centre (VCEC), the Manitoba Red River Floodway, and the Wascana Lake Enhancement Project. For more information on this horizontal initiative, please see: http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp.