



Atlantic Canada Opportunities Agency

2006-2007 Estimates

Performance Report

Minister
Atlantic Canada Opportunities Agency

Table of Contents

1. Section I – Overview	1
1.1 Minister’s Message	1
1.2 Management Representation Statement	3
1.3 Summary Information	4
1.3.1 Raison d’être	4
1.3.2 Financial and Human Resources	4
1.3.3 Status of Agency Performance for 2006-2007	5
1.4 Summary of Performance	6
1.4.1 Operating Environment	6
1.4.2 Linking ACOA’s Outcomes/Activities to the Government of Canada’s Outcomes	11
1.4.3 Program Performance.....	12
1.4.4 Management Performance.....	16
2. Section II – Reporting on Results	19
2.1 Strategic Outcome #1 – Enterprise Development	19
2.1.1 Program Activity: Fostering SME Development and Regional Economic Capacity Building	21
2.1.1.1 Program Sub-activity: Innovation	23
2.1.1.2 Program Sub-activity: Entrepreneurship and Business Skills Development	27
2.1.1.3 Program Sub-activity: Trade	30
2.1.1.4 Program Sub-activity: Investment	33
2.1.1.5 Program Sub-activity: Tourism.....	35
2.1.1.6 Program Sub-activity: Other Support to SMEs.....	39
2.1.2 Program Activity: Access to Business Information.....	41
2.2 Strategic Outcome #2 – Community Development	43
2.2.1 Program Activity: Community Economic Development.....	45
2.2.2 Program Activity: Special Adjustment Measures	48
2.2.3 Program Activity: Infrastructure Programming	49
2.3 Strategic Outcome #3 – Policy, Advocacy and Co-ordination	51
2.3.1 Program Activity: Policy	53
2.3.2 Program Activity: Advocacy	57
2.3.3 Program Activity: Co-ordination	60
3. Section III–Supplementary Information	63
3.1 Organizational Information	63
3.1.1 Organizational Structure	63
3.1.2 Accountability	63
3.1.3 Atlantic Canada Opportunities Board.....	64
3.1.4 Agency Organization.....	64
3.1.5 Key Responsibilities	65

3.2 Financial, Policy and Information Tables	66
3.2.1 Financial Overview	66
3.2.2 Table 1: Comparison of Planned to Actual Spending (including FTEs)	67
3.2.3 Table 2: Resources by Program Activity	68
3.2.4 Table 3: Voted and Statutory Items	70
3.2.5 Table 4: Services Received Without Charge	70
3.2.6 Table 5: Sources of Non-responsible Revenue	71
3.2.7 Table 6: Resource Requirements by Branch	72
3.2.8 Table 7A: User Fees	73
3.2.9 Table 7B: Policy on Service Standards for External Fees	74
3.2.10 Table 8: Details on Transfer Payments Programs	74
3.2.11 Table 9: Horizontal Initiatives	75
3.2.12 Table 10: Financial Statements	76
3.2.13 Table 11: Response to Parliamentary Committees Audits and Evaluations	94
3.2.14 Table 12: Sustainable Development Strategies	96
3.2.15 Table 13: Client-centred Service	97
3.2.16 Table 14: Travel Policies	98
4. Section IV–Other Items of Interest	99
4.1 Provincial Economic Challenges	99
4.2 Business Development Program - Repayable Contributions Portfolio	104
4.3 Government Themes and Management Issues	105
4.3.1 Regional Federal Councils	105
4.3.2 Official Languages Act, Section 41	109
4.4 Results-based Management	111
4.5 Corporate Services	113

1. Section I – Overview

1.1 Minister's Message

As Minister of the Atlantic Canada Opportunities Agency, I am pleased to present the Agency's *Departmental Performance Report* (DPR) for 2006-2007.



The goal of our government, and my goal as Minister of ACOA, is to ensure that Atlantic Canadian communities and businesses continue to grow and evolve in the best possible environment – one that supports and encourages innovation and allows Atlantic Canadians to reach their full potential. This means investing in R&D that will lead to the commercialization of innovative technologies that contribute to and enhance the competitive strength of the Atlantic Canadian economy. It means increasing trade and export opportunities and attracting foreign investment. It means having infrastructure that will spur new businesses, attract new talent, and retain our young people by putting their skills to good use.

ACOA plays a central role in helping the federal government deliver on its commitments in Atlantic Canada. The Agency continues to successfully tackle the economic development issues facing the Atlantic region, just as it has done since its establishment 20 years ago.

ACOA has always been a flexible and responsive organization. It has always been ready to undertake research on critical issues, work with a wide range of partners, and develop targeted strategies to help the region bridge economic gaps, identify opportunities, and build capacity where little or none existed before. It has been, and will remain, a strong advocate for Atlantic Canada with key decision makers in the region and in Ottawa.

As this 2006-2007 DPR shows, activities and initiatives undertaken by ACOA have contributed to the growth and prosperity of Atlantic Canada. Infrastructure investments are building stronger and healthier communities. Investments in small and medium-sized enterprises are helping to improve business skills, increase productivity and create jobs. And, ACOA's policy, advocacy and co-ordination role ensures that government initiatives respond to our region's needs.

In the coming year, the Agency will pursue an ambitious, focused agenda that fosters productivity, competitiveness and growth in Atlantic Canada's economy. ACOA will align its efforts with federal government priorities, and will focus on activities that will strengthen the region's economic advantage. Key priorities will include the Atlantic Gateway, science and technology initiatives with a focus on commercialization, and

enhanced trade and investment measures that will move toward capturing new opportunities in Asia and the Americas. Within this framework, the Agency will place emphasis on strategic sectors for Atlantic Canada that are knowledge-intensive, as well as strengthening existing industries.

The Agency will continue to advance the region's interests on the national and international stages. It will work to improve the standard of living of Atlantic Canadian communities and the competitiveness of small and medium-sized enterprises. By working closely with its partners, ACOA will continue to help build an Atlantic Canada that is recognized as one of the best places in which to work and live.

The Honourable Peter G. MacKay
Minister of National Defence and Minister of
the Atlantic Canada Opportunities Agency

1.2 Management Representation Statement

I submit, for tabling in Parliament, the 2006-2007 Departmental Performance Report (DPR) for the Atlantic Canada Opportunities Agency (ACOA).

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2006-2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*.

- It adheres to the specific reporting requirements outlined in the Treasury Board of Canada Secretariat's guidance.
- It is based on ACOA's Strategic Outcomes and Program Activity Architecture that were approved by the Treasury Board of Canada.
- It presents consistent, comprehensive, balanced and reliable information.
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to the Agency.
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Monique Collette, President
Atlantic Canada Opportunities Agency

1.3 Summary Information

1.3.1 Raison d'être

The Atlantic Canada Opportunities Agency (ACOA) works in partnership with Atlantic Canadians to improve the economy of the region through the successful development of business and job opportunities, and thus pursues its mandate "... to increase opportunity for economic development in Atlantic Canada and, more particularly, to enhance the growth of earned incomes and employment opportunities in that region."

(Part I of the *Government Organization Act, Atlantic Canada 1987*, R.S., c G-5-7, otherwise known as the *Atlantic Canada Opportunities Agency Act*)

In order to effectively pursue its mandate, the Agency has identified **three strategic outcomes** that reflect its mission and the benefits it strives to provide to Atlantic Canadians. These outcomes are:

Enterprise Development – improved growth and competitiveness of Atlantic small and medium-sized enterprises (SMEs), leading to increased productivity, earned incomes and job creation.

Community Development – improved community economic infrastructure and strategic planning capacity, leading to improved employment opportunities and economic growth in the Atlantic region.

Policy, Advocacy and Co-ordination – strategic, researched policy positions that reflect the region's potential, ensuring regional influence on national policies and programs that affect Atlantic Canadian development and interests, and facilitating the co-ordination of other federal policies and programs within the region to form integrated approaches to development, leading to strengthened Atlantic economic development.

1.3.2 Financial and Human Resources

Financial Resources ¹ (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
380.4	391.6	385.3	612	700	(88)

¹ Refer to Section III – Supplementary Information, Table 1 Departmental Planned Spending and Full-time Equivalents and subsequent financial tables for definitions and an explanation of variances between these three categories (planned spending, total authorities, and actual spending).

1.3.3 Status of Agency Performance for 2006-2007

<i>Status of Performance</i>		<i>Spending (\$ millions)</i>	
		<i>Planned</i>	<i>Actual</i>
Strategic Outcome: Enterprise Development		282.4	227.5
<i>Priority: (ongoing)</i> Client approach to enterprise development in collaboration with partners	<i>Program Activity – Expected Results</i> Fostering SME development and regional economic capacity building - Improved growth and competitiveness of Atlantic SMEs	<i>Priority Performance Status:</i> Successfully met	
<i>Priority: (ongoing)</i> Proactive support to innovation	<i>Program Activity – Expected Results</i> Fostering SME development and regional economic capacity building - Improved growth and competitiveness of Atlantic SMEs	<i>Priority Performance Status:</i> Exceeded expectations	
<i>Priority: (ongoing)</i> Evaluate priorities on an ongoing basis to provide best possible support to clients	<i>Program Activity – Expected Results</i> Fostering SME development and regional economic capacity building - Improved growth and competitiveness of Atlantic SMEs	<i>Priority Performance Status:</i> Successfully met	
Strategic Outcome: Community Development		81.2	146.4
<i>Priority: (ongoing)</i> Holistic approach to community development	<i>Program Activity – Expected Results</i> <i>Community Economic Development</i> - Enhanced business and economic opportunities for Atlantic Canadian communities	<i>Priority Performance Status:</i> Successfully met	
<i>Priority: (ongoing)</i> Facilitation of partner collaboration	<i>Program Activity – Expected Results</i> Community Economic Development - Enhanced business and economic opportunities for Atlantic Canadian communities	<i>Priority Performance Status:</i> Successfully met	
<i>Priority: (ongoing)</i> Capacity building	<i>Program Activity – Expected Results</i> Community Economic Development - Enhanced business and economic opportunities for Atlantic Canadian communities	<i>Priority Performance Status:</i> Successfully met	
<i>Priority: (ongoing)</i> Adjustment initiatives	<i>Program Activity – Expected Results</i> Special Adjustment Measures - Partner with communities to manage and mitigate economic crises	<i>Priority Performance Status:</i> Successfully met	
Strategic Outcome: Policy, Advocacy and Co-ordination		16.8	11.4
<i>Priority: (ongoing)</i> A strong policy and advocacy role	<i>Program Activity – Expected Results</i> Policy - Increase internal and external capacity to identify and explore issues critical to the development of policies and design and improvement of programs	<i>Priority Performance Status:</i> Successfully met	
<i>Priority (ongoing)</i> A strong policy and advocacy role	<i>Program Activity – Expected Results</i> Advocacy - Effective defence and promotion of Atlantic Canada's interests	<i>Priority Performance Status:</i> Successfully met	
<i>Priority (ongoing)</i> Co-ordinated engagement strategy	<i>Program Activity – Expected Results</i> Co-ordination - Co-ordination of activities among ACOA, federal departments and provincial governments in Atlantic Canada	<i>Priority Performance Status:</i> Successfully met	

1.4 Summary of Performance

1.4.1 Operating Environment

ACOA's Mandate

In 2007, ACOA marks 20 years of service to Atlantic Canadians. Established in 1987, the Agency is the arm of the federal government whose mission is to work in partnership with Atlantic Canadians to improve the economy of the region through the successful development of business and job opportunities.

ACOA's mandate is derived from Part I of the *Government Organization Act, Atlantic Canada 1987*, R.S., c G-5-7, otherwise known as the *Atlantic Canada Opportunities Agency Act*. Its purpose is to “increase opportunity for economic development in Atlantic Canada and, more particularly, to enhance the growth of earned incomes and employment opportunities in that region.”

Although the Agency's program tools and policies have changed over the past 20 years, the overall goal of ACOA has always been to help the Atlantic region realize its full potential in terms of productivity, economic growth and standard of living.

The Government of Canada is committed to ensuring that Canadians in all parts of the country benefit from a strong economy and the services that such an economy can provide. ACOA tackles economic development challenges facing Atlantic Canada by identifying and addressing structural weaknesses in the economy, helping communities and businesses overcome barriers, and finding new opportunities for growth. It is also within this context that ACOA is committed to helping the region evolve into a more innovative, productive and competitive economy. By making effective investments and helping foster favourable conditions for economic growth, ACOA can encourage prosperity through the creation of new opportunities in Atlantic Canada.

ACOA's Approach

The Agency takes a proactive approach to identifying opportunities and overcoming regional barriers to growth, recognizing that an economy must have a number of conditions in place in order to succeed.

Working with partners in all levels of government, the private sector, academia and non-governmental organizations, ACOA seeks to advance economic opportunities and innovation in order to serve the needs of businesses, organizations, individuals and communities in Atlantic Canada.

At the national level, the Agency carries out this mandate by advocating for Atlantic Canada's interests, priorities and concerns in federal government policy-making decisions and investments that have a direct impact on the region's economy.

The Agency also participates in a number of federal government horizontal initiatives, acting as the lead department for the Atlantic Canada Tourism Partnership, Team Canada Atlantic, and the International Business Development Program.

At the regional level, ACOA conducts policy research and analysis that helps provide the intellectual foundation for a comprehensive and strategic approach to regional development. Furthermore, the Agency plays a key role in co-ordinating pan-Atlantic development strategies, programs and initiatives, working closely with the provincial governments, Atlantic universities and research institutes, business organizations, other federal departments, and other stakeholders in the region to reduce duplication and maximize impact.

Locally, the Agency works with its partners to provide communities with the tools and resources they need to build more self-reliant local economies. Partnerships are a major element, not only in the delivery of programs and activities, but also in the development of programs and policies. ACOA partners with the private sector, universities, non-government organizations, as well as governments at all levels.

ACOA also works locally to improve the growth and competitiveness of enterprises. The Agency ensures that a wide variety of business development tools and resources are available to Atlantic Canadian entrepreneurs throughout all stages of the business life cycle – from the time they are thinking about setting up a new business, to the time they are planning for growth and expansion.²

ACOA's programs are strategically important. Recognizing the correlation between innovation and productivity, Agency programs place emphasis on fostering research and development, technology adoption, skills development, and improved access to capital, which are all required to make these kinds of investments in innovation possible. The Agency's Atlantic Innovation Fund (AIF) continues to be a driving force behind the latest acceleration of research and development in Atlantic Canada. In 2006-2007, ACOA provided over \$77 million in AIF assistance to research and development projects, leveraging an additional \$138 million in innovation investments in Atlantic Canada.

ACOA recognizes the correlation between stimulating the growth of entrepreneurship and economic development, as illustrated by the fact that in the 1990s, 70% of the jobs created by new firms in Atlantic Canada were attributed to small businesses.³ The Business Development Program and other ACOA programs are helping entrepreneurs to

² For more information on ACOA's activities and services, visit the Agency's website at <http://www.acoa-apeca.gc.ca/e/en/index.asp>.

³ *The State of Small Business and Entrepreneurship, Atlantic Canada 2005*, Atlantic Canada Opportunities Agency (2005).

start up and expand businesses, optimize trade and export opportunities, develop new tourism products, and improve business management practices to grow and compete in the global economy.

Atlantic Canada's Challenges, Risks and Opportunities, and ACOA's Response⁴

ACOA operates within the changing economic landscape of Atlantic Canada. The Agency's broad-based approach to economic development addresses the underlying structural challenges in the economy. Being proactive in identifying opportunities requires the Agency to assess external economic factors that can affect the delivery of its programs and services.

Since 2001, growth in Atlantic Canada's economy has averaged 2.6% per year, slightly above the national rate of expansion of 2.5%. Economic growth in the region during this period was driven mainly by increased investment in infrastructure, mineral and offshore oil and gas projects, and the development of the information technology and call centre industries. While resource-based industries now account for only 16% of economic output in the region, they remain important to the region's development. Growing sectors such as aquaculture, bioscience, and aerospace and defence also present considerable opportunities for future development. The region's economy and labour market are becoming increasingly knowledge-based, with most of the growth in employment occurring among those who have a post-secondary diploma or degree.

Despite the recent performance of the Atlantic economy, challenges remain. The considerable rise in the Canadian dollar and high energy prices are factors that affect the global competitiveness of the region's firms. Research and development spending and technology adoption, key factors for improving innovation and addressing the region's low levels of productivity, remain below the national average. Atlantic Canada remains one of Canada's most rural regions, characterized by declining population levels and a lack of employment opportunities. A high level of out-migration from the region, along with a low birth rate and immigration levels, remain concerns regarding the future supply of a skilled labour force.

Providing opportunities for the region's businesses and individuals continues to be the main challenge facing ACOA. Initiatives such as Team Canada Atlantic have increased the exposure of the region's firms to various export markets in the United States and

⁴ Statistical data presented in this section are from the following sources:

- Statistics Canada – Gross Domestic Product, Provincial and Territorial Economic Accounts Review, #13-016-XIE (2007)
- Statistics Canada – Labour Market, Labour Force Historical Review, #71F0004XCB (2007)
- Statistics Canada – Population, Quarterly Demographic Estimates, #91-002-XIE
- Industry Canada – Exports, Trade Data Online, Strategis (2007)

Europe. The AIF will be providing \$600 million to Atlantic Canadian businesses and higher educational institutions during this decade in order to improve research and development and innovation in the region. The Agency is also involved in making the business case for investments in the Atlantic Gateway, which will facilitate trade flows and lead to increased economic opportunities.

The following paragraphs provide an overview of Atlantic Canada's 2006-2007 economic landscape. Provincial economic challenges for 2006-2007 are detailed in Section IV of this report.

Following growth of only 0.9% in both 2004 and 2005, the Atlantic Canadian economy strengthened in 2006, with real gross domestic product (GDP) increasing by 2.3%. After declining the previous two years, output in the region's goods-producing industries rose by 2.2% in 2006, mainly due to increases in mining (e.g. Voisey's Bay) and construction. Despite these gains, activity in the manufacturing sector declined for a second consecutive year, affected by the strong Canadian dollar and weakness in the resource sectors, resulting in the closure or temporary shutdown of several wood and paper mills and fish processing plants in the region.

Growth in the region's services-producing industries accelerated in 2006, increasing by 2.4%. Activity was strongest in the retail trade, administrative (e.g. call centres) and professional services (e.g. information technology) sectors.

Atlantic Canada's labour market improved slightly in 2006, yet continued to perform below the national average. After increasing by only 0.2% in 2005, employment in the region rose by 0.5% (or 5,600 individuals) in 2006, while employment in Canada increased by 1.9% during this period. The unemployment rate in the region fell from 10.4% to 9.9% in 2006, its lowest level in over 30 years. However, part of this decline was due to a drop in the labour force, which fell for a second consecutive year as numerous people left the region in search of better employment prospects. The participation rate fell slightly in 2006 to attain 62.7%, yet remains just below its record level.

Between July 2005 and July 2006, the population of Atlantic Canada fell by 0.3%, or 7,980 individuals, to stand at 2,331,769. This trend was mainly due to out-migration from the region. Population was stable in Prince Edward Island, but it declined in the three other Atlantic Provinces. Over the course of the past few years, Atlantic Canada's urban centres and their surrounding rural areas have experienced the most population growth in the region, while more remote rural areas have been experiencing population decline. In 2006-2007, the Agency continued its efforts in responding to the challenges related to Atlantic Canada's population shift by collaborating with provincial and federal partners to develop joint initiatives.

The Canadian dollar has appreciated significantly against its U.S. counterpart over the past four years, affecting the competitiveness of Atlantic Canada's exporters. Nearly 80% of goods shipped from the region are destined for the United States market. The stronger

Canadian dollar, along with higher energy prices and the housing-related slowdown in the United States, has had a significant impact on the region's manufacturing sector, with the loss of more than 10,000 jobs over the past two years.

Emerging international economies and changing trade patterns are affecting the way Atlantic Canada is doing business. Increased productivity and accessing global value chains are issues that the region is currently addressing. After rising by 8% in 2005, exports of commodities from Atlantic Canada declined by 3% in 2006. Losses in the region were significant in seafood, pulp and paper, wood and natural gas, while changes in the region's other major export commodities were relatively modest, with the exception of minerals. Atlantic Canada's exports to the United States fell by 4% in 2006, mainly due to lower exports of natural gas and wood products. The decline in Atlantic Canada's exports to the United States was partially offset by increases in exports to other countries. For example, exports to China, the second largest destination for the region's products, rose by 4%, as gains in iron ore and pulp offset losses in seafood products (e.g. crab, shrimp and mackerel products). Exports to the Netherlands increased by 60%, mainly due to increases in refined petroleum, wood products and fabricated metal products. The value of exports to India increased by 39%, largely due to increased shipments of pulp and paper products. Exports to Australia rose by 26% as a result of increased iron ore shipments.

While the value of crude oil exports increased because of higher prices, foreign shipments of natural gas declined due to lower prices and reduced volume. Gains in minerals resulted mainly from higher exports of zinc and copper. Although aquaculture exports registered gains, mainly from farmed salmon, lower landings and prices led to a decline in shipments of crab products, while the value of exports of unprocessed lobsters fell due to lower prices. Market conditions in the forestry sector remained poor, as lower lumber prices and reduced demand in the United States affected exports of wood products. The temporary shutdown of a paper mill in Nova Scotia and the closure of a newsprint mill in Newfoundland and Labrador late in 2005 led to a reduction in exports of pulp and paper products.

As noted previously, ACOA's programs take into account these external economic factors, which remain structural challenges in Atlantic Canada's economy. The Agency's activities seek to assist the region in being more competitive, which fosters innovation, investment and efficiency for productivity growth, and promotes a more resilient, adaptable economy. The Agency's innovation strategy, for example, involves research, consultation, and collaboration with stakeholders to identify gaps, challenges and opportunities to be addressed, and allows flexibility in terms of priority setting and focusing on strategic sectors in Atlantic Canada (i.e. information communications technology (ICT), biotechnology, energy). In 2006-2007, part of ACOA's activities focused on investment, innovation and business skills development in order to contribute to enhancing productivity in the region. For instance, the Productivity and Business Skills Initiative has encouraged small and medium-sized businesses to invest in the development of technical, commercialization and management skills.

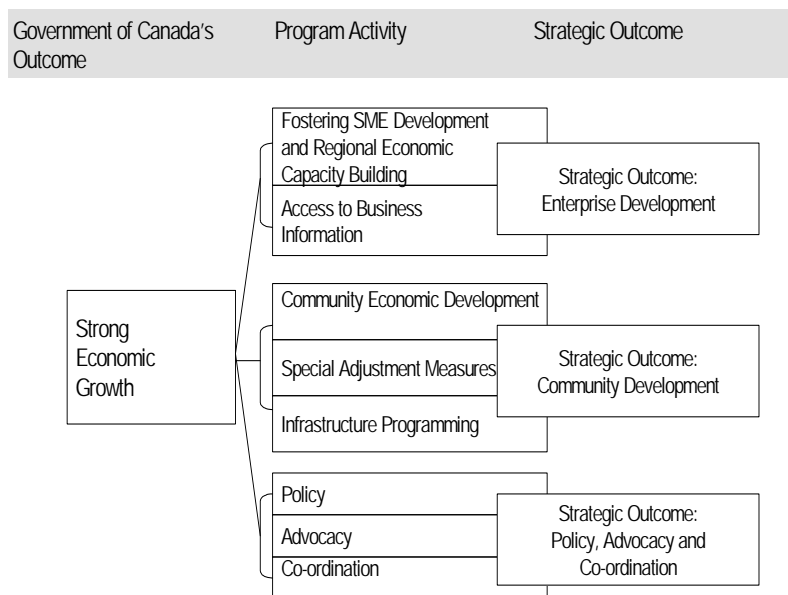
1.4.2 Linking ACOA's Outcomes/Activities to the Government of Canada's Outcomes

The Government of Canada's annual report on performance, entitled *Canada's Performance 2006*,⁵ provides an overview of how individual departments and agencies contribute to broader, government-wide outcomes in the following key policy areas: economic affairs, social affairs, international affairs, and government affairs (federal organizations that support all departments and agencies).

ACOA's program activities and strategic outcomes are complementary, and support the Government of Canada's contribution to strong economic growth. ACOA's sub-activities, which are more specific in nature, also support and contribute to a number of other federal government outcome areas such as: an innovative and knowledge-based economy, income security and employment for Canadians, a clean and healthy environment, a vibrant Canadian culture and heritage, as well as a diverse society that promotes linguistic duality and social inclusion.

The Government of Canada's "strong economic growth" outcome area includes initiatives aimed at strengthening economic development in all regions and sectoral competitiveness. The government recognizes that regional development policies are important components of a comprehensive strategy to help the regions of Canada exploit the opportunities in a global economy. Furthermore, the Government of Canada is dedicated to pursuing a strategy that invests in skilled knowledge workers, and cutting-edge research and innovation. ACOA, through its program activities and sub-activities, supports these government outcomes, which in turn foster an environment

where citizens can prosper. The following table depicts the relationship between the Government of Canada's outcomes and ACOA's contribution toward them, through its program activities.



⁵ To view *Canada's Performance 2006* visit http://www.tbs-sct.gc.ca/report/govrev/06/cp-rc_e.asp.

1.4.3 Program Performance

The following provides an overall description of ACOA's performance in 2006-2007. Detailed information on each of ACOA's program activities, as well as additional information on ACOA's key programs and services, and its leadership role in Atlantic Canada's economic development, are outlined in Section II.

1.4.3.1 Enterprise Development

One of the keys to a stronger economy in Atlantic Canada is to foster the establishment and development of small and medium-sized enterprises (SMEs). The Agency, through its program sub-activities, does essentially three things: first, helps entrepreneurs to start new businesses; second, assists existing SMEs to grow and become even more competitive; and third, seeks to improve the business climate in order to promote the establishment of new businesses in Atlantic Canada. By providing entrepreneurship training and access to financing and business information, ACOA attracts people interested in starting businesses. By providing assistance toward costs related to innovation, skills development and trade, the Agency works with SMEs to enable them to grow and be competitive. By promoting the region as a great place to do business, ACOA is able to attract new companies to Atlantic Canada.

In 2006-2007, the Agency achieved the following results from its program sub-activities aimed at fostering competitive and sustainable Atlantic Canadian enterprises.

Innovation: This sub-activity is significant in terms of strategic importance to the long-term economic development of the region. Consequently, this is where the Agency has focused much attention and significant investment through its Business Development Program and Atlantic Innovation Fund. Under the latter, 30 projects were approved, representing a contribution of \$77 million toward project costs of \$215 million, in sectors such as IT, life sciences, and oil and gas/oceans technology clusters. Development of strategic sectors was further pursued, along with encouraging more private sector investment in innovation activities, and fostering partnerships and collaboration for technology development.

Entrepreneurship and Business Skills Development: During the year, ACOA continued to promote entrepreneurship as a career option, and invested in the development of business skills of aspiring and existing entrepreneurs, to strengthen their ability to recognize and seize economic opportunities and to succeed at all stages of the business cycle. As a result of its ongoing investments, ACOA's performance (over a three-year target) remained on track, with 85.7% of participants in business skills development activities indicating the skills acquired are relevant to enhancing the start-up, survival or growth of their businesses. Various investments also focused on the development of young entrepreneurs, women business owners, and aboriginal entrepreneurs.

Trade and Investment: In 2006-2007 the Agency funded over 210 partnered trade and investment projects. With programming such as the Atlantic Trade and Investment Program (which has resulted in over 4,000 firms increasing their export readiness since 2002), International Business Development Agreement, and Business Development Program, ACOA has been instrumental in the export growth and competitiveness of the Atlantic region and its SMEs, as well as promoting the region as a profitable place in which to do business.

Tourism: In 2006-2007 the Agency continued to deliver on a wide variety of initiatives related to tourism. Whether by promoting Atlantic Canada as a tourism destination, by helping to build the tourism capacity, by fostering tourism partnerships, or by co-ordinating the presence and actions of the federal government, the Agency served as a catalyst to the tourism industry, ensuring its growth and importance as an economic engine in the region.

Other Support to SMEs: ACOA approved a total of 140 projects from companies establishing, modernizing and/or growing their business. In the realm of financing, during the year the region saw expanded activity in the areas of venture capital and angel financing.

Access to Business Information: The Agency continued to manage and support the four Canada Business service centres in the region. The centres provided a variety of information to aspiring and existing business people on government programs, regulations and resources. A survey completed in 2006-2007 concluded that 85% of users were satisfied with the quality of the information received.

1.4.3.2 Community Development

The Government of Canada is committed to working with Canadians, organizations and other levels of government to ensure the sustainability of communities. In Atlantic Canada, a larger portion of the population is based in rural areas than is the case for Canada as a whole. It is an Agency priority to adopt a holistic approach to community development by working to develop the strength of these communities. ACOA is having a positive effect in these rural areas by supporting existing firms and encouraging new start-ups.

In 2006-2007, the Agency achieved the following results from its activities aimed at developing dynamic and sustainable communities for Atlantic Canada.

To be sustainable and grow, communities must invest in those initiatives that show the potential to stimulate economic development. The main tool in support of community investment is the Innovative Communities Fund (ICF). In fiscal 2006-2007 ICF committed over \$58 million to 167 projects across the region. This program builds on the strengths of communities and provides the tools needed to identify opportunities available for their sustainable economic growth.

Investments are targeted principally in areas such as strategic community infrastructure, tourism infrastructure, industry/business development, strategic marketing, research and development, skills development, strategic planning, broadband/technology infrastructure as well as other initiatives that support the development of self-sustaining, economically viable communities.

During the year ACOA continued to support the Community Business Development Corporations (CBDCs). The CBDCs continue to play a crucial role in addressing the lack of capital in rural communities, as well as providing business counselling and skills development. These investments are critical for the vitality and sustainability of rural communities. The Community Futures Program has provided an essential source of capital for SMEs, and, according to the 2006-2007 CBDC activity reports, assisted in creating a total of 1,864 jobs and provided a total of 1,799 loans to SMEs in urban communities.

ACOA also provides funding to partners to deliver business counselling and capital to rural communities throughout Atlantic Canada. During 2006-2007, ACOA continued to work with Regional Economic Development Organizations (REDOs) to facilitate and co-ordinate regional strategic planning, and to support the REDOs in playing a proactive role in economic development within their communities. In 2006-2007, ACOA contributed a total of \$10.1 million toward operational funding of REDOs. With REDO leadership, rural communities developed 133 community-based strategic projects, with a total value of \$22.2 million.

ACOA also works closely with French language minority communities to ensure service in French to its Acadian and Francophone clientele. ACOA uses the Business Development Program, the Innovative Communities Fund, and funds accessed through its partnerships to support the official language minority communities to engage in economic development projects of an incremental nature. In 2006-2007, ACOA invested in 77 projects across the region which had an incidental impact on the Francophone communities.

Atlantic Canada's Aboriginal demographic is composed of diverse communities. The responsibility for Aboriginal economic development is shared with other federal government departments. For this reason, ACOA contributes to the shared responsibility of Aboriginal economic development by working through a number of co-ordinating, tripartite mechanisms involving Aboriginals and other federal and provincial authorities, in developing a more co-ordinated response to address Aboriginal economic development issues and needs.

Community-based infrastructure programs are implemented by ACOA in the Atlantic region. ACOA has developed unique knowledge and experience with community economic development in the region, and has had success over the last 13 years developing a solid working arrangement with the four Atlantic provinces on infrastructure delivery. The Agency remained committed in 2006-2007 to deliver on these important federal initiatives.

Infrastructure funding in Atlantic Canada is vital to the region's economy. In most cases, the Government of Canada is matching the provincial contributions and generally providing up to one-third of the cost of infrastructure projects. Under these funds, Infrastructure Canada provides national co-ordination among delivery partners in the implementation of the projects.

1.4.3.3 Policy, Advocacy and Co-ordination

ACOA's Policy, Advocacy and Co-ordination (PAC) roles ensure that the Agency can effectively identify, analyze and respond to the critical issues facing the Atlantic economy. The Agency's policy activities offer a grounded base of understanding for the development of strategic priorities and initiatives, program design, and input to national policy development and federal-provincial relations. Advocacy activities aim to advance the region's interests in national policy and program development, and to pursue regional industrial benefits from public sector procurement, particularly major Crown projects, to improve the position of Atlantic industries. Co-ordination activities include engagement of a range of economic partners to address the economic priorities of the Atlantic region through a coherent and collaborative approach to development. ACOA plays an important role in the co-ordination of the policies and programs of other federal and provincial departments affecting the region's economy.

During 2006-2007, the Agency continued its efforts in developing and supporting policies and programs that strengthen the Atlantic economy. The Government of Canada recognizes that changing trade patterns and increases in productivity and higher value activities among emerging international economies are driving the need for a more competitive Canada. The Atlantic region is currently seeking to address these realities, and ACOA is assisting the region in this endeavour.

Some examples of activities undertaken in 2006-2007 with a broad reach include federal-provincial activities such as the joint development of initiatives to increase immigration and address the population issue in Atlantic Canada, and the setting up of an Atlantic Gateway working group. In collaboration with federal and provincial counterparts, ACOA also developed a framework to enhance the competitiveness of the region's resource industries. ACOA's advocacy function was effective in guiding and supporting federal investment and policy considerations in the Atlantic region, such as industrial regional benefits in the area of military contracts, science and technology investments as part of a national strategy, and trade and investment advocacy activities with the United States in collaboration with Foreign Affairs and International Trade Canada.

1.4.4 Management Performance

Improved management practices and controls continued to be priorities for the Agency in 2006-2007. The following highlights ACOA's management performance in implementing initiatives to strengthen its accountability and planning regime.

Integrated Planning

The Agency has a well-established corporate planning process in place. An executive planning session was held in September 2006 to assemble the executive cadre for strategic discussions dealing with opportunities and challenges facing ACOA; to raise awareness of issues that may influence the Agency's management, policy and program agendas; and to share the minister's and president's thoughts on the Agency's future direction.

Following this event, all regions and branches successfully completed and submitted operational plans and human resource plans as per the Agency's Program Activity Architecture (PAA), clearly demonstrating how the operations of the Agency will advance the realization of its three strategic outcomes.

In addition, ACOA made progress toward enabling more strategic and comprehensive use of financial and non-financial information in its performance management process, to help set strategic directions and to assess performance against expectations. The Agency gathered high-level performance information (e.g. macro-economic analysis) to determine key policy direction. The evaluation and audit processes provided timely and relevant information to senior management on program viability and outcomes. This performance information served to make more informed decisions about program operations, policy directions, and priority setting for the following years.

Human Resources Management

ACOA integrated its human resource planning into its business planning cycle by including human resources as a formal, integral and mandatory part of the Agency planning process for fiscal year 2006-2007 and beyond.

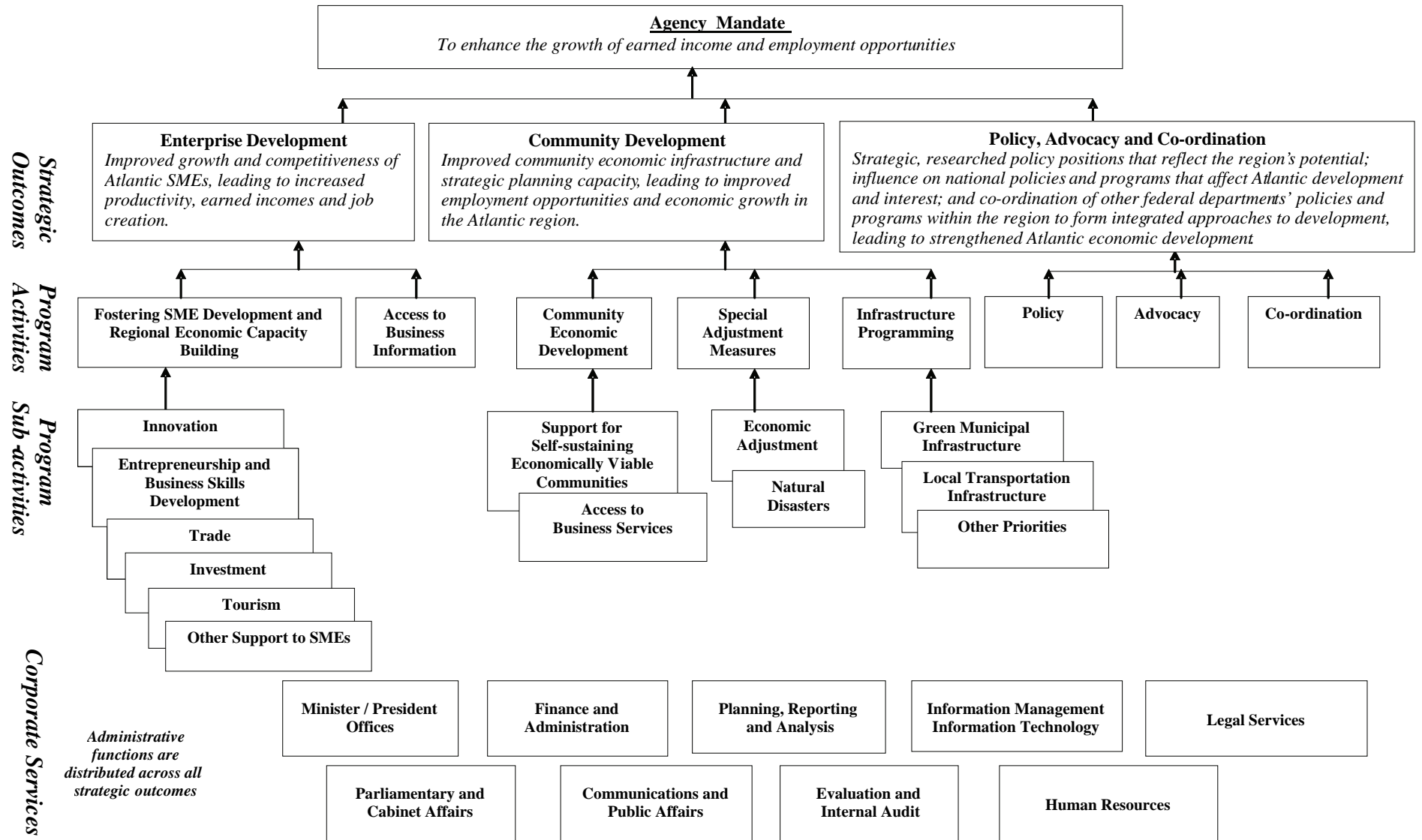
The integration has been fully implemented, and is now part of the annual executive planning forum. The human resource planning requirements are specifically included in the president's call letter for the preparation of operational plans.

As a result of this year's planning exercise, an Agency-wide human resources strategic plan was developed, in which key challenges were identified and recommendations were brought to ACOA's executive cadre to address these challenges. In the coming years, the Agency will focus on the development and implementation of an action plan to move these recommendations forward.

Management Control Framework

In 2006-2007, the Agency continued to strengthen its management control framework through recommendations made in regular assurance audits of ACOA's risk management, internal control and governance systems. Additionally, ACOA's audit committee will review the Agency's internal control arrangements, including the adequacy of any management-led audits. Beginning in the third quarter of fiscal year 2007-2008, ACOA's internal audit directorate will work with Office of the Comptroller General officials to recruit and appoint independent, external members to the Agency's audit committee. By March 31, 2009, the audit committee will consist of three external members, with the president of ACOA as chair.

ACOA 2006-2007 Program Activity Architecture



2. Section II – Reporting on Results

2.1 Strategic Outcome #1 – Enterprise Development

Improved growth and competitiveness of Atlantic Canadian small and medium-sized enterprises (SMEs), leading to increased productivity, earned incomes and job creation.

Expected Results: Increased earned income and employment opportunities in Atlantic Canada

<i>Indicators:</i>	<i>Annual Target: (2006-2007)</i>	<i>Results:</i>
<ul style="list-style-type: none">• Employment growth ratio of ACOA-assisted firms over non-assisted firms	<ul style="list-style-type: none">• Ratio of 1 to 2	<ul style="list-style-type: none">• On track (ratio of 1.5)
	<i>Five-year Targets: (2003-2004 to 2007-2008)</i>	
<ul style="list-style-type: none">• Increase in GDP	<ul style="list-style-type: none">• Around \$1 billion more annually than without ACOA support to business	<ul style="list-style-type: none">• Analysis over a five-year period ends in 2007-2008
<ul style="list-style-type: none">• Increase in GDP per \$1 of ACOA expenditure	<ul style="list-style-type: none">• \$4 to \$5 in GDP gains for every \$1 of ACOA expenditure	<ul style="list-style-type: none">• Analysis over a five-year period ends in 2007-2008

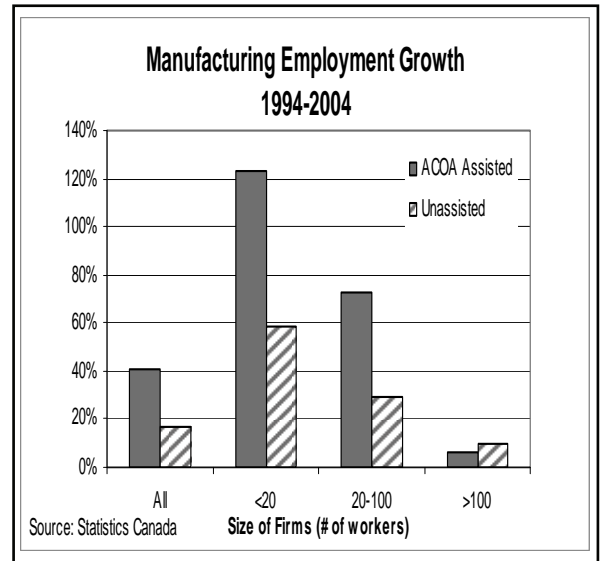
Performance Measurement Strategy: Measuring the impact on income and employment in Atlantic Canada is a long-term, multi-dimensional undertaking. Thus, the Agency will report results every five years, based on analysis of data from Statistics Canada and internal systems, using econometric modelling.

ACOA's legislation mandates the Agency to give particular emphasis to the development of small and medium-sized enterprises (SMEs). Small entrepreneurial firms have taken their place as vital contributors to economic health. Their strengths are their flexibility, their resourcefulness, their efficient use of limited resources, and their sensitivity to the market.

The Agency seeks to ensure that the relevant business development tools and resources are available to serve the needs of the region's existing and emerging entrepreneurs. ACOA approaches this work in a strategic manner, providing Canadians with the tools to improve growth and competitiveness of SMEs, ultimately leading to increased productivity, earned incomes and employment opportunities.

The Agency is attaining its objectives, as employment for ACOA-assisted firms has grown steadily during the last decade. Atlantic Canada’s economy performed well from 1994 to 2004, as real gross domestic product (GDP) expanded by an average of 3%⁶ per year. The Agency has played a key role in enterprise development, as ACOA-assisted firms have created more jobs than unassisted businesses. In fact, total employment (excluding the public administration sector) for ACOA-assisted firms grew by 32% from 1994 to 2004, exceeding the rate of 21% registered by unassisted firms,⁷ meeting the Agency’s target in terms of job creation in ACOA-assisted firms.

The results are even more significant when comparing the manufacturing sector, one of the key economic drivers. The percentage change in employment for ACOA-assisted manufacturing firms is more than two times that of unassisted firms. Specifically, manufacturing employment for ACOA-assisted firms expanded by over 40% over the 1994 to 2004 period, compared to only 17% for unassisted firms.⁸ Moreover, the gap between ACOA-assisted and non-assisted firms is even greater when excluding large firms (more than 100 workers), reflecting the Agency’s focus on SMEs.



Another measure of the impact of ACOA’s expenditures in direct support of businesses in Atlantic Canada is the increase in the GDP resulting from these investments. In its last five-year report to Parliament (1998-2003), ACOA reported that GDP in Atlantic Canada was almost \$1 billion higher in constant 1997 dollars over a five-year span than it would have been without its support. In fact, every dollar of ACOA expenditure resulted in an increase of more than \$5 in GDP over the five-year period.

The Agency offers a wide variety of programs and services to improve the environment for business development, as well as to help firms start up, expand and modernize. This is done by focusing on two activities: fostering the growth and competitiveness of SMEs, and providing access to business information.

- Enterprise Development program activities:
- Fostering SME development and regional economic capacity building
 - Access to business information

⁶ *Provincial Outlook*, The Conference Board of Canada (winter 2007).

⁷ *Longitudinal Employment Analysis Program (LEAP)* file, Statistics Canada (2006).

⁸ *Ibid.*

2.1.1 Program Activity: Fostering SME Development and Regional Economic Capacity Building

Improve the region's capacity for economic growth through a variety of mechanisms including: providing assistance to small and medium-sized enterprises to help them start, expand or modernize their businesses; partnering with universities and other institutions to increase the region's research and development capacity, commercialization and productivity; and promoting and participating in the region's transition to the knowledge economy.

Expected Results: Improved growth and competitiveness of Atlantic SMEs

<i>Indicators:</i>	<i>Annual Targets: (2006-2007)</i>	<i>Results:</i>
• Survival rate ratio of ACOA-assisted firms over non-assisted firms	• Ratio of 1 to 2	• 1.3
• Payroll growth ratio of ACOA-assisted firms over non-assisted firms	• Ratio of 1.5 to 2	• 1.2
• Productivity growth rate ratio for ACOA-assisted firms over non-assisted firms	• Ratio of 1.5 to 2	• 1.5

Performance Measurement Strategy: Analysis of Statistics Canada data and internal systems data.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
279.6	240.3	223.6 ⁹	440	369	71

The Agency provides assistance to small and medium-sized enterprises in Atlantic Canada with the objective to improve their growth and competitiveness in the marketplace, whether it be for a new business or the expansion and modernization of an existing one. This enables firms to increase their productivity and remain competitive in today's marketplace. Stronger businesses will result in new investments in the region, and contribute to employment creation and increased earned income.

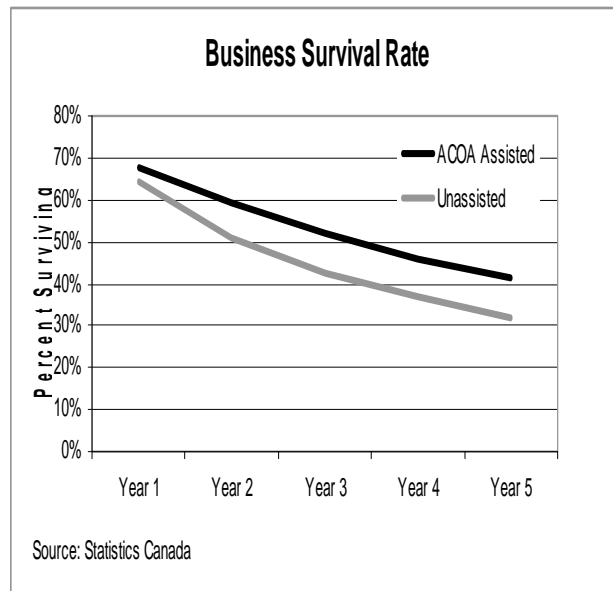
<u>Fostering SME development and regional economic capacity building:</u>	
Innovation	
Entrepreneurship and business skills development	
Trade	
Investment	
Tourism	
Other support to SMEs	

Business survival rates for ACOA-assisted firms, along with payroll growth and productivity growth, are used to measure the Agency's performance. Data obtained from

⁹ Total adjustments of \$56 million were made to planned spending during the 2006-2007 fiscal year to reduce contribution funding under this program activity. Corresponding increases occurred to the Community Economic Development program activity to reflect the implementation of the new Innovative Communities Fund and the increased demands in other programs.

Statistics Canada¹⁰ is used to calculate business survival rates for ACOA-assisted firms and unassisted firms.

The Agency’s target is that business survival rates for ACOA-assisted firms are higher than those of unassisted firms. The chart below illustrates the business survival rate for the first five years of operation for ACOA-assisted firms, which is higher than that of unassisted firms, meeting the Agency’s target (41%, compared with 32% for unassisted firms).



ACOA’s impact in Atlantic Canada is also evident in the increase in company payrolls, which usually translates into growth in earned incomes. Payroll for ACOA-assisted firms grew by 54% over the period from 1994 to 2004, compared with 46% for unassisted firms. While the Agency’s ambitious target was not met, payroll growth for ACOA-assisted firms still outpaced that of unassisted firms over this time period.

The Agency’s focus is on small and medium-sized enterprises, with over 70% of ACOA-assisted firms categorized as small (fewer than 20 workers). For these small companies, productivity (which is estimated by the ratio of sales to total jobs) experienced stalwart growth from 1999 to 2004. In fact, productivity increased by 27% for ACOA-assisted firms compared with 18% for unassisted firms, achieving the Agency’s target in terms of productivity growth.

¹⁰ *Longitudinal Employment Analysis Program (LEAP) file, Statistics Canada (2006).*

2.1.1.1 Program Sub-activity: Innovation

Increase activity in and build capacity for innovation, research and development (R&D) of technologies, products, processes or services, technology adoption/adaptation, and commercialization of R&D outputs that contribute to economic growth in Atlantic Canada.

Expected Results: Strengthen Atlantic Canada's innovation and commercialization capacity

<i>Indicators:</i>	<i>Annual Targets: (2006-2007)</i>	<i>Results:</i>
<ul style="list-style-type: none"> Percentage of leveraging of funds toward innovation projects 	<ul style="list-style-type: none"> 50% 	<ul style="list-style-type: none"> 65% (\$175 million toward \$270 million in project costs)¹¹
<ul style="list-style-type: none"> Number of meaningful partnerships¹² and collaborations for technology development and commercialization 	<ul style="list-style-type: none"> 40 	<ul style="list-style-type: none"> 90 (88 Atlantic Innovation Fund, 2 Business Development Program)
<i>Five-year Target: (March 31, 2004 to March 31, 2009)</i>		
<ul style="list-style-type: none"> Number of commercialized technologies, products, processes and services as a result of an innovation project 	<ul style="list-style-type: none"> 35 to 50 	<ul style="list-style-type: none"> On track

Performance Measurement Strategy: Analysis of data from internal systems, survey, monitoring.

Raising the levels of R&D and innovation is fundamental to increasing Atlantic Canada's competitiveness and closing the productivity gap with the rest of the country. Historically, labour productivity in Atlantic Canada is below the national level, largely due to lower levels of R&D spending, technology adoption, exporting, educational attainment and worker training. Consequently, ACOA continues to work in five key innovation areas in order to strengthen the capacity and productivity of the Atlantic Canadian economy (as listed in the box at right).

The five key areas of ACOA's innovation strategy:

- Strengthen innovation systems
- Support strategic sectors
- Build innovation capacity
- Address skills gaps
- Policy development and co-ordination

ACOA advances its innovation strategy through two programming tools: the Atlantic Innovation Fund (AIF) and the Business Development Program (BDP). The AIF and

¹¹ This result includes the Atlantic Innovation Fund's strategic initiative Project Blomidon, with Michelin North America (Canada) Inc., which leveraged over \$81 million in private sector investment toward total project costs exceeding \$91 million.

¹² A meaningful partnership, as defined in ACOA's guidelines, is one involving a participant who is actively involved in the project, has a direct and material influence on the project's direction, and without whose involvement the project could be in jeopardy.

BDP assist in advancing the first three key areas of ACOA's innovation strategy. The fourth, addressing skills gaps, is addressed directly by the BDP through the Productivity and Business Skills Initiative (PBSI) and indirectly by AIF. Together, these programs support ACOA's objective of increasing innovation capacity, ultimately leading to productivity improvement. They contribute to leveraging funds toward innovation projects, encourage the development of partnerships for technology development and commercialization, and increase the number of commercialized technologies, products, processes and services.

Strengthening Innovation Systems and Strategic Sector Support

The Atlantic Innovation Fund focuses on accelerating the development of the knowledge-based industry and facilitating transition within traditional industries by increasing the region's capacity to carry out leading-edge research and development, contributing to the development of new technology-based economic activity in Atlantic Canada. Clients of the AIF include businesses and institutions such as universities and research institutes. One of the key accomplishments for 2006-2007 was the successful approval of 30 R&D projects for over \$77 million in ACOA assistance (29 projects under AIF Round IV and one project under the AIF's Strategic Initiative process). As a result of these projects, the Agency was able to leverage an additional \$138 million from other sources, such as universities and other research institutions, provincial governments, the private sector, and national programs.

The AIF facilitates the development of strategic sectors characterized by regional clusters of firms. Under Round IV of the AIF, 20 of the 29 approved projects, accounting for almost \$48 million in AIF funding, will augment development of the IT, life sciences/biotech, and oil and gas/oceans technology clusters, and will complement the National Research Council's Atlantic Cluster Initiative.¹³

ACOA encourages AIF project proponents to seek opportunities for collaboration in such areas as research and development, project management, marketing or commercialization expertise, in order to help maximize the economic benefits and enhance the likelihood of commercialization success. In 2006-2007, AIF-funded projects accounted for over 85 meaningful partnerships.¹⁴

Given that the level of privately funded R&D in Atlantic Canada is well below the national average, the AIF is focused on increasing the level of participation by commercial entities in innovation activity. In 2006-2007, the percentage of approved projects from commercial proponents increased to 70% of the total, up from 52% in

¹³ *2006-2007 Summary of AIF Projects*, Atlantic Innovation Fund Secretariat, ACOA (spring 2007).

¹⁴ *2006-2007 AIF Project Partnerships*, Atlantic Innovation Fund Secretariat, ACOA (spring 2007).

2005-2006.¹⁵ In addition, the percentage of private sector companies acting as project partners remained high at 55%. (It was 58% in 2005-2006.)¹⁶

Via its innovation element, ACOA's BDP supports innovation investments in the region by providing funding for R&D projects and for the adoption/adaptation of leading-edge technologies. In 2006-2007, the BDP funded 39 R&D projects for close to \$7 million in assistance, and 28 technology adoption/adaptation projects for over \$5 million in assistance.¹⁷ ACOA also leveraged an additional \$36 million from clients and other sources, and encouraged two meaningful partnerships under BDP innovation projects in 2006-2007.¹⁸

Addressing skills gaps

Another element of the BDP, the Productivity and Business Skills Initiative (PBSI), was launched in 2006-2007 to improve businesses' competitiveness through a number of activities such as training, hiring skilled personnel, and improving productivity and/or quality. In 2006-2007, ACOA funded over 165 PBSI projects, for more than \$6 million in assistance.¹⁹

Building Capacity, Policy Development and Co-ordination

To complement its direct assistance programs, ACOA continued its efforts to increase awareness of the benefits of undertaking innovation activities. Agency-wide in 2006-2007, ACOA delivered over 35 innovation awareness sessions reaching over 800 participants.²⁰ These included technical outreach sessions with both private sector and university stakeholders to discuss AIF Rounds IV and V, as well as commercialization sessions targeting specific sectors.

The Agency also strengthens the region's innovation system by ensuring that key components are better linked to promote improved interaction among the innovation players. To further this objective, ACOA continues to support the Association of Atlantic Universities' Springboard Atlantic initiative. The purpose of Springboard Atlantic is to encourage the effective and efficient transfer of technology by Atlantic universities, and to build the critical mass necessary to advance the commercialization of research from within the universities to the region's private sector. A review of the Springboard commercialization network, conducted in spring 2007, concluded that, "Springboard is adding value to the Atlantic and national innovation systems" and that "the network is

¹⁵ *2006-2007 Summary of AIF Projects*, Atlantic Innovation Fund Secretariat, ACOA (spring 2007).

¹⁶ *2006-2007 AIF Project Partnerships*, Atlantic Innovation Fund Secretariat, ACOA (spring 2007).

¹⁷ *2006-2007 Summary of BDP Innovation Projects*, ACOA (spring 2007).

¹⁸ *2006-2007 BDP Innovation Project Partnerships*, ACOA (spring 2007).

¹⁹ *2006-2007 Summary of PBSI Projects*, ACOA (spring 2007).

²⁰ *2006-2007 Summary of Innovation Awareness Activities*, ACOA (spring 2007).

critical to the continued organizational changes with respect to technology transfer and commercialization and thus to the continued growth of the Atlantic innovation system”.²¹

The Agency has continued to support innovation research and advocacy activities in 2006-2007. Activities have focused on facilitating networking opportunities and co-ordinating innovation development among Atlantic Canada’s and Canada’s innovation stakeholders and policymakers. For instance, the Agency has made key contributions to national networks by participating in the Federal Partnership for Technology Transfer processes to advance innovation in the economy. In addition, the Agency proactively engaged other science-based federal departments to access their specialized expertise in reviewing AIF proposals and advising on science-related issues.

²¹ Performance Management Network Inc., *Review of Springboard Commercialization Network* (spring 2007).

2.1.1.2 Program Sub-activity: Entrepreneurship and Business Skills Development

Facilitates projects supporting entrepreneurship awareness and the promotion of business skills development, which increase opportunities for Atlantic Canadians to develop the motivation and business skills required to start, sustain or grow their businesses.

Expected Results: More Atlantic Canadians with the motivation and skills required to successfully start, sustain or grow a business

<i>Indicators:</i>	<i>Three-Year Targets: (2005-2006 to 2007-2008)</i>	<i>Results:</i>
<ul style="list-style-type: none"> Percentage of participants in entrepreneurship awareness and promotion activities indicating the activity increased their intent to start a business. 	<ul style="list-style-type: none"> 60% to 75%* 	<ul style="list-style-type: none"> 63.8% (on track)
<ul style="list-style-type: none"> Percentage of participants in business skills development activities indicating the skills acquired were relevant to enhancing business start-up, survival and/or growth. 	<ul style="list-style-type: none"> 60% to 75% 	<ul style="list-style-type: none"> 85.7% (on track)

Performance Measurement Strategy: Analysis of data from Agency's internal database system, as well as activity reports submitted by funding recipients. Since 2005, many of ACOA's entrepreneurship and business skills development funding recipients requested project participants to complete exit surveys when participating at events/activities. The results of these surveys would have been reflected in the activity reports.

* This indicator was implemented in 2005-2006. Although the indicator has been in use for only a short time, a preliminary target was set. Additional data will continue to be gathered throughout 2007-2008, which will provide for the establishment of an appropriate baseline.

To help foster economic opportunities and business growth within Atlantic Canada, ACOA continues to invest in activities and programming that contribute to creating an entrepreneurial climate where self-employment is considered a viable career option and business skills development is part of the business culture. This strategy helps ensure that there are more entrepreneurs and, more importantly, that owners of SMEs are better positioned to have their businesses survive, grow, and increase competitiveness and productivity.

The following describes various business skills development initiatives and entrepreneurship awareness and promotion activities funded by ACOA in 2006-2007.

ACOA's EBSD strategy is implemented through the:

- Business Development Program (BDP)
- Women in Business Initiative (WBI)
- Young Entrepreneur Development Initiative (YEDI)

- Throughout Nova Scotia, Prince Edward Island, and Newfoundland and Labrador, the Entrepreneurs' Forum (EF) helped innovative companies and businesses in the knowledge-based economy access strategic business advice from a large network of

volunteer business people and professionals. In 2006-2007, this funding enabled EF to hold 130 client consultations and 49 advisory sessions.²²

- In New Brunswick and Prince Edward Island, ProfitLearn offered small businesses training sessions designed to address various business management skills needs. Collectively, 210 workshops were offered with some 2,400 participants in attendance.²³

The Agency continued to invest in various activities and initiatives targeting the development of aspiring and existing young entrepreneurs and, in particular, their business skills. Following are examples of successful activities undertaken in 2006-2007.

- The Newfoundland and Labrador Association of Community Business Development Corporation's Youth Ventures Program helped young people start 271 summer businesses.²⁴
- In New Brunswick, 13 co-ordinators engaged by various business support organizations promoted business skills development among youth as well as entrepreneurship as a viable career option. Their activities included interactive presentations and activities to high school entrepreneurship classes; fostering network and mentoring opportunities; and promoting business development resources and tools. Collectively, their entrepreneurship promotion efforts reached some 22,324 individuals and their business skills development activities drew more than 7,952 participants.²⁵

With ACOA's support, various universities continued to foster business development among aspiring and existing entrepreneurs. Some 482 individuals accessed youth entrepreneurship development activities from Cape Breton University's Student Employment and Entrepreneurial Centre. Such activities focused on increasing young people's awareness of entrepreneurship as a career option, and provided support in the start-up and development of young entrepreneurs. Of those individuals participating in the activities, 79 completed surveys, with 90% indicating that the activity in which they participated increased their intent to start a business.²⁶

The business development program activities at the Acadia Centre for Social and Business Entrepreneurship's business development programming reached some 1,245

²² 2006-2007 Roll-up of Entrepreneurs' Forum Activities, NS, NL and PEI Final Reports, Entrepreneurs' Forum (spring 2007).

²³ 2006-2007 Roll-up of ProfitLearn NB and ProfitLearn PEI Activities (spring 2007).

²⁴ Final Report (May 1, 2006 to April 31, 2007), Newfoundland and Labrador Association of Community Business Development Corporations.

²⁵ 2006-2007 Roll-up of Youth Entrepreneurship Development Activities in New Brunswick, reported by 13 YEDI funding recipients.

²⁶ Results from Request for Information for Benefits Review: Project Success Indicator "Attitudes towards Entrepreneurship as a Career." April 2003 to April 2006. (Survey description: data gathered from evaluation reports completed by students sponsored by Cape Breton University's Student Employment and Entrepreneurial Centre).

participants. One hundred percent of survey respondents indicated that these activities were helpful in starting or growing their business.²⁷

Ongoing funding to various business support organizations was provided to enhance opportunities for women entrepreneurs to grow their businesses. In 2006-2007:

- Five business support organizations throughout Atlantic Canada provided women entrepreneurs with business planning, counselling and mentoring support. During this period, these organizations conducted approximately 4,200 business counselling sessions with more than 1,800 women.²⁸
- ACOA helped make possible various business skills development activities targeting women entrepreneurs, such as workshops, conferences and networking events. Collectively, these events' participation levels exceeded 3,700.²⁹

As a result of its ongoing investment in entrepreneurship and business skills development, ACOA remains on track to meeting its three-year targets. Performance measurement activity shows that, since 2005-2006, 63.8% of participants in entrepreneurship awareness and promotion activities demonstrated an increased intent to start a business, and 85.7% of participants in business skills development activities indicated the skills acquired were relevant to enhancing their business start-up, survival, or growth.

²⁷ Final Activity Report, 2006-2007 Acadia Centre for Social and Business Entrepreneurship (spring 2007). [Survey description: participants of ACSBE business development skills programming activities – 330 in counselling, 176 in business consulting, 352 students in business skills development activity and 387 community outreach participants – were queried as to the impact of the activities in which they participated, either at the time of the intervention or shortly thereafter, orally (in person/telephone) or in writing, with 100% of respondents indicating the intervention enhanced their skills.]

²⁸ 2006-2007 Roll-up of Business Counselling and Community Outreach Activity, various WBI funding recipients and ECBC (spring 2007).

²⁹ 2006-2007, Roll-up of Business Skills Development Activities for Women Business Owners, various WBI funding recipients (spring 2007).

2.1.1.3 Program Sub-activity: Trade

Projects that strengthen the international marketing capabilities of SMEs, assist business to enter international markets (new exporters), and facilitate improved international business performance (increased sales to existing international markets) of SMEs.

Expected Results: Increased export capacity and sales for SMEs in Atlantic Canada

<i>Indicators:</i>	<i>Annual Targets: (2006-2007)</i>	<i>Results:</i> ³⁰
• Number of SMEs that have increased export-readiness ³¹	• 500	• 1,018 ³²
• Number of new exporters	• 40	• 78
• Number of exporters developing new markets	• 60	• 212

Performance Measurement Strategy: Analysis of data from Statistics Canada, surveys and internal reports.

Exporting continues to be one of the nation's leading engines of economic growth. It builds revenues, fuels business opportunities and generates jobs. To pursue these opportunities, ACOA plays a leading role with other federal departments and four provincial departments to deliver a cohesive and seamless approach to trade development. The Agency also contributes to the Atlantic region's export performance by strengthening the export capabilities of SMEs – helping them enter international markets and facilitating their international business performance.

ACOA's four elements of trade:

- Awareness
- Skills development
- Capacity building
- Policy, advocacy and co-ordination

³⁰ Report on Trade Activities, ACOA commercial and non-commercial clients. ATIP/BDP/IBDA (2006-2007). This report includes results from the following surveys:

- Business Development Program First-time Exporters Survey, 2007. (Survey description: telephone survey to count the number of BDP commercial clients who are first-time exporters, potential exporters or continuing exporters; includes all BDP commercial clients tagged as first-time exporters; response rate of 84%.)
- Survey of IBDA Projects, September 2006, January 2007. (Survey description: telephone and mail survey to companies that participated in IBDA-funded projects and that have begun exporting as a result of the assistance; survey also identified current exporters that have increased sales to existing markets and/or expanded sales to new markets; response rate of 73%.)
- Team Canada Atlantic May 2006 and October 2006 Trade Mission Exit Studies. (Survey description: telephone survey of all participating companies from the two missions, response rate of 89%, TCA; May 2006 Florida Trade Mission Exit Study, Corporate Research Associates Inc., September 2006; October 2006 Florida Trade Mission Exit Study, Corporate Research Associates Inc., March 2007).
- ACOA Trade Activity report, 2006-2007.

³¹ SMEs that increased their export-readiness through increased export knowledge acquired at outreach events, training and skills development, trade missions, international technology partnering activities or technology missions.

³² Increased export-readiness initiatives surpassed targeted results due to increased partnering and leveraging.

With close proximity to the rich markets of the United States and Europe, as well as increased levels of exportable, value-added and knowledge-based goods and services, Atlantic Canada is particularly well suited as a base for exporting.

ACOA has focused on proactive measures aimed at building the export capacity within Atlantic Canada. ACOA works to strengthen the export performance of the Atlantic region, enhancing the capabilities of small and medium-sized businesses to establish and expand business activities. Key initiatives are the development of new markets and new exports, and include the continued promotion of aftercare and market follow-up for existing SMEs.

During 2006-2007, the Agency funded over 144 partnered export projects, such as the Export Partnership Program in New Brunswick. This partnership approach resulted in ACOA-led export-readiness training for over 1,000 SMEs during 2006-2007. Agency projects have also contributed to the creation of 78 new exporters in Atlantic Canada.³⁰

The Agency has been instrumental in organizing and co-ordinating pan-Atlantic and regional trade missions for SMEs based on priority sectors such as aerospace and defence, life sciences, aquaculture and energy. Mission successes included assisting 212 Atlantic Canadian SMEs develop new markets in 2006-2007, in such markets as the United Kingdom, France, China, United Arab Emirates and key U.S. markets.³⁰

Return on investment for these types of missions has been significant. The 13 Team Canada Atlantic missions are a prime example, with over \$40 million in sales generated, resulting in over a six-to-one return on investment for the Agency. Furthermore, the 490 Atlantic SMEs who have participated in these missions held over 3,300 business meetings with potential clients. In 2006-2007, the Team Canada Atlantic missions assisted 62 exporters increase their export-readiness in the Florida market, with 31 SMEs developing new markets and over \$60 million in forecasted sales.³³

Federal-provincial initiatives play key roles in the Agency's development of the export capacity of the Atlantic region. In addition to Team Canada Atlantic missions, the International Business Development Program also posted strong results. This program, aimed at strengthening exporting in Atlantic Canada, helped SMEs become first-time exporters, and increased sales to current markets for 16 SMEs.³⁴ For more information on this horizontal initiative and other initiatives please refer to http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp.

³³ May 2006 Florida Trade Mission Exit Study, Corporate Research Associates Inc. (September 2006); October 2006 Florida Trade Mission Exit Study, Corporate Research Associates Inc. (March 2007). It should be noted that one successful mission participant is projecting \$35 million in sales from the Florida Tier 2 mission, which exceeded planned results and a significant increase in projected sales.

³⁴ Survey of IBDA Projects; September 2006, January 2007.

Skills development activities continued to be focused on potential, export-ready, and existing exporters. Such activities provide training and mentoring tailored to the specific requirements of the businesses, while building a cadre of capable trade consultants in the region. Initiatives in 2006-2007 addressed trade mentoring for women and youth, and assisted over 30 Atlantic SMEs on two missions to the Chicago and Boston markets.

ACOA's trade strategy also includes a research agenda focusing on SME export development needs and sectoral export capability. Progress in 2006-2007 included the completion of a study, *Competing in the Global Economy: Atlantic Canada's Recent Export Performance and Trade Policy Issues*,³⁵ resulting in recommendations regarding areas where the Agency could provide further assistance, such as emerging growth sectors energy and environmental technologies in Atlantic Canada. Sector export strategies in the cultural industries, agri-food, boatbuilding, aerospace and defence, oil and gas, and wind energy were also developed and implemented in 2006-2007.

ACOA continues to be a strong advocate for trade initiatives that benefit Atlantic Canada, co-ordinating efforts between stakeholders and further developing policies that influence national and regional policy. Through the Enhanced Representation Initiative, a federal government initiative aimed at increasing Canada's presence in the U.S., the Agency undertook several advocacy activities in key U.S. markets including Boston, Chicago and Miami.

The Atlantic Trade and Investment Partnership enabled the Agency to undertake comprehensive pan-Atlantic and provincially-based trade development initiatives on various scales. These initiatives built upon existing partnerships established with ACOA's trade partners, and helped thousands of firms increase their export-readiness. A mid-term evaluation of ATIP was completed in 2006-2007 highlighting areas of growth. Key elements of focus since the evaluation have included stronger emphasis on follow-up and aftercare, new exporters, and new market development. ACOA will continue to enhance these successes with future strategies and continue to build on these results.

Atlantic Trade and Investment Partnership results:

- Over 4,000 firms have increased their export readiness since 2002
- Source: ACOA Performance Reports 2002-2006*

For more information on trade, see ACOA's website at <http://www.acoa-apeca.gc.ca/e/business/trade/index.shtml>

³⁵ Atlantic Provinces Economic Council, *Competing in the Global Economy: Atlantic Canada's Recent Export Performance and Trade Policy Issues* (2007).

2.1.1.4 Program Sub-activity: Investment

Projects designed to attract foreign direct investment (i.e. encourage foreign corporations to establish/invest in Atlantic Canada).

Expected Results: Increased foreign direct investment in Atlantic Canada

<i>Indicators:</i>	<i>Annual Targets: (2006-2007)</i>	<i>Results:</i> ³⁶
<ul style="list-style-type: none"> Increased awareness of Atlantic Canada as a profitable place to do business (by potential stakeholders and investors) 	<ul style="list-style-type: none"> 55 to 60 enquiries for further information with regard to investing in Atlantic Canada 	<ul style="list-style-type: none"> 335 enquiries through ACOA's investment website, Canadian embassies and consulates, and conference lead sources
<ul style="list-style-type: none"> Number of qualified investment suspects, leads and prospects³⁷ provided to key players and developed through ACOA 	<ul style="list-style-type: none"> 20 to 25 	<ul style="list-style-type: none"> 237 suspects and leads, developed through ACOA, were provided to regional partners

Performance Measurement Strategy: Annual reporting with data from internal reports.

Foreign direct investment (FDI) plays a significant role in strengthening economic development, infrastructure, and building the industrial critical mass required to compete in the global economy. FDI plays a major role in the Canadian economy - one in every ten jobs can be attributed to FDI.³⁸

Research has shown that FDI in Canada stimulates innovation, improves productivity, and creates better paying jobs, wealth and a more competitive business environment. In 2006 FDI accounted for one-third (\$3.2 billion) of private sector investments in Atlantic Canada.³⁹ When oil and gas investments are excluded, Atlantic Canada's share of inward FDI is 4.1% of the national total, well below its share (5.9%) of the gross domestic product (GDP).⁴⁰ These figures demonstrate the significant potential for FDI growth in the region.

Five key elements of investment:

1. Investment research
2. Information management/ dissemination
3. Awareness and promotion
4. Investment partnerships
5. Lead development

Investment attraction requires a focused strategy and a dedicated program. Over 70 projects⁴¹ have been completed since 2002, in collaboration with provincial partners,

³⁶ Results variances are due to increased internal resources placed on the Investment program sub-activity.

³⁷ Suspect – a member of the target group to which your marketing activities are focused. Lead – one step up the qualification ladder, a lead is a qualified response. Often, a lead has involved some human interaction. Prospect – someone interested in a particular solution that has been identified.

³⁸ Investment Partnership Canada, *Role of Foreign Direct Investment in Canada*. Accessed online at <http://www.greatertoronto.org/documents/ROLEofForeignDirectInvestmentinCanada.pdf> on July 4, 2007.

³⁹ Statistics Canada, *Foreign and Domestic Investment in Canada: 2004-2006* (2007).

⁴⁰ Atlantic Provinces Economic Council, *Attracting the Big Bucks: Foreign Investment in Atlantic Canada* (2005).

⁴¹ ACOA Trade and Investment Project Summary, 2006-2007, ACOA internal database (QAccess).

contributing to a 23% increase in FDI in the region.⁴² In 2006-2007, 237 leads were distributed to regional partners for follow-up and action,⁴³ and ACOA was instrumental in establishing 20 FDI projects in Atlantic Canada.

Research remains a key element of the Agency's investment strategy. ACOA has focused its research on the identification and analysis of key factors influencing investment location decisions by foreign corporations, and major trends in the international community. The findings of this research permitted the Agency to highlight key benefits of investing in Atlantic Canada to potential investors.

Through investment market intelligence efforts, the Agency identified over 100 investment opportunities and provided timely intelligence to partners, including provinces and municipalities, thus increasing foreign direct investment opportunities.⁴⁴

Awareness and promotion activities continued to play an integral part of the Agency's investment strategy. ACOA carried out a strategic program to increase awareness of Atlantic Canada as a profitable location to do business among select U.S. and European investment markets, and key sectors such as financial services, nearshoring / IT outsourcing, information communication-technology, aerospace/defence, and life sciences.

In 2006-2007, the Agency undertook numerous sector-specific awareness and promotional activities – creating new promotional material, updating existing material, initiating an investment advertising campaign, and revising ACOA's investment website. These activities led to an increase in awareness of Atlantic Canada as a profitable place to do business, as demonstrated by the 335 enquiries from foreign investors and stakeholders for further information on investing in the region.

ACOA's investment strategy has enabled comprehensive pan-Atlantic and provincially-based investment development initiatives such as:

- lead identification and development
- advertising and direct marketing campaigns
- investment conference co-ordination and participation
- corporate and site selector familiarization
- utilizing in-market consultants
- trade and investment missions to key markets.

The Agency has improved investment partnerships with federal and provincial partners through the pan-Atlantic Investment Co-ordination Committee, through participation in federal-provincial/territorial meetings. This committee was created as a vehicle for pooling human and financial resources to create greater critical mass in investment marketing and development activities in select U.S. and European investment communities. Advantages of this partnership include reduced duplication in investment intelligence and research, awareness, and promotion.

⁴² Statistics Canada *Foreign and Domestic Investment in Canada: 2004-2006* (2007); Statistics Canada *Foreign and Domestic Investment in Canada: February 2005* (2005).

⁴³ *Investment Activity Report, 2006-2007*.

⁴⁴ Annual Report on leads for 2006-2007, internal ACOA document.

2.1.1.5 Program Sub-activity: Tourism

Projects designed to contribute to increased growth, profitability and wages in the tourism sector through planning, advocacy and market research; product development, marketing and readiness; strategic investment in infrastructure, amenities and facilities; enhanced quality of tourism product; and extended the tourism season or multi-seasonal expansion.

Expected Results: Increased growth and competitiveness of tourism industry

<i>Indicators:</i>	<i>Annual Targets: (2006-2007)</i>	<i>Results:</i>
<ul style="list-style-type: none"> Productivity growth rate ratio of ACOA-assisted firms over non-assisted firms 	<ul style="list-style-type: none"> Ratio of 1.5 to 2 	<ul style="list-style-type: none"> Productivity target not achieved. <ul style="list-style-type: none"> - ACOA-assisted: 1% decrease - Non-assisted: 2% increase Employment growth: <ul style="list-style-type: none"> - ACOA-assisted: 77% increase - Non-assisted: 34% increase - Ratio of 2.3
<ul style="list-style-type: none"> Payroll growth rate ratio of ACOA-assisted firms over non-assisted firms 	<ul style="list-style-type: none"> Ratio of 1.5 to 2 	<ul style="list-style-type: none"> Payroll growth target not achieved. <ul style="list-style-type: none"> - ACOA-assisted: 69% increase - Non-assisted: 64% increase - Ratio of 1.1
Three-year Target (2005-2006- to 2007-2008)		
<ul style="list-style-type: none"> Tourism-related revenue in Atlantic Canada 	<ul style="list-style-type: none"> \$9.1 billion 	<ul style="list-style-type: none"> \$6.21 billion (on target)

Performance Measurement Strategy: Annual targets are measured through analysis of data from Statistics Canada. Three-year target is measured through analysis of data from provincial tourism departments.

As an economic sector, tourism offers significant wealth and job creation opportunities for Atlantic Canadians. In 2006, tourism represented almost 6% of the Atlantic region's gross domestic product; generated \$3.18 billion in new revenues; provided \$500 million in tax revenues; and employed 114,000 Atlantic Canadians.⁴⁵

In 2006-2007, the Agency delivered a wide and varied range of marketing, capacity building and capital investment initiatives. As the catalyst for tourism innovation in Atlantic Canada, ACOA's partnerships with tourism industry associations, private sector groups, provincial and municipal governments, and other federal departments and agencies fostered a co-operative, regional approach to tourism in Atlantic Canada. ACOA's programming helped focus government and industry attentions on strategic tourism investments, leading to the increased growth and competitiveness of the region's tourism industry.

⁴⁵ Atlantic provinces tourism departments: year-end tourism reports.

To measure the Agency’s performance in delivering programs to the tourism sector, payroll growth and productivity growth are calculated for ACOA-assisted firms and compared with that of non-assisted firms.⁴⁶ From 1994 to 2004, payroll for ACOA-assisted firms grew by 69%, compared with 64% for non-assisted firms. While the Agency’s ambitious target has not been met, payroll growth for ACOA-assisted firms has outpaced that of non-assisted firms. The Agency also did not meet its targets in terms of productivity growth in the tourism sector. Productivity growth for ACOA-assisted firms was marginally lower than that of non-assisted firms. On the other hand, ACOA-assisted firms have outperformed non-assisted firms in terms of job creation. From 1994 to 2004, employment in ACOA-assisted firms categorized as small increased by 77%, compared with 34% for non-assisted firms, more than doubling the rate of non-assisted firms.⁴⁷

Promoting Atlantic Canada as a Tourism Destination

In 2006-2007, ACOA continued to promote Atlantic Canada as a tourism destination in international markets. The Atlantic Canada Tourism Partnership (ACTP) exemplifies the Agency’s approach to marketing. ACTP is mandated to build strong industry-government relationships for marketing Atlantic Canada as a tourism destination in international markets. This partnership performed exceptionally well in 2006, a year that witnessed escalating gasoline prices, increased global competition, a weaker U.S. economy, a stronger Canadian dollar, and concerns over U.S. passport requirements.

Every “partnered” dollar invested in the ACTP in 2006 resulted in approximately \$16 in tourism spending in Atlantic Canada, exceeding the 14:1 objective.⁴⁸ The ACTP’s U.S. consumer advertising campaign, which produced \$82.9 million in advertising-produced revenue, achieved \$22.74 spent for each dollar invested.⁴⁹

Atlantic Canada Tourism Partnership Revenue-on-investment		
	Target	Result
Overall	14:1	\$15.80
U.S. Program	14:1	\$17.81
Overseas Program	6:1	\$3.96

ACOA programming directed at building tourism capacity in Atlantic Canada is exemplified by initiatives such as the Bouctouche Sustainable Tourism Communities; the Gros Morne Institute for Sustainable Tourism (GMIST); as well as the Competitiveness Through Best Practices and Total Market Readiness programs. Participation included an excellent cross-section of tourism industry representatives from all four provinces.

⁴⁶ *Longitudinal Employment Analysis Program (LEAP) file*, Statistics Canada (2006).

⁴⁷ The Agency’s focus is on small and medium-sized enterprises, with 77% of ACOA-assisted firms categorized as small (fewer than 20 employees).

⁴⁸ *Year One Evaluation of the 2006-2009 Atlantic Canada Tourism Partnership*, MacKellar Cunningham & Associates (February 2007).

⁴⁹ *2006 Atlantic Canada Tourism Partnership Conversion Study*, U.S. Committee: Atlantic Canada Partnership (2006).

The Bouctouche project has educated 21 communities and 251 community leaders in sustainable tourism development over the past three years.⁵⁰ An internal assessment of the program evidenced the need for ACOA to refocus activities away from training communities and more toward providing technical and professional support, thereby enabling communities to implement the lessons learned. A redesigned project was developed and is scheduled for delivery in the fall of 2007.

In 2006-2007, the Gros Morne project exposed approximately 85 tourism professionals to sustainable tourism training programs directed at outdoor, nature-based and eco-tourism experiences.⁵¹ Ten best practices missions provided 111 tourism planners and businesses with firsthand industry knowledge and information on tourism products that exemplify attributes such as quality, high productivity, extended seasonality, and motivation to travel.⁵²

Total Market Readiness programs were established in three of the four Atlantic provinces, in partnership with the region's tourism industry associations. These programs will team tourism operators with experienced professionals guiding and directing business improvement.

Total Market Readiness Program

- Business reviews on operating deficiencies
- Mystery shopping programs identify quality of product and service weaknesses
- Market readiness toolboxes assist SMEs to develop and implement customized business and operational plans

Co-ordinated Federal Presence in Atlantic Canada

ACOA's industry and public partnerships continue to bring a co-ordinated, regional approach to tourism development in Atlantic Canada. These partnerships focus attention on the development of priority tourism sub-sectors, and seamlessly communicate the importance of product quality and sustainable tourism experiences. Partnerships include: Atlantic Canada Cruise Association, Atlantic Economuseum Network, Signature Attractions of Atlantic Canada, Commission du Tourisme Acadien du Canada Atlantique, and Tourism Technology (four tourism associations representing 3,000 SMEs).

Success through partnerships:

Canadian Tourism Commission
Parks Canada
Canadian Heritage
Provincial departments of tourism
Regional tourism industry associations
Other tourism groups
ACOA

⁵⁰ Registrations – Bouctouche Sustainable Tourism Communities:
<http://www.umoncton.ca/ecobouctouche/en/index.html>.

⁵¹ Gros Morne Institute for Sustainable Tourism (GMIST). Four "Edge of the Wedge" courses were delivered in 2006-2007, with 85 participants total (72 from private enterprises, 13 from federal and provincial governments).

⁵² Missions for the *Competitiveness Through Best Practices* during 2006-2007 included, for example, quality attraction development, multi-seasonal destinations, nature interpretation, and marine and seacoast destinations.

Quarterly Tourism Working Group meetings contributed to a co-ordinated, federal presence in Atlantic Canada, and provided a venue for exchanges of information and discussions on issues of regional importance. Through this working group, ACOA has created an internal forum for policy, program and strategy development at both the provincial and regional levels.

Tourism Partnerships

ACOA's partnership approach to tourism development is further demonstrated by its commitment to the Discovery Trail Tourism Association's multi-season extension pilot project in Newfoundland and Labrador, and the Island Pathways development and Trails for Tourism Strategy in Cape Breton; support for tourism capacity building, planning, and multi-season marketing initiatives in mainland Nova Scotia; the Aboriginal Tourism Strategy and innovation and leadership initiative in New Brunswick; and its support to the development of regional tourism destinations and multi-season marketing initiatives in Prince Edward Island.

2.1.1.6 Program Sub-activity: Other Support to SMEs

Projects that cannot be attributed to other sub-activities, that directly support increased private sector investment, business planning, marketing for the domestic market, or that establish venture and seed capital funds.

Expected Results:

- 1) Increased activity in SME establishment, expansion and modernization related to the domestic market
- 2) Enhanced availability and utilization of risk capital in Atlantic Canada

Indicators:

1) Increase in sales

Increase in wages and salaries

2) Number of investments by venture capital funds

Dollars of financing involved

Dollars leveraged from investors based outside region

Three-year Targets:

(2005-2006 to 2007-2008)

- Stabilize or increase sales

- Stabilize or increase wages

- 60 deals

- \$150 million

- \$75 million

Results:

(to date)

- On track

- On track

- 39 deals

- \$70 million

- \$10 million

Performance Measurement Strategy: Analysis of data from Statistics Canada, internal systems, project reviews and evaluations, as well as published documents from venture capital firms and industry associations.

Ensuring there is adequate capital available to finance reasonable business opportunities is a task on which the Agency is focused. From providing direct funding toward establishment and expansion/modernization to stimulating the financial markets, ACOA strives to create an environment where entrepreneurs and companies can grow their businesses successfully.

During 2006-2007, ACOA approved 28 projects for a total of \$10.3 million toward new business establishments. Ninety-two projects for the expansion or modernization of existing businesses were approved, representing an Agency commitment of \$13 million. ACOA's investment is part of a total \$43 million being invested in the 92 projects. The Agency's support will ensure the continuity of operations and the improvement in productivity of these various companies, which did not have ready or sufficient access to conventional financing sources.

ACOA also contributed \$2.3 million to 20 companies to help them with domestic marketing activities in order to increase their sales. Furthermore, \$2.7 million in contributions was approved for 25 projects led by non-profit groups and associations aiming to enhance the environment in which Atlantic Canadian companies operate. Of particular interest, the Agency approved a contribution to the Council of Atlantic Premiers to fund a study to determine needs of SMEs in accessing capital. This study originated from the Access to Capital Table, a working group established under the federal-provincial Senior Officials Committee (see section 2.3.3 Co-ordination for further information on this initiative).

During the year, the Agency approved two projects related to angel networks. The first project enabled the St. John's Board of Trade to establish a new angel network. The second one involved the First Angel Network Association (FAN), a Halifax-based group that already had members in the three Maritime Provinces. This second project supports the education mandate of the network by helping FAN deliver "Attracting Equity Capital" seminars, which were held in the four Atlantic provinces. These sessions prepare entrepreneurs to seek and obtain equity investment from angels, venture capital funds, and public share offerings.

ACOA also contributed financially to microcredit activities, such as the 3rd Global Microcredit Summit, which took place in Halifax in November 2006. This was the first time the summit had been held outside of the United States (the first two being held in New York and Washington, D.C. respectively). This summit was attended by more than 2,000 participants from over 100 countries, and highlighted the economic development possibilities of making even tiny seed investments in small business ventures.

Venture capital (VC) activity experienced a very positive rebound in Atlantic Canada in 2006. There was \$42 million invested in 23 companies, a significant increase over 2005 when \$20 million was invested in 14 companies. ACOA contributes to GrowthWorks Atlantic Venture Fund, which was a major player in this rebound. Through its contribution, ACOA played a significant role in re-energizing the VC market in Atlantic Canada, which had been suffering from the absence of a lead VC investor.

Fiscal year 2006-2007 proved to be a good year in terms of drawing attention to the challenges for businesses in accessing the capital they require. However, there is much work to be done in the gaps that remain. By funding strategic projects such as GrowthWorks Atlantic, angel networks, and microcredit initiatives, ACOA is fostering the development of the financial markets in Atlantic Canada. The Agency's objective is to grow and ensure the availability of the continuum of financing for Atlantic small and medium-sized enterprises, so that all companies can reasonably access the financing they require to be successful.

2.1.2 Program Activity: Access to Business Information

Provide accurate, timely and relevant business information to Atlantic Canadians.

Expected Results: Access for Atlantic Canadians to accurate, timely and relevant business information.

<i>Indicator:</i>	<i>Two-year Target (2006-2007 to 2007-2008)</i>	<i>Result:</i>
<ul style="list-style-type: none"> Percentage of clients indicating satisfaction with information they received (from Canada Business service centres) 	<ul style="list-style-type: none"> 75% to 80% 	<ul style="list-style-type: none"> 85%

Performance Measurement Strategy: Analysis of data from client surveys.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
2.8	2.9	3.9 ⁵³	22	44	(22) ⁵³

Atlantic Canadians interested in starting or growing a business need convenient access to information on government regulations, programs and resources. Typical questions relate to business start-up, business planning, securing financing, market research, human resource management, international trade, and protecting intellectual property. The Government of Canada offers a convenient way to get answers to these inquiries through the tools and services of Canada Business.

In Atlantic Canada, Canada Business has service centres in each provincial capital city, with access being further enhanced through websites and over 100 regional access partners that help connect clients with the information available. This Atlantic Canadian network includes over 40 Aboriginal business service centres that tailor information to the needs of First Nations business people. ACOA's role in Canada Business is to act as the federal managing partner in Atlantic Canada. A secretariat, within Industry Canada, provides for co-ordination of this national initiative.

The objective of Canada Business is to improve service to small and medium-sized businesses, as well as new and potential entrepreneurs, including new Canadians. This is achieved by making available comprehensive information, and providing referrals on government services, programs and compliance requirements for both the federal, provincial and municipal levels of government. By serving as the "first stop for business information", Canada Business reduces the complexity of dealing with various levels of government. Less time spent by business people on trying to find the right information means more time spent on making their businesses productive and competitive.

⁵³ Operating costs and human resources utilization for the Canada Business service centres were higher than forecasted in 2006-2007.

A key indicator of Canada Business performance is client satisfaction, which is measured by surveys. A survey completed in 2006-2007 showed that 85% of those using these services in Atlantic Canada were satisfied with the quality of the information received. In fact, 87% of respondents believed that the staff at the centres “went the extra mile”.⁵⁴ This service helped to make a difference in the lives of Canadians, with 55% of respondents indicating that it helped them start a business.

Efforts to continually improve client services are ongoing. For example, surveys⁵⁵ revealed that clients would like the information on Canada Business websites to be easier to locate and use. Canada Business will look for ways to enhance access to and usability of this information.

Progress was also made in 2006-2007 in terms of planning, with all service centres across Canada participating in an improved planning process. This resulted in agreed-upon priorities to improve service in the coming year. As well, the Atlantic centres participated in a national media campaign to improve awareness of the services offered by Canada Business.

More information is available at <http://www.canadabusiness.gc.ca>.

⁵⁴ Canada Business Network Client Satisfaction Survey 2007. POR Number 256-07. Total of 719 clients surveyed using a mix of phone and Internet. Results accurate within +/- 3.6%, 19 times out of 20.

⁵⁵ Ibid.

2.2 Strategic Outcome #2 – Community Development

Improved community economic infrastructure and strategic planning capacity, leading to improved employment opportunities and economic growth in the Atlantic region.

Expected Results: Increased economic opportunities for Atlantic Canada

<i>Indicators:</i>	<i>Five-year Targets: (2003-2004 to 2007-2008)</i>	<i>Results:</i>
<ul style="list-style-type: none"> Impact on earned incomes in communities 	<ul style="list-style-type: none"> Stabilize or increase earned incomes in communities 	<ul style="list-style-type: none"> On track
<ul style="list-style-type: none"> Impact on employment growth in communities 	<ul style="list-style-type: none"> Stabilize or increase employment growth in communities 	<ul style="list-style-type: none"> On track

Performance Measurement Strategy: Analysis of data from Statistics Canada.

The Atlantic economy is built on the region's many geographic, linguistic and cultural communities. The Agency supports Atlantic Canadian communities in their efforts to develop the resources they need to take full responsibility for their own economic development. ACOA works in co-operation with other levels of government, other federal government departments, non-government organizations, and community groups to lever support and co-ordinate economic development.

Community development is a bottom-up process that helps develop the tools, resources and initiatives that support individual and unique strategic development.

Community Development program activities:

1. Community Economic Development
2. Special Adjustment Measures
3. Infrastructure Programming

The support that ACOA provides to community development is strengthening the rural economy. Healthier businesses in rural communities contribute to employment creation and increase earned income in these regions.

ACOA's main tool for community development is the Innovative Communities Fund (ICF). In fiscal 2006-2007, ICF committed over \$58 million toward 167 projects across the Atlantic region. ICF projects diversify and enhance the economies of Atlantic communities. The fund capitalizes on the opportunities and strengths that exist in these communities to develop competitive, productive, strategic industry sectors; strengthen infrastructure in rural communities; and invest in projects that enhance communities' capacity to overcome economic development challenges.

In 2006-2007, ACOA continued to address communities' needs and priorities, and supported communities in achieving new growth and economic opportunities. ACOA's support, through the Community Futures Program to Community Business Development Corporations, and through the Business Development Program to Regional Economic Development Organizations ensures that these organizations have the capacity to play a key role in community development.

Atlantic Canada's Aboriginal demographic is composed of diverse communities. From small remote villages to larger urban centres, the opportunities and challenges vary significantly. This requires a flexible, holistic approach, based on the realities of a given community's capacities, strengths and challenges. The responsibility for Aboriginal economic development is shared with other federal government departments. For this reason, ACOA contributes to the shared responsibility of Aboriginal economic development by working through a number of co-ordinating tripartite mechanisms involving Aboriginals and other federal and provincial authorities in developing a more co-ordinated response to address First Nations economic development issues and needs.

ACOA also works closely with French language minority communities to ensure service in French to its Acadian and Francophone clientele. This clientele is comprised of economic development stakeholders in the region's minority language communities. Beyond the mere provision of service in the French-language, ACOA works through collaboration and consultations to enhance the vitality of the French-language minority community through economic development. ACOA uses the Business Development Program, the Innovative Communities Fund, and funds accessed through its partnerships, to support the official language minority communities to engage in economic development projects of an incremental nature.

ACOA also plays a role in special adjustment measures seeking to reduce or lessen the impact of economic downturns in the region, ultimately resulting in the lessening of what would otherwise have been economic crises. In fiscal 2006-2007, the only targeted adjustment program being delivered by ACOA was the Saint John Shipyard Initiative, in response to the closure of the shipyard in Saint John, New Brunswick.

Finally, infrastructure programming enhances municipal infrastructure in urban and rural communities throughout Atlantic Canada. ACOA is the federal entity responsible for delivering and implementing the Government of Canada's current infrastructure programming in the Atlantic region. In fiscal 2006-2007, the majority of infrastructure projects were funded by Infrastructure Canada (funding agent), specifically through the Municipal Rural Infrastructure Fund. This fund is directed to improve and increase public infrastructure in areas such as water, wastewater, cultural and recreation, those very things that make Atlantic communities vibrant and productive places to live, work and raise families. A total of \$59.8 million was invested in 167 Atlantic region projects for green municipal infrastructure projects, as well as other types of infrastructure projects.

2.2.1 Program Activity: Community Economic Development

Projects that help communities build their capacity and confidence in order to identify and co-ordinate the implementation of priorities for economic development in their region. These projects would be supported via community economic development organizations that, in turn: provide financial and technical assistance to businesses and communities; conduct strategic planning; co-ordinate economic development; and implement a range of self-sustaining development projects under strategic community economic development initiatives. Community economic development organizations can be any organization that supports projects at a local, community and sub-community or municipal level.

Expected Results: Enhanced business and economic opportunities for Atlantic Canada communities		
Indicators:	Annual Targets: (2006-2007)	Results:
<ul style="list-style-type: none"> Jobs created by CBDCs and Seed Capital Program 	<ul style="list-style-type: none"> 1,600 jobs 	<ul style="list-style-type: none"> 1,864⁵⁶
<ul style="list-style-type: none"> Level of strategic investment in communities (CBDCs and Seed Capital Program investments) 	<ul style="list-style-type: none"> \$42.8 million 1,600 loans 	<ul style="list-style-type: none"> \$54 million⁵⁷ 1,799 loans
Performance Measurement Strategy: Analysis of CBDC report data, and internal systems data.		

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
42.8	102.2	111.4 ⁵⁸	79	154	(75)

ACOA works in co-operation with communities, making strategic investments to capitalize on opportunities for sustainable economic growth and to build community development capacity. In doing so, ACOA invests in the development of critical economic development infrastructure. These investments capitalize on the capacity, strengths and opportunities present in the community, as identified in community economic development plans and strategies.

ACOA's main tool for community development is the Innovative Communities Fund (ICF). The fund capitalizes on the opportunities and strengths that exist in these communities to develop competitive, productive and strategic industry sectors; strengthen community infrastructure in rural

Community Futures Program 2006-2007 results:

- \$45.9 million invested in SMEs
- Over 7,800 counselling sessions
- Over 1,000 loans

⁵⁶ Results from CBDC / Seed Capital Atlantic Report (March 31, 2007).

⁵⁷ Ibid.

⁵⁸ Increases in the Community Economic Development program activity reflect an additional \$69 million in resources required for the delivery of four programs, but mainly for the new Innovative Communities Fund. This increase results in additional human resource utilization (75 FTEs).

communities; and invest in projects that enhance communities' capacity to overcome economic development challenges. In fiscal 2006-2007, the ICF committed over \$58 million toward 167 projects across the Atlantic region. ICF projects diversify and enhance the economies of Atlantic communities.

ACOA continued in 2006-2007 to fund 41 Community Business Development Corporations (CBDCs) in rural Atlantic Canada through the Community Futures Program. These CBDCs run by community-based boards of directors focused on local community economic development. Contributions permit CBDCs to provide an essential source of investment capital that focuses on rural small business, as well as business counselling and skills development.⁵⁹ ACOA also worked with the CBDCs and urban-based business support organizations to assist Atlantic Canadians, through the Seed Capital Program, which allows the borrowers to acquire the business skills and capital needed to start, modernize and expand their businesses. In fiscal 2006-2007, over \$8 million was invested through 712 projects, supporting the creation of 975 jobs.⁶⁰

In co-operation with other levels of government, ACOA continued to support 52 Regional Economic Development Organizations (REDOs). These REDOs are responsible for the co-ordination, development and implementation of strategic economic development at the local and regional level. In support of these activities, ACOA invested a total of \$10.1 million in operational funding to the REDOs for fiscal 2006-2007.⁶¹ As a result of this investment, 59 strategic plans were developed in rural communities in 2006-2007. These plans assisted communities in assessing their strengths and weaknesses in order to implement strategic initiatives that will contribute to the economic growth of their regions.

In line with these community strategic plans, 85 community-based projects were supported, totalling \$10.6 million in additional ACOA investments from its Business Development Program in 2006-2007. In addition, 15 strategic initiatives and 33 community-based projects were supported by ACOA investments (through its ICF) totalling \$11.6 million.⁶²

Some of these projects include initiatives such as:

- The official opening of the *Wind Energy Institute of Canada (WEICan) in Prince Edward Island*. This project built upon the former Atlantic Wind Test Site. Over the course of a five-year period, the local REDO worked through sector strategies, conceptual plans, local steering committees and expert advisory panels to ensure that the vision of WEICan was what this sector needed and what was best for the local community. ACOA's involvement was seen as instrumental in the creation of this Institute.

⁵⁹ Results from CBDC Atlantic Report (March 31, 2007).

⁶⁰ Results from CBDC / Seed Capital Atlantic Report (March 31, 2007).

⁶¹ Regional internal REDO tracking systems (June 2007).

⁶² This \$11.6 million is included in the \$58 million total funding for ICF in 2006-2007.

- *Propelsj*, in New Brunswick, whose main thrust will be to establish the ground work and the day-to-day operations of a virtual IT incubator. This incubator, also known as “Accelerator”, will bring together industry leaders with fledging IT start-ups in order to provide them with expertise in various businesses and IT disciplines to improve their chances of success. This new project resulted in over a dozen mentors having signed on, and three new companies are now part of the projects.
- A two-year initiative by the Long Range Regional Economic Development Board in Newfoundland and Labrador to develop and implement bilingual CED initiatives, enabling the board, the Long Range Community Business Development Corporation and l’Association régionale de la côte ouest, to collaboratively develop and implement bilingual CED initiatives throughout a region of the province with a rich French history dating back to the 18th century.
- A world class tourism and heritage site under development at the Joggins fossil cliffs in Cumberland County, Nova Scotia. ACOA has partnered with provincial and municipal governments to provide the financial resources that will help the community realize this project through strategic planning efforts. The site will serve as an interpretive centre to showcase one of the world’s richest and most significant Coal Age fossil sites, which dates back 310 million years.

Atlantic Canada also includes a number of Aboriginal communities. These communities are small, often remote, and characterized by extremely high unemployment and a young rapidly growing population. In 2006-2007, ACOA supported a wide variety of projects in such diverse fields as accessibility to business information, business expansion, Aboriginal procurement, tourism, workplace skills, economic diversification as well as business and strategic planning.

The French-language minority community also plays an important role in Atlantic Canada. Almost 300,000 Acadians and Francophones live in the region, representing roughly one-third of the nation’s French-speaking population outside Quebec. In 2006-2007, ACOA continued to collaborate with several Acadian and Francophone organizations across the region to enable the official language minority community to engage in activities that foster the sustainable community infrastructure necessary for economic development in these communities. For instance, ACOA lent support to two French-language universities and community colleges to enable them to develop course content for online teaching in various areas.

2.2.2 Program Activity: Special Adjustment Measures

Support initiatives designed to address the specific economic adjustment needs of Atlantic Canadian communities.

Expected Results: Partner with communities to manage and mitigate economic crises

<i>Indicator:</i>	<i>Annual Target: (2006-2007)</i>	<i>Result:</i>
<ul style="list-style-type: none"> Reduced or lessened impact of economic downturns 	<ul style="list-style-type: none"> Develop a community adjustment approach to respond to communities facing serious unemployment issues in addition to permanent structural changes 	<ul style="list-style-type: none"> On track – delivery of the Saint John Shipyard Initiative

Performance Measurement Strategy: Evaluation of data from studies, surveys and internal evaluations.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
24.5	13.0	13.1	0	2	(2)

There are circumstances in which federal government decisions, or impacts in an area of its mandate, have resulted in the need for a major adjustment in a community or region. These measures are based on the appropriation of new funds that are delivered through ACOA, as the economic development agency in Atlantic Canada. Each special adjustment measure has specific objectives, clients and performance measures.

In 2006-2007, ACOA continued to deliver the Saint John Shipyard Adjustment Initiative (SJSAI) in response to the closure of the shipyard in Saint John, New Brunswick. This initiative was designed to ensure the closure of shipyard operations and redevelopment of the site for other economic development use, through \$55 million in total available funding.

The first project approved under the Shipyard Redevelopment Program (SRP) included a feasibility study to identify the best use for the former shipyard site and site improvements in order to remove impediments for future development. The total provisionally repayable contribution for this project is \$9.95 million. The Shipyard Redevelopment Program led to an initial application under the SJSAI's Industrial Diversification Program (IDP) to assist in the establishment of a gypsum wallboard manufacturing facility on the former shipyard site. This project was allocated \$35 million in funding and is expected to be completed by March 31, 2008.

2.2.3 Program Activity: Infrastructure Programming

Programming designed to renew and build infrastructure in rural and urban municipalities in Atlantic Canada.

Expected Results: Enhanced infrastructure in urban and rural communities, and public infrastructure

Indicator:

Annual Target: (2006-2007)

Result:

- Investments in infrastructure projects in Atlantic Canada
- \$44.3 million⁶³
- \$59.8 million⁶³

Performance Measurement Strategy: Analysis of data from Shared Information Management System for Infrastructure (SIMSI).

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
13.9	20.8	21.9	7	15	(8)

The provision and maintenance of quality public infrastructure provides the foundation for economic development and is critical for economic prosperity. Providing and effectively managing potable water, waste treatment facilities, highways, municipal roads and bridges and transit systems, all impact on economic growth, and many also have strong environmental implications. This requires programming designed to renew and build infrastructure in rural and urban municipalities in Atlantic Canada, through investments that protect the environment and support long-term economic growth. ACOA, working with Infrastructure Canada and the provinces, oversees and ensures the flow of federal funds allocated to each region through the various infrastructure funding streams. The priorities for Infrastructure Canada programs are green municipal infrastructure and local transportation infrastructure.

Community-based infrastructure programs are implemented by ACOA in the Atlantic region on behalf of the Government of Canada. The majority of infrastructure projects in fiscal 2006-2007 were funded by Infrastructure Canada through the Municipal Rural Infrastructure Fund (MRIF) [see the table at the right for project break-down by province and corresponding total investment]. The MRIF is directed to improve and increase public infrastructure in areas such as water,

	Municipal Rural Infrastructure Fund		
	Green Municipal Infrastructure	Other Projects	Total Federal Investment (\$)
NL	31	3	7,769,214
NB	15	4	12,194,421
NS	57	12	34,617,260
PEI	<u>26</u>	<u>17</u>	<u>5,197,511</u>
Total	129	36	59,778,406

Source: Shared Information Management System for Infrastructure (SIMSI)

⁶³ Target corrected from error in ACOA's 2006-2007 Report on Plans and Priorities; target exceeded due to accelerated activity from higher-than-anticipated demand.

wastewater, culture, recreation, and those very things that make communities vibrant and productive places to live and work and raise families.

“Green municipal infrastructure” continues to be a priority, and agreements actually identify an investment target for green projects. This essentially includes water and wastewater systems, water management, solid waste management and recycling. In New Brunswick, this target is 70% of funding, and in the other three Atlantic provinces, it has been set at 60%. Agreements are in place in all four Atlantic provinces and memorandums of understanding have been executed between Infrastructure Canada (part of the Transport, Infrastructure and Communities portfolio) and ACOA to facilitate delivery. Under the MRIF, funds are placed in an OGD (other government department) suspense account under the direction of Infrastructure Canada.

The Infrastructure Canada Program (ICP) in Atlantic Canada is nearly 100% committed with 700 approved projects. This program began in 2000 and was scheduled to terminate March 31, 2006. In the course of the implementation of the ICP, some jurisdictions experienced delays in project approvals with a result that not all funding has been committed in some jurisdictions, and not all projects have been initiated. As a result they could not be completed by the scheduled program termination date. Therefore, the terms and conditions of the ICP have been extended, and projects must now be completed by March 31, 2008. The deadline for project approvals was December 31, 2005 (June 30, 2006, in Newfoundland and Labrador).

For more information on infrastructure programming, see Infrastructure Canada’s website at: http://www.infrastructure.gc.ca/ip-pi/index_e.shtml.

2.3 Strategic Outcome #3 – Policy, Advocacy and Co-ordination

Strategic researched policy positions that reflect the region's potential; influence on national policies and programs that affect Atlantic development and interests; and co-ordination of other federal departments' policies and programs within the region to form integrated approaches to development, leading to strengthened economic development in Atlantic Canada.

Expected Results: Provide policy leadership and advocate Atlantic Canada's interest in economic policy and programming

<i>Indicator:</i>	<i>Five-year Targets: (2003-2004 to 2007-2008)</i>	<i>Result:</i>
<ul style="list-style-type: none"> • New or improved policy positions and strategies on regional development in Atlantic Canada • Renewing the federal government's support to regional development in Atlantic Canada 	<ul style="list-style-type: none"> • Five positions / strategies • Continued government support to Agency priorities 	<ul style="list-style-type: none"> • On track. Analysis over a five-year period ends in 2007-2008 • On track. Analysis over a five-year period ends in 2007-2008

Performance Measurement Strategy: Analysis of information from ACOA's Policy Network and key informant survey, as well as indicators from the federal government's budget speech, Speech from the Throne, and decisions by central agencies.

ACOA is the Government of Canada's main instrument for dealing with economic opportunities and challenges in Atlantic Canada. In doing so, ACOA is attuned to federal economic priorities as expressed in *Advantage Canada*, Canada's strategic plan.⁶⁴ The overarching realities that are driving the federal government's economic priorities – emerging international economies and changing trade patterns; the importance of productivity and higher value activities – are issues that Atlantic Canada is currently addressing.

The Agency's policy work is providing a well-grounded base of understanding for the development of ACOA's strategic priorities and initiatives, for program design, and as input to major resource allocation decisions. Through its legislation, ACOA is mandated to co-ordinate policies and programs of the Government of Canada in relation to opportunities for economic development in Atlantic Canada. The advocacy function at ACOA serves to influence national decision-making processes to improve the position of

⁶⁴ *Advantage Canada: Building a Strong Economy for Canadians*, Department of Finance Canada, Ottawa, Ontario (2006). Available online at <http://www.fin.gc.ca/ec2006/pdf/plane.pdf>.

Atlantic industries through engagement in the policy process with other departments, and pursuing regional industrial benefits from public sector procurement.

ACOA's Policy, Advocacy and Co-ordination activities have assisted in addressing a variety of challenges and opportunities for Atlantic Canada, and continue to ensure that the Atlantic region maximizes its contribution to tackling federal priorities as well. For example, the region is experiencing labour force supply and productivity issues due in large part to demographic decline, aging and out-migration. The work that ACOA is doing with respect to population issues in the region is in line with the Government of Canada's knowledge advantage.

ACOA has sought to build Canada's knowledge and entrepreneurial advantage by prioritizing innovation and commercialization for the region, supporting regional partnership initiatives, improving community innovation capacity, and modernizing SME projects. In 2006-2007, ACOA led discussions that produced a framework that focuses on the productivity of the region's resource industries.

The Agency's work on the Atlantic Gateway demonstrates that ACOA is well-positioned and plays a central role in helping the region respond to parallel national strategies and frameworks. It offers opportunities to explore and encourage increased co-ordination and involvement of the private sector in the development of the region in this regard.

ACOA's advocacy efforts allow the Agency to remain flexible in responding and contributing to federal and regional priorities. Being the federal entity responsible for delivery of the Government of Canada's current infrastructure programming in Atlantic Canada, ACOA, through its advocacy frameworks, continues to build on its experience to effectively respond to the advocacy and co-ordination challenges of infrastructure and related programming.

Other evidence of activities undertaken and results achieved during 2006-2007 is presented in the subsequent sections. These sections highlight examples of how ACOA is providing policy leadership, co-ordination expertise, and advocacy for the region. By representing Atlantic Canada's interests in economic policy and programming, ACOA is contributing to new and improved policy positions and strategies in the area of regional development.

2.3.1 Program Activity: Policy

Carrying out policy analysis and research to determine the areas in which the Agency will act to most effectively carry out its mandate.

Expected Results: Increase internal and external capacity to identify and explore issues critical to developing policies and designing and improving programs

<i>Indicators:</i>	<i>Annual Targets: (2006-2007)</i>	<i>Results</i>
<ul style="list-style-type: none"> Impact of new policies/strategies on programs and initiatives 	<ul style="list-style-type: none"> Continuation of program and policy review activity based on environmental scanning and issue analysis 	<ul style="list-style-type: none"> Ongoing, as shown in examples below
<ul style="list-style-type: none"> Usefulness and impact of studies 	<ul style="list-style-type: none"> Studies and research relevant to the Government and Atlantic Canada priorities 	<ul style="list-style-type: none"> Relevant research and studies conducted on a range of priority issues for Atlantic Canada and the Government of Canada
<ul style="list-style-type: none"> Increased capacity of partners/researchers to participate in policy development 	<ul style="list-style-type: none"> Creation of inventory of researchers 	<ul style="list-style-type: none"> Inventory of researchers maintained and updated

Performance Measurement Strategy: Annual analysis of information from project reports, key informant survey managed by the Agency's policy network, and Atlantic Policy Research Initiative reports. In addition, every five years, the Agency will conduct a formal evaluation to measure the two indicators "impact of new policies/strategies on programs and initiatives" and "usefulness and impact of studies."

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
11.0	6.5	5.9	29	41	(12)

In order to provide a clear and well-grounded base of understanding of Atlantic Canada's circumstances and issues, the Agency's policy function conducts and supports ongoing analysis of issues and trends, challenges and opportunities facing the region, and encourages and fosters stakeholder engagement in that regard. ACOA's policy work seeks to input to national policy development and federal-provincial relations, including the development of policies, frameworks and strategic advice.

The Agency's policy activities include internal and external research and analysis of issues and trends, and the engagement of federal, provincial, and other public and private stakeholders on issues affecting the development of the Atlantic economy. These activities provide policy leadership and strategic direction.

ACOA supports a dedicated research program, the Atlantic Policy Research Initiative (APRI). APRI's pan-Atlantic research activities help to provide strategic advice and

information to decision makers within ACOA, the federal government and provinces, and other regional institutions and organizations. Strategically focused on issues affecting the regional development of Atlantic Canada, APRI actively involves public and private sector partners and stakeholders from across the region and outside it.

The APRI evaluation conducted in 2005 demonstrated the program's relevance and usefulness to stakeholders,⁶⁵ and the program continued to demonstrate its commitment to the development of policy research capacity in the region in 2006-2007. The inventory of research organizations and researchers, which was created in 2005, was updated in 2006-2007, and now includes additional researchers who contribute to policy research and analysis impacting Atlantic Canada.

Examples of APRI activity in 2006-2007:

- 21 projects were approved, involving conferences and round tables, and research reports and studies.
- Published reports include:
 - *The Economic Impact of Universities in the Atlantic Provinces*⁶⁶
 - *The Ocean Technology Sector in Atlantic Canada*⁶⁷
 - *The Changing Global Economy: The Implications and Opportunities for Transportation in Atlantic Canada*⁶⁸

Sound advice related to regional development in Atlantic Canada requires a thorough understanding of the region's economy. Through the preparation and distribution of regular reports on the economic situation (*Economic Overview of Atlantic Canada*; *Labour Market Conditions in Atlantic Canada*, and *Export Performance in Atlantic Canada*), ACOA contributes to increased knowledge of circumstances facing the Atlantic region that need to be considered when making policy decisions. Economic research and analysis related to productivity, resource industries, foreign investment, demographics, and labour force trends were also undertaken and were used in supporting the development of policy strategies and positions taken by ACOA. An econometric impact analysis was also undertaken in 2006-2007 with respect to calculating the overall contribution of the aquaculture sector to the Atlantic Canadian economy.

The following examples from across the Agency are the types of activities undertaken in the areas of policy analysis, research and engagement throughout 2006-2007. These

⁶⁵ *Summative Evaluation of the Atlantic Policy Research Initiative*, Goss Gilroy Inc. (April 2005).

⁶⁶ *The Economic Impact of Universities in the Atlantic Provinces*, for the Association of Atlantic Universities, Gardner Pinfold Consulting Economists Ltd. (February 2006). Available online at <http://www.acoa-apeca.gc.ca/e/library/reports/eiuap.pdf>.

⁶⁷ *The Ocean Technology Sector in Atlantic Canada*, Volume 1: Profile and Impact (February 2006), Volume 2: Potential Public Sector Demand (May 2006), submitted to the Atlantic Canada Opportunities Agency by ACZISC Secretariat (Halifax) and Canmac Economics Ltd (Lower Sackville), Nova Scotia, (2006). Available online at http://www.acoa-apeca.gc.ca/e/library/ocean_tech.shtml.

⁶⁸ *The Changing Global Economy: The Implications and Opportunities for Transportation in Atlantic Canada*, Atlantic Provinces Economic Council (November 2006). Available online at <http://www.acoa-apeca.gc.ca/e/library/reports/sectorFocussed/globalEconomy.pdf>.

examples serve to document and demonstrate the short-term results that have materialized during this reporting period.

Policy Support to Innovation and Commercialization

Innovation and commercialization remain key drivers of competitiveness and productivity in Atlantic Canada, and ACOA's research efforts continue in that regard. The Agency supported a Leaders' Roundtable on Commercialization, led by the Conference Board of Canada, as well as the study *The Economic Impact of Universities in the Atlantic Provinces*⁶⁶, prepared for the Association of Atlantic Universities by Gardner Pinfold. The latter project was of particular relevance for a less urbanized region such as Atlantic Canada; the project assessed the needs and gathered useful data for potential economic solutions in terms of innovation and commercialization.

As ocean technology in Newfoundland and Labrador remains a key growth sector, Agency officials prepared and disseminated a discussion paper, *Towards Expanding Newfoundland and Labrador's Ocean Technology Cluster*, to officials in the provincial Department of Innovation, Trade and Rural Development, the National Research Council of Canada's Institute for Ocean Technology, Industry Canada, Oceans Advance, and the City of St. John's for consideration in development of a strategy for ocean industry development. Funding was also provided to a national study, *Global Markets for Ocean Observation Systems*,⁶⁹ the findings of which were helpful to the Agency in the development of a policy position on ocean observing as a catalyst for ocean technology industry development.

Over the course of 2006-2007, ACOA's support to the Canada-Nova Scotia Innovation Team expanded to include full secretariat support for the team, as well as thematic support on the commercialization file, one of two thematic issues addressed by the team (community development is the other).

In order to contribute to Prince Edward Island's (and Atlantic Canada's) productivity and competitiveness in the bio-science sector, the Agency conducted considerable background research and analysis on the bio-science sector in Rhode Island in order to identify lessons learned for companies in the region.

⁶⁹ *Global Markets for Ocean Observation Systems*, Douglas-Westwood Limited, Ocean Science and Technology Partnership (November 2006). Available online at http://www.ostp-psto.ca/Files/P382_OOS_Final_Report_2006.pdf.

Policy Support to the Atlantic Gateway

In terms of the region's trade relationship and environment, two key APRI-funded projects can be highlighted. The Atlantic Provinces Economic Council's research paper *The Changing Global Economy: The Implications and Opportunities for Transportation in Atlantic Canada*,⁷⁰ and the Asia Pacific Foundation of Canada's *Embracing the Future: The Atlantic Gateway and Canada's Trade Corridor*,⁷¹ provided important foundational research to support policy development for the Atlantic Gateway. The latter project particularly helped contextualize the Atlantic region as a trade and transportation gateway within the national picture, and how an Atlantic Gateway could contribute to Canada's competitiveness on the global stage.

The Agency also initiated a process in December 2006 for the development of an Atlantic Gateway business case, and a consultant was selected. The research involved considerable consultation with key stakeholders within and outside the region, and saw the collaboration of federal and provincial governments throughout the process.

Policy Support to Community Development

Research and analysis on community economic development (CED) models and capacity gaps was conducted by ACOA. The research focused on strengths and weaknesses in CED capacity, and proposed a more integrated framework for assessing various types of CED capacity.

Exploration of Future Opportunities and New Challenges

ACOA led the process to develop a framework for enhanced competitiveness in Atlantic Canada's renewable resource industries, based on improvements in regional collaboration, technology adoption, value-added, market development and strategic infrastructure. This framework was prepared with input from several federal departments and key departments of all four provincial governments.

In an effort to better understand the challenges and opportunities for economic growth within the context of an increasingly global economy, the Agency undertook an economic growth analysis study in New Brunswick. The study provides an analysis of the economic environment in the province and its regions, and provides recommendations for comprehensive short- and medium-term investment priorities and actions.

⁷⁰ *The Changing Global Economy: The Implications and Opportunities for Transportation in Atlantic Canada*, Atlantic Provinces Economic Council (November 2006). Available online at <http://www.acoa-apeca.gc.ca/e/library/reports/sectorFocussed/globalEconomy.pdf>.

⁷¹ *Embracing the Future: The Atlantic Gateway and Canada's Trade Corridor*, Charles McMillan for the Asia Pacific Foundation of Canada (November 2006). Available online at <http://www.acoa.ca/e/library/reports/sectorFocussed/embracingFuture.pdf>.

2.3.2 Program Activity: Advocacy

Advocating the interests of Atlantic Canada to make new government initiatives more responsive to the needs of Atlantic Canada.

Expected Results: Effective defence and promotion of Atlantic Canada's interests

<i>Indicator:</i>	<i>Five-year Target: (2003-2004 to 2007-2008)</i>	<i>Result:</i>
<ul style="list-style-type: none"> Impact of Agency positions taken with respect to policy and programs 	<ul style="list-style-type: none"> Increase the impact and influence of ACOA participation on horizontal and other files important to Atlantic Canada 	<ul style="list-style-type: none"> The advocacy function has been enhanced by a model that engages senior management as champions on key priorities for Atlantic Canada. This approach has proven to be flexible and responsive to aligning regional priorities with the directions of the federal government. Both horizontal and sectoral files have been advanced as identified in the examples provided below.

Performance Measurement Strategy: Analysis of data from interviews with senior officials of economic development departments, and from the Agency's files and procurement network.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
4.0	4.1	3.3	23	38	(15)

ACOA's advocacy function ensures the region's interests are well understood and considered by the federal government's decision makers, and that regional stakeholders are kept informed of government actions and opportunities that are relevant to the economic interests of Atlantic Canada. For example, as trade and investment activities were redefined under the government's Global Commerce Strategy, ACOA ensured cohesion between the new strategy and its own programs as it related to trade and investment in various sectors. Advocacy efforts also included identifying industrial regional benefits and providing access to federal procurement contracts for Atlantic firms, with a focus on major projects that afford the potential for large-scale regional benefits.

The impact of the advocacy function has been enhanced by a model, introduced in the previous year, which engages ACOA's senior management as champions in key regional priorities, supported by a cross-agency working group. ACOA reviews the priorities annually for effectiveness and implements changes to respond to government directions or shifting priorities in the Atlantic region. This flexibility is illustrated by the cities and communities file, which allowed ACOA to provide an ongoing regional

Advocacy Priorities:

- Cities and communities
- Energy
- Commercialization
- Aquaculture
- Oceans
- Atlantic population strategy
- Tourism
- Aerospace and defence

perspective to national infrastructure program development and delivery. As federal priorities evolved, ACOA's efforts shifted to identifying the region's critical infrastructure needs and developing the Atlantic Gateway initiative.

In keeping with the government's priority to make Canada a leader in energy, ACOA undertook a number of strategies and projects intended to further develop supplier opportunities and attract investment in the Atlantic Canada energy sector. For example, the Agency conducted an evaluation of domestic and international trade opportunities for Atlantic Canada's oil and gas suppliers. Collaborative work with other government departments and stakeholders continued through the Atlantic Energy Round Table, which helped identify international best practices for offshore oil and gas development that could stimulate further investment. In conjunction with provincial energy departments, the electrical supply and demand in the region were assessed.

Building research capacity and enhancing commercialization are critical to Canada's economy. To further the commercialization priority, ACOA was actively involved with Industry Canada officials in the development of the government's science and technology strategy, to ensure that Atlantic Canada's interests were well reflected. Support from ACOA programming, along with its advocacy efforts, have built science and technology capacity in the region. This has subsequently attracted further federal investments in Atlantic Canada. For example, Budget 2007 announced \$15 million in funding for the Life Sciences Research Institute in Halifax.⁷²

To ensure the needs of the Atlantic aquaculture industry were addressed, the Agency participated in various aquaculture networks focusing on governance renewal, infrastructure, research, development and commercialization, and risk management. Ongoing work with the Department of Fisheries and Oceans and other key stakeholders addressed renewal of the fishing industry to make it more sustainable, economically viable and internationally competitive. This included the development of ocean technology initiatives and related policies and legislation to support a competitive ocean economy in Atlantic Canada.

The Agency continued its important partnerships with tourism industry associations, private sector groups, provincial and municipal governments, and other federal departments and agencies to promote a regional approach to tourism in Atlantic Canada. The goal of increased growth and competitiveness in the region's tourism industry was facilitated by advocacy efforts to promote strategic tourism investments in the region. Quarterly tourism meetings contributed to a co-ordinated, federal presence in Atlantic Canada, and provided a venue for discussion of issues of regional importance.

The Agency's objectives on the population file were addressed through participation on the Atlantic Population Table, a federal-provincial working group, including activities to

⁷² *The Budget Plan 2007: Aspire to a stronger, safer, better Canada*, tabled on March 19, 2007, Department of Finance Canada on pp.199-200 "World-Class Excellence for Research Leadership – Centre of Excellence in Commercialization and Research".

be undertaken, and governance mechanisms for co-operative actions. Furthermore, ACOA and the four provincial governments jointly supported pan-Atlantic missions to five locations to attract potential immigrants to the region.

The federal industrial regional benefits (IRB) policy, especially as it relates to major Crown projects, is used by the Agency to promote industrial and regional development objectives. Specifically, ACOA uses the IRB policy to inform and advocate to national and multi-national companies about Atlantic Canadian industrial capacity, and encourage bidders to work and partner with these companies. The beneficiaries are usually high technology companies that secure contracts within the aerospace and defence domain.

As part of this approach, the Agency monitors the development of federal procurement policies, and advocates for a strong IRB strategy in all major Crown projects. Other activities include the identification and development of capacity in companies within Atlantic Canada, collaboration with other government departments, and identification and matching of IRB companies with potential Atlantic suppliers to increase the region's IRB opportunities.

Building on efforts over the past five years that have secured in excess of \$1 billion of industrial and regional benefit commitments for firms in the Atlantic region, ACOA continues to pursue a multi-year approach to promote the capacity of Atlantic companies as preferred suppliers, and to identify new IRB opportunities within major Crown procurement contracts. During 2006-2007, ACOA's advocacy for industrial regional benefits (IRBs) was focused on a number of significant military procurement projects, with particular attention paid to the "Canada First" procurements. Of these, a contract was awarded for the Strategic Airlift project, which included a commitment of \$60 million over 10 years to Atlantic Canada. Although the tactical airlift and medium-to-heavy helicopter projects were not finalized in 2006-2007, a commitment of 10% of contract values was guaranteed for the Atlantic region. In March 2007, ACOA led a mission of 15 Atlantic Canadian companies to meet with multinational companies based in the U.S. states of Georgia and Missouri, to facilitate IRB relationships on these projects.

Significant efforts were also devoted to the remaining "Canada First" procurements, the Joint Support Ship (JSS), and the Medium Support Vehicle System (MSVS). The Agency worked with potential bidders for the MSVS and the Halifax Class Modernization Project to maximize Atlantic Canadian participation in these projects. In addition, ACOA promoted participation of Atlantic companies on the anticipated Fixed Wing Search and Rescue Project and the Victoria class in-service support contract.

2.3.3 Program Activity: Co-ordination

Engaging economic partners in addressing the Atlantic region's strategic economic priorities.

Expected Results: Co-ordination of activities between ACOA, federal departments and provincial governments in Atlantic Canada

<i>Indicators:</i>	<i>Annual Targets: (2006-2007)</i>	<i>Results:</i>
<ul style="list-style-type: none"> Joint strategic initiatives that reflect commonly held positions on defined issues Partnerships created to find solutions; areas of joint strategic interest identified 	<ul style="list-style-type: none"> Successful co-ordination of joint initiatives that are priorities for the Government of Canada and ACOA Progress achieved in addressing economic opportunities being pursued 	<ul style="list-style-type: none"> Ongoing, as demonstrated through examples Ongoing development and maintenance of meaningful partnerships so that solutions are found jointly to horizontal issues, such as Population and Atlantic Gateway
Five-year Target: (2003-2004 to 2007-2008)		
<ul style="list-style-type: none"> Impact on joint strategic initiatives 	<ul style="list-style-type: none"> Progress achieved in addressing economic opportunities being pursued 	<ul style="list-style-type: none"> Analysis over a five-year period ends in 2007-2008

Performance Measurement Strategy: Annual targets will be measured through analysis of data from ACOA's policy network, the Privy Council Office (Intergovernmental Affairs). Five-year targets will be measured through analysis of data from project reports and interviews.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
1.8	1.8	2.2	12	37	(25)

The Agency is mandated by its legislation to “co-ordinate policies and programs of the Government of Canada in relation to opportunities for economic development of Atlantic Canada.” Working collaboratively with other federal departments and agencies, ACOA develops a coherent approach to horizontal strategies and initiatives that address developmental challenges and opportunities confronting economic development in the Atlantic region. In order to achieve a comprehensive approach, ACOA also works in partnership with Atlantic provincial governments, communities, and a range of private and public sector stakeholders.

2006-2007 saw the federal-provincial Senior Officials Committee and its working tables continue discussions on shared priority issues. The Access to Capital Table commissioned research to investigate methods to improve “investor readiness” of SMEs, and to explore ways to enhance capital availability in Atlantic Canada. The Policy

Development Table continued discussions on Atlantic Canadian competitiveness and productivity, the changing spatial distribution of the population, and innovation adoption by SMEs.

The population issue remains a key priority for the region, and the Atlantic Population Table continued its work in this regard. The table oversaw the joint development of a suite of initiatives to help increase the number of international immigrants coming to Atlantic Canada, retaining more of them in the region, and attracting expatriate Atlantic Canadians back to the region. This was undertaken in collaboration with the four provinces, Citizenship and Immigration Canada, and Human Resources and Social Development. The table's research sub-committee also served to initiate a discussion process between researchers from the Atlantic Metropolis Centre (AMC) and government officials, to explore how the AMC could broaden its research to include more facets of the region.

With the development of an Atlantic Gateway identified as a priority for the region, ACOA assisted in the creation of a federal-provincial senior officials working group to discuss and promote the co-ordinated development of a strategy. ACOA, Transport Canada, and the Atlantic provinces are members of the group. Since its inaugural meeting in January 2007, the group has acted as a critical information sharing forum, and has begun to develop priorities for the advancement of the file.

The Federal Regional Councils, chaired by ACOA vice-presidents, represent another way ACOA plays a co-ordinating role in the region. The councils are a network of senior federal officials committed to the betterment of program and service delivery to Canadians in all regions of the country. Section IV of this document highlights the activities of these councils in the Atlantic region in 2006-2007.

ACOA's co-ordination role extends to the international stage and involves a full variety of stakeholders. In 2006-2007, ACOA was involved in a 12-country study by the Organisation for Economic Co-operation and Development (OECD) to examine the role of universities and colleges in regional economic development. The Agency was represented on the steering committee, which was chaired by the executive director of the Atlantic Provinces Economic Council, and included representatives from the four provincial governments, the Atlantic associations representing both colleges and universities, the Leslie Harris Centre for Regional Policy and Development, and Memorial University. ACOA's relationship with higher-education institutions, particularly through the Atlantic Innovation Fund and Springboard Atlantic Inc., was viewed very positively by the OECD.

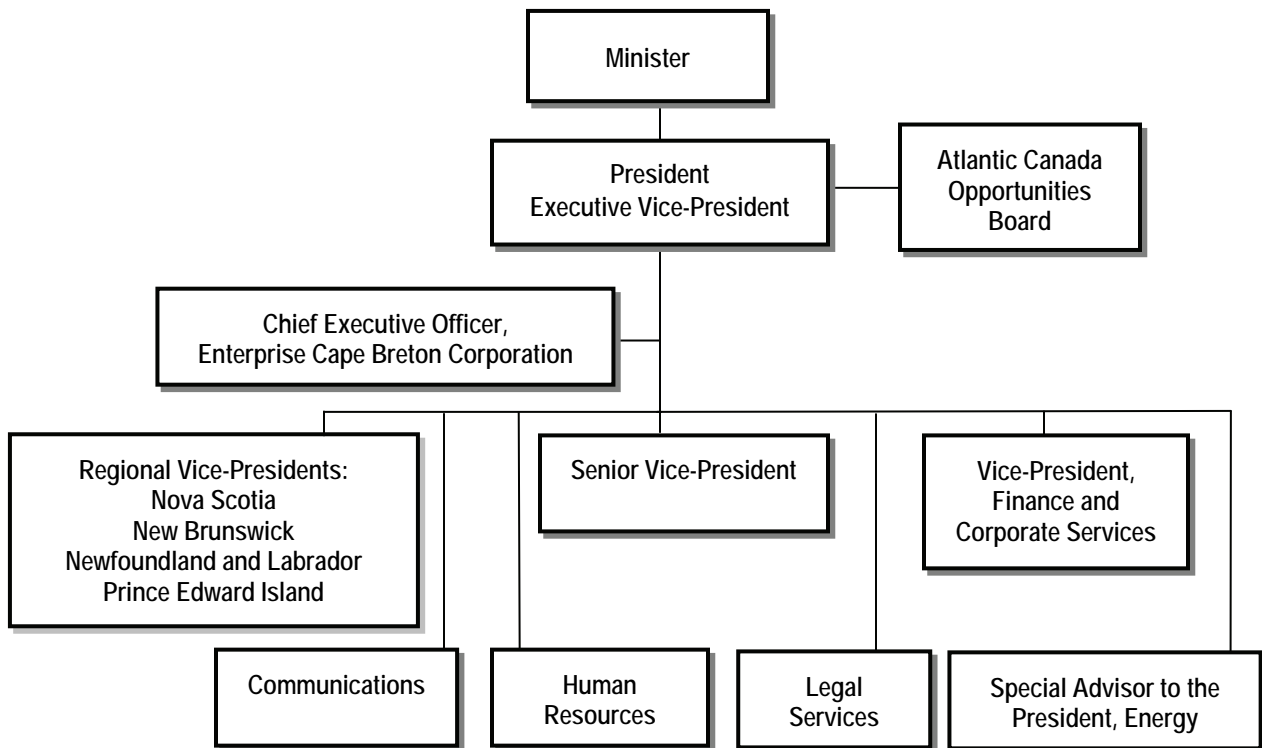
Other priority areas advanced through co-ordination activities in 2006-2007 were:

- Translation: ACOA contributed to the development of priorities for the translation industry in New Brunswick by playing a lead role in bringing stakeholders together, and providing guidance to the provincial trade association (Traduction NB Translation) for the development of an industry capacity building initiative.
- Ocean technology: ACOA actively engaged Newfoundland and Labrador's regional minister, senior officials from Industry Canada, Memorial University, the provincial Department of Innovation, Trade and Rural Development, and industry partners to encourage continued expansion of the ocean technology sector.
- Aquaculture: ACOA officials worked closely with national and regional representatives of the aquaculture industry to prepare the Canadian Farmed Seafood Summit in St. Andrews, New Brunswick, in June 2006 with the aim of rebuilding confidence in the industry and forging a new path for the future. ACOA officials continued to work in close collaboration with the federal Department of Fisheries and Oceans to develop elements for new aquaculture initiatives that would be responsive to opportunities in the region.
- Energy: ACOA officials encouraged the development of export capacity and markets by evaluating oil and gas areas, identifying potential opportunities for Atlantic Canadian companies, and working with the Department of Foreign Affairs and International Trade Canada (DFAIT) on trade missions, for example to Trinidad and Kazakhstan. In particular, ACOA undertook directed policy work that strengthened collaboration with Natural Resources Canada, Industry Canada and DFAIT, and further enhanced the level of engagement with provincial energy departments, utilities, individual companies in the energy sector, and regulatory bodies.

3. Section III–Supplementary Information

3.1 Organizational Information

3.1.1 Organizational Structure



More information on people in charge and the organizational structure of ACOA may be found at <http://www.acoa-apeco.gc.ca/e/about/people.shtml>.

3.1.2 Accountability

The minister of the Atlantic Canada Opportunities Agency is responsible for the policies and programs designed to encourage economic development in Atlantic Canada, and particularly to enhance the growth of earned incomes and employment opportunities. The minister is also responsible for the Enterprise Cape Breton Corporation (ECBC).

The president of ACOA is located in Moncton, New Brunswick. The president is also the chair of the Atlantic Canada Opportunities Board, and chair of ECBC's board of directors.

While ECBC and ACOA have a close working relationship, ECBC is a separate entity. It is a Crown corporation that reports separately to Parliament.

3.1.3 Atlantic Canada Opportunities Board

Members of the Atlantic Canada Opportunities Board provide direction and support through expert advice to the president and minister on a broad spectrum of Agency strategy and policy matters. This board includes the president of ACOA as chair, and seven other members who are successful entrepreneurs, business professionals and community leaders from each of the four Atlantic provinces. The Governor-in-Council appoints board members on the recommendation of the minister.

3.1.4 Agency Organization

Twenty years ago, ACOA's mandate and organizational structure were determined following consultations with Atlantic Canadians across the region. The establishment of a federal organization charged with regional economic development in Atlantic Canada was announced on June 6, 1987. The Agency has 36 regional and field offices in cities and towns across the Atlantic provinces. Consequently, ACOA's funding and policy decisions are made by and for Atlantic Canadians.

The president of ACOA is responsible for the administration of the Agency's operations and its employees. Located in Moncton, New Brunswick, ACOA's head office is home to the President's Office, as well as the branches responsible for Policy and Programs, Finance and Corporate Services, Human Resources, Communications and Legal Services.

The executive vice-president is based in the Agency's head office and assists the president in the management of the Agency's operations and in the fulfillment of activities and responsibilities assigned to deputy heads.

The senior vice-president has corporate responsibility for program areas and policies, as well as delivery of the pan-Atlantic projects and initiatives. Regional vice-presidents located in each provincial capital are responsible for the delivery of ACOA programs. Based in Sydney, Nova Scotia, the chief executive officer of ECBC is responsible for delivering ACOA's programs on Cape Breton Island. Through its Ottawa office, ACOA ensures that Atlantic Canada's interests are reflected in both the policies and programs developed by other departments and agencies of the federal government. This office, which reports to the senior vice-president, also works to ensure Atlantic Canadians are aware of, and able to take advantage of, the opportunities to provide services and products to the Government of Canada.

3.1.5 Key Responsibilities

- Senior vice-president
 - Policy and programs
 - Regional level co-ordination of priorities and programs
 - Delivery of pan-Atlantic agreements
 - Advocacy and procurement
 - Co-ordination of federal-provincial relations

- Vice-president, Finance and Corporate Services
 - Finance and Administration
 - Corporate Secretariat
 - Corporate Planning and Performance Management
 - Chief Information Office Directorate
 - Ministerial Liaison Office
 - Audit (administrative relationship)

- Vice-presidents working in each of the Atlantic provinces
 - Federal-provincial development strategy
 - Delivery of services and programs at provincial and local levels
 - Liaison with provinces, business community and other stakeholders
 - Tourism Atlantic (Vice-President, Prince Edward Island)

3.2 Financial, Policy and Information Tables

3.2.1 Financial Overview

The Agency's total authorities were \$391.6 million, consisting of:

- Main Estimates of \$381.7 million,
- augmented by \$9 million in transfers and adjustments to appropriations through Supplementary Estimates, which includes:
 - an increase of \$6.9 million for the Infrastructure Canada Program (reprofile of lapsed funds from 2005-2006);
 - a decrease of \$1 million due to a transfer of funds to Transport Canada to provide financial support to maintain the Saint John-Digby ferry service;
 - plus \$3.1 million in operating adjustments, primarily due to the operating budget carry forward.
- \$0.9 million in other Treasury Board-approved adjustments related to collective bargaining settlements and incremental funding to support changes to the government's internal audit policy.

Actual expenditures of \$385.3 million resulted in a lapse of \$6.3 million, all of which was in the Agency's operating expenditures vote. A portion of this lapse (\$4.1 million) is eligible for the operating budget carry-forward provisions.

The financial tables that follow show these figures:

- *Main Estimates*: only those authorities in Estimates Part II 2006-2007, which are consistent with those as Main Estimates in the Public Accounts for 2006-2007.
- *Planned Spending*: consistent with the Planned Spending column in the 2006-2007 Report on Plans and Priorities.
- *Total Authorities*: the full spending authorities received during the fiscal year through Main Estimates, Supplementary Estimates and other Treasury Board approvals, and consistent with those in the Public Accounts for 2006-2007.
- *Actual Spending*: consistent with figures in the Public Accounts for 2006-2007.

FTE utilization of 700 in 2006-2007 over actual utilization of 678 in 2005-2006 represents the full impact of staffing committed to during 2005-2006. The planned spending level of 612 FTEs represents the number of FTEs derived from the Treasury Board-approved authority for salaries prior to adjustments planned through the operating budget transfer mechanism.

3.2.2 Table 1: Comparison of Planned to Actual Spending (including FTEs)

This table provides an historical perspective on the use of Agency resources, along with a graph illustrating the trend for actual results.

Program Activity	2004-2005	2005-2006	2006-2007			
	(\$ millions)	(\$ millions)	Main Estimates	Planned Spending	Total Authorities	Total Actuals
Fostering SME Development and Regional Economic Capacity Building	268.5	259.2	280.9	279.6	240.3	223.6
Access to Business Information	3.3	3.1	2.8	2.8	2.9	3.9
Community Economic Development	115.7	111.2	42.8	42.8	102.2	111.4
Special Adjustment Measures	18.1	1.9	24.5	24.5	13.0	13.1
Infrastructure Programming	33.3	30.9	13.9	13.9	20.8	21.9
Policy	4.1	5.8	11.0	11.0	6.5	5.9
Advocacy	5.6	3.1	4.0	4.0	4.1	3.3
Co-ordination	1.7	3.5	1.8	1.8	1.8	2.2
Total	450.3	418.7	381.7	380.4	391.6	385.3
Less: Non-responsible revenue ⁷³	(61.5)	(67.3)	(57.0)	(57.0)	(65.5)	(65.5)
Plus: Cost of services received without charge	7.1	7.6	6.8	6.8	7.7	7.7
Total Agency spending	395.9	359.0	331.5	330.2	333.8	327.5
Full-time Equivalents (FTEs)	646	678	612	612	700	700

⁷³ Non-responsible revenue consists of all non-tax revenue that will be credited to the Consolidated Revenue Fund.

3.2.3 Table 2: Resources by Program Activity

Program Activity	Budgetary 2006-2007 (\$ millions)			Total: Net Budgetary Expenditures
	Operating	Grants	Contributions and Other Transfer Payments	
Fostering SME Development and Regional Economic Capacity Building				
Main Estimates	65.4	1.0	214.5	280.9
<i>Planned Spending</i>	<i>65.9</i>	<i>1.0</i>	<i>212.7</i>	<i>279.6</i>
Total Authorities	67.4	1.0	171.9	240.3
<i>Actual Spending</i>	<i>50.7</i>	<i>0.2</i>	<i>172.7</i>	<i>223.6</i>
Access to Business Information				
Main Estimates	2.8	-	-	2.8
<i>Planned Spending</i>	<i>2.8</i>	-	-	<i>2.8</i>
Total Authorities	2.9	-	-	2.9
<i>Actual Spending</i>	<i>3.9</i>	-	-	<i>3.9</i>
Community Economic Development				
Main Estimates	11.3	1.0	30.5	42.8
<i>Planned Spending</i>	<i>10.8</i>	<i>1.0</i>	<i>31.0</i>	<i>42.8</i>
Total Authorities	13.0	1.0	88.2	102.2
<i>Actual Spending</i>	<i>22.2</i>	<i>0.6</i>	<i>88.6</i>	<i>111.4</i>
Special Adjustment Measures				
Main Estimates	-	-	24.5	24.5
<i>Planned Spending</i>	-	-	<i>24.5</i>	<i>24.5</i>
Total Authorities	-	-	13.0	13.0
<i>Actual Spending</i>	<i>0.1</i>	-	<i>13.0</i>	<i>13.1</i>
Infrastructure Programming				
Main Estimates	0.9	-	13.0	13.9
<i>Planned Spending</i>	<i>0.9</i>	-	<i>13.0</i>	<i>13.9</i>
Total Authorities	0.9	-	19.9	20.8
<i>Actual Spending</i>	<i>2.0</i>	-	<i>19.9</i>	<i>21.9</i>
Policy				
Main Estimates	5.1	-	5.9	11.0
<i>Planned Spending</i>	<i>5.1</i>	-	<i>5.9</i>	<i>11.0</i>
Total Authorities	5.2	-	1.3	6.5
<i>Actual Spending</i>	<i>4.6</i>	-	<i>1.3</i>	<i>5.9</i>
Advocacy				
Main Estimates	4.0	-	-	4.0
<i>Planned Spending</i>	<i>4.0</i>	-	-	<i>4.0</i>
Total Authorities	4.1	-	-	4.1
<i>Actual Spending</i>	<i>3.3</i>	-	-	<i>3.3</i>
Co-ordination				
Main Estimates	1.8	-	-	1.8
<i>Planned Spending</i>	<i>1.8</i>	-	-	<i>1.8</i>
Total Authorities	1.8	-	-	1.8
<i>Actual Spending</i>	<i>2.2</i>	-	-	<i>2.2</i>

Explanation of significant variances, by program activity:

Fostering SME Development and Regional Economic Capacity Building

Total adjustments of \$57 million were made to planned spending during the year to reduce contribution funding (\$42 million), operating costs (\$9 million) and human resources (71 FTEs) under this program activity. Corresponding increases occurred to the Community Economic Development program activity to reflect the implementation of the new Innovative Communities Fund and the increased demands in other programs.

Community Economic Development

An additional \$69 million in resources was required for the delivery of four programs under this program activity (\$58 million in contribution funding and \$11 million in operating), and was made available through transfers from other program activities. The Strategic Community Investment Fund was extended by one year in 2005-2006 and commitments of \$10 million were rolled forward to 2006-2007. The Innovative Communities Fund, a new program introduced in 2005-2006, experienced higher than expected activity with an additional \$29 million in contributions, and increased activity experienced under the Business Development Program required an additional \$17 million. Expenditures under the Community Futures Program were \$2 million higher than originally planned. The increased activity in these programs resulted in increased human resource utilization (75 FTEs).

Special Adjustment Measures

Expenditures under the Saint John Shipyard Adjustment Initiative were \$11 million less than originally planned, and funds were transferred to the Community Economic Development program activity to meet increased demands.

Infrastructure Programming

Increased activity and resources were required for the delivery of three infrastructure programs; namely, the Infrastructure Canada Program (including \$6.9 million in contributions funding reprofiled from 2005-2006), the Municipal Rural Infrastructure Fund, and projects under the Canada Strategic Infrastructure Fund.

Policy

Adjustments to planned spending were made during the year to transfer funding to other activities.

3.2.4 Table 3: Voted and Statutory Items

This table illustrates the way in which Parliament approved ACOA's resources, and shows the changes in resources derived from supplementary estimates and other authorities, as well as how funds were spent.

Vote # or Statutory Item (S)	Truncated Vote or Statutory Wording	2006-2007 (\$ millions)			
		Main Estimates	Planned Spending	Total Authorities	Total Actuals
1	Operating expenditures	82.8	82.8	86.8	80.5
5	Grants and contributions	290.4	289.1	296.3	296.3
(S)	Contributions to employee benefit plans	8.5	8.5	8.5	8.5
-	Minister of Atlantic Canada Opportunities Agency - Salary and motor car allowance	0.0	0.0	0.0	0.0
	Total	381.7	380.4	391.6	385.3

Note: The funding for the minister's salary and motor car allowance is displayed under Foreign Affairs and International Trade Canada.

3.2.5 Table 4: Services Received Without Charge

This table indicates cost of services provided to the Agency by other federal government departments.

	2006-2007 (\$ millions)
Accommodations, provided by Public Works and Government Services Canada	3.4
Contributions covering employer's share of employees' insurance premiums and expenditures, paid by the Treasury Board of Canada Secretariat, excluding revolving funds	4.0
Salary and associated expenditures of legal services, provided by the Department of Justice Canada	0.3
Total	7.7

3.2.6 Table 5: Sources of Non-respendable Revenue

Program Activity	2004-2005 (\$ millions) Actual	2005-2006 (\$ millions) Actual	2006-2007 (\$ millions)			
			Main Estimates	Planned Revenue	Total Authorities	Actual
Program Activity: Fostering SME Development and Regional Economic Capacity Building						
- Repayable Contributions	54.9	59.5	55.0	55.0	57.3	57.3
- All Other*	6.6	7.8	2.0	2.0	8.2	8.2
Total	61.5	67.3	57.0	57.0	65.5	65.5

* “All Other” revenue includes refunds of prior years’ expenditures, adjustments to prior years’ accruals, return on investment from direct loans, service fees, proceeds from the disposal of Crown assets, interest revenues, and other miscellaneous revenues.

3.2.7 Table 6: Resource Requirements by Branch

		2006-2007 (\$ millions)								
Branch	Program Activity	Fostering SME Development and Regional Economic Capacity Building	Access to Business Information	Community Economic Development	Special Adjustment Measures	Infrastructure Programming	Policy	Advocacy	Co-ordination	Total
New Brunswick										
	Planned Spending	66.4	0.8	11.0	24.5	3.7	0.4	0.3	0.3	107.4
	Actual Spending	45.6	1.4	22.8	13.1	2.2	0.4	0.3	0.4	86.2
Nova Scotia										
	Planned Spending	77.4	1.0	9.0	0.0	5.8	0.6	0.2	0.3	94.3
	Actual Spending	63.2	0.9	36.0	0.0	9.7	1.2	0.6	0.7	112.3
Prince Edward Island										
	Planned Spending	33.4	0.4	3.6	0.0	1.2	0.2	0.1	0.2	39.1
	Actual Spending	28.3	0.5	17.1	0.0	0.8	0.3	0.1	0.3	47.4
Newfoundland and Labrador										
	Planned Spending	67.6	0.6	13.0	0.0	3.2	0.6	0.6	0.3	85.9
	Actual Spending	55.0	0.7	23.0	0.0	9.2	0.6	0.4	0.6	89.5
Corporate*										
	Planned Spending	34.8	0.0	6.2	0.0	0.0	9.2	2.8	0.7	53.7
	Actual Spending	31.5	0.4	12.5	0.0	0.0	3.4	1.9	0.2	49.9

* Includes the Minister's and President's Offices, Human Resources, Finance and Corporate Services branch, and Policy and Programs branch.

3.2.8 Table 7A: User Fees

A. User Fee	Fee Type	Fee-setting Authority	Date Introduced or Last Modified	2006-2007					Planning Years		
				Forecast Revenue (\$000)	Actual Revenue (\$000)	Full Cost (\$000)	Performance Standard	Performance Results	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)
Fees for processing access requests made under the <i>Access to Information Act</i>	Other products and services	<i>Access to Information Act</i>	1992	3.6	0.5	437.1	Response is to be provided within 30 days of receipt of the request. The response time may be extended, pursuant to Section 9 of the Act. Notice of an extension is to be provided within 30 days of receipt of the request. The <i>Access to Information Act</i> provides further details at http://laws.justice.gc.ca/en/A-1/index.html .	The 30-day standard was met 30% of the time. Overall response standard (including extensions) was achieved 47% of the time.	2007-2008 2008-2009 2009-2010	0.60 0.62 0.65	440.0 450.0 460.0
B. Circumstances surrounding fees introduced or last modified during the 2006-2007 fiscal year.											
Not applicable											
C. Significant Factors Affecting User Fees											
Nil											

3.2.9 Table 7B: Policy on Service Standards for External Fees

Supplementary information on Service Standards for External Fees can be found at http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp.

3.2.10 Table 8: Details on Transfer Payments Programs

The following information tables have been completed regarding each ACOA transfer payment program with transfers in excess of \$5 million in 2006-2007.

1. Atlantic Innovation Fund
2. Business Development Program
3. Community Futures Program
4. Infrastructure Canada Program
5. Innovative Communities Fund
6. Saint John Shipyard Adjustment Initiative

Further information on these projects can be found at http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp.

3.2.11 Table 9: Horizontal Initiatives

Initiatives for which ACOA acts as the lead agency:

1. Atlantic Canada Tourism Partnership (ACTP)
<http://www.actp-ptca.ca/>
2. International Business Development Program (IBDP)
<http://www.acoa-apeca.gc.ca/e/ibda/index.shtml>
3. Team Canada Atlantic (TCA)
<http://www.teamcanadaatlantic.ca/>

Other Horizontal Initiatives on which ACOA acts as a partner:

1. Rural Development/Canadian Rural Partnership
http://rural.gc.ca/home_e.phtml
2. Team Canada Inc. (TCI)
http://www.pch.gc.ca/progs/ac-ca/progs/rc-tr/progs/canada-inc/index_e.cfm
3. Infrastructure Canada Program (ICP)
4. Canada Strategic Infrastructure Fund (CSIF)
5. Municipal Rural Infrastructure Fund (MRIF)
http://www.infrastructure.gc.ca/ip-pi/index_e.shtml
6. U.S. Enhanced Representation Initiative (ERI)
http://webapps.dfait-maeci.gc.ca/minpub/Publication.asp?publication_id=380348&Language=E
7. Canada Business Service Centres (CBSCs)
<http://www.cbsc.org/>
8. Canadian Agriculture and Food International (CAFI) Program
http://www.agr.gc.ca/int/cafipicaa/index_e.php?page=intro
9. Aboriginal economic development

Supplementary information on horizontal initiatives can be found at
http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp.

3.2.12 Table 10: Financial Statements

ATLANTIC CANADA OPPORTUNITIES AGENCY Management Responsibility for Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2007, and all information contained in these statements rests with the Agency's management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Agency's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Agency's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*. The system also ensures that transactions are executed in accordance with prescribed regulations, within parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Agency.

The financial statements of the Agency have not been audited.



Monique Collette
Deputy Head

Moncton, Canada

AUG 14 2007

Date



for Sherril Minns
Senior Financial Officer

ATLANTIC CANADA OPPORTUNITIES AGENCY

Statement of Operations (*Unaudited*)

For the Year Ended March 31

(in thousands of dollars)

EXPENSES (Note 4)	2007	2006
Fostering SME Development and Regional Economic Capacity Building	199,343	251,768
Community Economic Development	113,185	111,768
Infrastructure Programming	21,870	34,512
Special Adjustment Measures	13,082	3,786
Policy Research	6,189	6,670
Access to Business Information	4,226	3,406
Advocacy	3,540	3,544
Co-ordination	2,251	3,682
Total Expenses	363,686	419,136
REVENUES (Note 5)		
Fostering SME Development and Regional Economic Capacity Building	14,652	14,629
Community Economic Development	11	10
Access to Business Information	4	6
Infrastructure Programming	1	
Policy Research	1	
Total Revenues	14,669	14,645
Net cost of operations	349,017	404,491

The accompanying notes form an integral part of these financial statements.

ATLANTIC CANADA OPPORTUNITIES AGENCY
Statement of Financial Position (Unaudited)

At March 31
(in thousands of dollars)

ASSETS	2007	2006
Financial assets		
Accounts receivable and advances (Note 6)	3,711	2,250
Loans (Note 7)	225,072	238,919
Total financial assets	228,783	241,169
Non-financial assets		
Prepaid expenses	17,450	20,544
Tangible capital assets (Note 8)	529	666
Total non-financial assets	17,979	21,210
TOTAL	246,762	262,379
 LIABILITIES		
Liabilities		
Accounts payable and accrued liabilities (Note 9)	77,342	82,644
Vacation pay and compensatory leave	2,164	2,203
Other liabilities (Note 10)	556	410
Employee severance benefits (Note 11)	11,877	10,427
Total liabilities	91,939	95,684
Equity of Canada	154,823	166,695
TOTAL	246,762	262,379

Contingencies (Note 12)

Contractual obligations (Note 13)

The accompanying notes form an integral part of these financial statements.

ATLANTIC CANADA OPPORTUNITIES AGENCY**Statement of Equity of Canada (Unaudited)**

For the Year Ended March 31

(in thousands of dollars)

	2007	2006
Equity of Canada, beginning of year	166,695	206,487
Net cost of operations	(349,017)	(404,491)
Current year appropriations used (Note 3)	385,341	418,740
Revenue not available for spending	(14,669)	(14,645)
Change in net position in the Consolidated Revenue Fund (Note 3c)	(40,926)	(46,607)
Services received without charge from other government departments (Note 14)	7,399	7,211
Equity of Canada, end of year	154,823	166,695

The accompanying notes form an integral part of these financial statements.

ATLANTIC CANADA OPPORTUNITIES AGENCY**Statement of Cash Flow (Unaudited)**

For the Year Ended March 31

(in thousands of dollars)

	2007	2006
OPERATING ACTIVITIES		
Net cost of operations	349,017	404,491
Non-cash items		
Amortization of tangible capital assets	(260)	(417)
Amortization of unamortized discount on assistance loans	14,068	14,125
Gain on disposal and write-down of tangible capital assets	12	9
Provision for impaired loans and accounts receivable	(13,340)	(31,867)
Loan discount portion on assistance loans	(18,791)	(4,925)
Services provided without charge	(7,399)	(7,211)
Variations in Statement of Financial Position		
Increase (decrease) in accounts receivable and prepaid operating expenses	4,400	(429)
(Increase) decrease in liabilities	3,745	3,748
Increase (decrease) in loans	1,252	(10,392)
Increase (decrease) in prepaid transfer payments	(3,071)	(9,735)
Cash used by operating activities	329,633	357,397
Capital investment activities		
Acquisition of tangible capital assets	136	104
Proceeds from disposal of tangible capital assets	(23)	(13)
Cash used by capital investment activities	113	91
Financing activities		
Net cash provided by Government of Canada	329,746	357,488

The accompanying notes form an integral part of these financial statements.

ATLANTIC CANADA OPPORTUNITIES AGENCY

Notes to the Financial Statements (*Unaudited*)

1. Authority and Objectives

The Atlantic Canada Opportunities Agency operates under the authority from Part I of the *Government Organization Act, Atlantic Canada, 1987, R.S., c G-5-7*, otherwise known as the *Atlantic Canada Opportunities Agency Act*.

The Agency's mandate is to increase opportunity for economic development in Atlantic Canada, and, more particularly, to enhance the growth of earned incomes and employment opportunities in that region. The Agency delivers its mandate under eight program activities:

Fostering SME Development and Regional Economic Capacity Building

Assistance to improve the climate for business growth and/or to SMEs (small and medium-sized enterprises) to help them start, expand or modernize their businesses.

Community Economic Development

Projects that help communities build their capacity and confidence in order to identify and co-ordinate the implementation of priorities for economic development in their region.

Infrastructure Programming

Programming designed to renew and build infrastructure in rural and urban municipalities in Atlantic Canada.

Special Adjustment Measures

Support short-term adjustment initiatives designed to address the specific economic adjustment needs of Atlantic Canadian communities.

Policy Research

Carrying out policy analysis and research to determine the areas in which the Agency will act to most effectively carry out its mandate.

Access to Business Information

Providing counselling, mentoring and information referrals to Atlantic Canadians.

Advocacy

Advocating the interests of Atlantic Canada to make new government initiatives more responsive to the needs of Atlantic Canada.

Co-ordination

Engaging economic partners in addressing the Atlantic region's strategic economic priorities.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows.

a) Parliamentary appropriations

The Agency is financed by the Government of Canada through parliamentary appropriations. Appropriations provided to the Agency do not parallel financial reporting according to generally accepted accounting principles, since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high level reconciliation between the bases of reporting.

b) Net cash provided by Government

The Agency operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Agency is deposited to the CRF, and all cash disbursements made by the Agency are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the federal government.

c) Change in net position in the Consolidated Revenue Fund (CRF)

This amount is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the Agency. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

d) Expenses - Expenses are recorded on the accrual basis:

- Grants and non-repayable contributions are recognized in the year in which the conditions for payment are met.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, workers' compensation, and legal services are recorded as operating expenses at their estimated cost.

e) Revenues

These are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues, except for the item listed below.

- Loans are non-interest bearing and, due to the uncertainty as to ultimate collection, interest income is only charged on overdue amounts and is recorded when received.

f) Employee future benefits

- **Pension benefits:** Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The Agency's contributions to the plan are charged to expenses in the year incurred and represent the total Agency's obligation to the plan. Current legislation does not require the Agency to make contributions for any actuarial deficiencies of the plan.
- **Severance benefits:** Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

g) Repayable contributions are contributions where the recipient is expected to repay the amount advanced. Depending on their nature, they are classified as either unconditionally repayable or conditionally repayable, and are accounted for differently.

- Unconditionally repayable contributions are contributions that must be repaid without qualification. Normally, these contributions are provided with no interest clause and have various repayment terms. Due to their concessionary nature, they are recorded as loans at their face value and are discounted using a modified effective rate method. A portion of the unamortized discount is brought into income each year to reflect the change in the present value of the contributions outstanding. An estimated allowance for uncollectibility is also recorded where appropriate.
- Conditionally repayable contributions are contributions that, all or part of which, become repayable if conditions specified in the contribution agreement come into effect. Accordingly, they are not recorded on the Statement of Financial Position until such time as the conditions specified in the agreement are satisfied; at this time, they are recorded as a receivable and a reduction in transfer payment expenses. An estimated allowance for uncollectibility is recorded where appropriate.
- Collections on repayable contributions amounted to \$57,261,482 in fiscal year 2006-2007 (\$59,508,903 in fiscal year 2005-2006).

h) Allowance for impaired loans and accounts receivable

Loans and accounts receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and, where applicable, interest. A specific allowance is established to reduce the recorded value of the loan to its estimated net realizable value. For assistance loans, which are granted with a zero interest rate, impairment is calculated based on the assistance loans amount, net of the unamortized discount on assistance loans.

The Agency has written off \$12,478,738 in fiscal year 2006-2007 (\$13,986,310 in fiscal year 2005-2006) for accounts deemed uncollectible, and where all possible avenues of collection have been exhausted. The write-off of a Crown debt is a bookkeeping action

only, and does not eliminate the obligation of a debtor to make payment and does not affect the right of the Crown to enforce collections.

- i) **Contingent liabilities** – Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.
- j) **Tangible capital assets** – All tangible capital assets having an initial cost of \$10,000 or more are recorded at their acquisition cost.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization Period
Vehicles	5 years
Computer equipment	3 years
Software developed	5 years
Machinery and equipment	15 years

- k) **Measurement uncertainty** – The preparation of these financial statements in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits, unamortized discount on assistance loans, and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically, and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

The Agency receives most of its funding through annual parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through parliamentary appropriations in prior, current or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables.

a) **Reconciliation of net cost of operations to current year appropriations used:**

	2007	2006
	<i>(in thousands of dollars)</i>	
Net Cost of Operations	349,017	404,491
Adjustments for items affecting net cost of operations, but not affecting appropriations		
Add (Less):		
Services provided without charge	(7,399)	(7,211)
Amortization of tangible assets	(260)	(417)
Prepaid expenses recognized	(19,918)	(29,048)
Conditions met on contributions	5,359	7,536
Justice Canada fees	(299)	(368)
Loan discount portion on assistance loans	(18,791)	(4,925)
Vacation pay and compensatory leave	32	(929)
Provision for impaired loans and accounts receivable	(13,340)	(31,867)
Adjustments to prior year's accruals	3,601	1,046
Employees severance pay benefits	(1,450)	(1,756)
Other adjustments		7
Loss on disposition of tangible capital assets	(1)	
Transfer of repayable contribution to non-repayable	624	(5,845)
	(51,842)	(73,777)
 Revenue not available for spending	 14,669	 14,645
 Adjustments for items not affecting net cost of operations, but affecting appropriations		
Add (less):		
Assistance loans	55,944	52,757
Prepaid expenses	17,417	20,520
Acquisitions of tangible capital assets	136	104
	73,497	73,381
 Current year appropriations used	 385,341	 418,740

b) Appropriations provided and used:

	Appropriations Provided	
	2007	2006
	<i>(in thousands of dollars)</i>	
Vote 1 - Operating expenditure	86,754	88,014
Vote 5 - Grants and contributions	296,340	350,119
Statutory amounts	8,547	9,573
Less:		
Lapsed appropriations: operating	(6,293)	(28,962)
Appropriations available for future years	(7)	(4)
Current year appropriations used	385,341	418,740

c) Reconciliation of net cash provided by Government to current year appropriations used:

	2007	2006
	<i>(in thousands of dollars)</i>	
Net cash provided by Government	329,746	357,488
Revenue not available for spending	14,669	14,645
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	(2,693)	20,464
Variation in accounts payable and accrued liabilities	(3,745)	(3,748)
Other adjustments	47,364	29,891
	40,926	46,607
Current year appropriations used	385,341	418,740

4. Expenses

The following table presents details of expenses by category:

	2007	2006
	<i>(in thousands of dollars)</i>	
Transfer payments		
Conditionally repayable		
Individuals	117	976
Industry	45,313	39,231
	45,430	40,207
Conditions met	(5,359)	(7,536)
	40,071	32,671
Non-repayable		
Industry	9,396	11,438
Non-profit organizations	154,192	177,798
Other levels of government	33,230	58,430
	196,818	247,665
Adjustments to prior year's accruals	(3,414)	(938)
Loan discount portion on assistance loans	18,790	4,925
Provision for impaired loans and accounts receivable	13,339	31,867
Total transfers payments	265,604	316,189
Operating		
Personnel	67,492	69,540
Professional services	14,263	16,211
Transportation and telecommunications	7,408	7,505
Accommodation	3,355	3,285
Equipment (less than \$10,000 per item)	1,631	1,513
Rental	1,286	1,522
Information	1,068	1,472
Utilities, material and supplies	769	864
Purchased, repair and maintenance	512	511
Amortization of tangible capital assets	260	417
Loss on disposal of tangible capital assets	1	
Miscellaneous expenses	37	107
Total operating expenses	98,082	102,947
Total expenses	363,686	419,136

5. Revenues

The following table presents details of revenues by category:

	2007	2006
	<i>(in thousands of dollars)</i>	
Revenue from amortization of discount on assistance loans	14,068	14,125
Interest on overdue loans	559	465
Return on investments on loans under Special Areas and Highway Agreements		21
Gain on disposal of tangible capital and non-capital assets	13	9
Other revenues	29	25
Total revenues	14,669	14,645

Return on investment represents interest earned on loans that were made under the Special Areas and Highways Agreement.

6. Accounts Receivable and Advances

The following table presents details of accounts receivable:

	2007	2006
	<i>(in thousands of dollars)</i>	
Accounts receivable from contributions		
Conditionally repayable conditions met	9	3
Defaulted conditionally repayable contributions	8,081	7,200
Defaulted non-repayable contributions	584	377
Overpayments to be recovered	57	140
	8,731	7,720
Less: allowance for impaired accounts receivable	(8,470)	(7,515)
	261	205
Accounts receivable from other federal government departments and agencies	937	386
Other accounts receivable	2,507	1,647
Employee advances	6	12
Total	3,711	2,250

7. Loans

	2007	2006
	<i>(in thousands of dollars)</i>	
Assistance loans	366,076	375,278
Less: Unamortized discount on assistance loans	(41,571)	(36,849)
	324,505	338,429
Less: Allowance for impaired assistance loans	(99,433)	(99,510)
	225,072	238,919
Provincial and territorial governments for regional and industrial development	457	457
Less: Allowance for Newfoundland and Labrador Development Corporation (NLDC) loans	(457)	(457)
Total	225,072	238,919

The “provincial and territorial governments for regional and industrial development” loans originated from the Newfoundland and Labrador Development Corporation Limited (NLDC), of which Canada owned 40 percent of the shares. In an agreement dated March 29, 1989, the Newfoundland Government purchased Canada’s shares to effect the withdrawal of the Government of Canada from the corporation. A condition of the withdrawal was that the Government of Canada accepts these NLDC loans as full payment of moneys owing by the corporation to Canada. These loans are currently being administered by the Agency. The NLDC loans bore interest at rates from 10% to 17% per annum, and were repayable at various due dates. A decision has been made to recommend that the balance of the NLDC portfolio be written off.

8. Tangible Capital Assets *(in thousands of dollars)*

Capital asset class	Cost				Accumulated amortization				2007 Net book value	2006 Net book value
	Opening balance	Acquisitions	Disposals, write-offs	Closing balance	Opening balance	Amortization	Disposals, write-offs	Closing balance		
Vehicles	708	93	(142)	659	(349)	(116)	130	(335)	324	359
Computer equipment	1,300			1,300	(1,300)			(1,300)		1
Software developed	1,400	43		1,443	(1,176)	(138)		(1,314)	129	224
Machinery, equipment	88			88	(6)	(6)		(12)	76	82
Total	3,496	136	(142)	3,490	(2,831)	(260)	130	(2,961)	529	666

Amortization expense for the year ended March 31, 2007, is \$260 (\$417 in 2006).

9. Accounts Payable and Accrued Liabilities

The following table presents details of accounts payable and accrued liabilities by category:

	<u>2007</u>	<u>2006</u>
	<i>(in thousands of dollars)</i>	
Regular accounts payable	(28,981)	(33,848)
Accrued salaries and wages	(2,237)	(2,052)
Accrued liabilities (payable at year-end)	(43,031)	(43,301)
Other payables to other government departments	(905)	(1,412)
Contractors holdback	(2,184)	(2,017)
Other payables	(4)	(14)
Total	(77,342)	(82,644)

10. Other Liabilities

The Agency records deposits from non-federal partners for their share of costs under various projects. Monies are distributed on behalf of contributions as projects are undertaken. Unused funds are to be returned to contributors. Activity during the year is as follows:

	<u>2007</u>	<u>2006</u>
	<i>(in thousands of dollars)</i>	
Opening liability	410	678
Deposits	620	273
Payments	(474)	(541)
Closing liability	556	410

11. Employee Benefits

- a) **Pension benefits:** The Agency's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and the Agency contribute to the cost of the plan. The 2006-2007 expense amounts to \$6,620,071 (\$7,017,769 in 2005-2006), which represents approximately 2.2 times the contributions by employees.

The Agency's responsibility with regard to the plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the plan's sponsor.

- b) **Severance benefits:** The Agency provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2007	2006
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation, beginning of year	10,427	8,671
Expense for the year	2,111	2,425
Benefits paid during the year	(661)	(669)
Accrued benefit obligation, end of year	11,877	10,427

12. Contingencies

a) Claims and litigation

Claims have been made against the Agency in the normal course of operations. Legal proceedings for claims totalling approximately \$10,802,858 (as in 2006) were still pending at March 31, 2007. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

b) Potential recoveries of contributions

As at March 31, 2007, potential recoveries of conditionally repayable contributions were estimated at \$11,896,715 (\$10,007,966 in 2005-2006). Revenues will be recognized in the year that the conditions are met.

13. Contractual Obligations

The nature of the Agency's activities can result in some large multi-year contracts and obligations, whereby the Agency will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows.

(in thousands of dollars)

	2008	2009	2010	2011	2012	Total
Transfer payments	241,995	79,190	14,010	4,771	361	340,327
Loans and advances	5,124					5,124
Operating and maintenance	8,297	325				8,622
Total	255,416	79,515	14,010	4,771	361	354,073

14. Related party Transactions

The Agency is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms. Also during the year, the Agency received services that were obtained without charge from other government departments as presented in part (a).

a) Services provided without charge:

During the year, the Agency received services without charge from other departments for accommodation, the employer's contribution to the health and dental insurance plans, and workers' compensation and legal services. These services without charge have been recognized in the Agency's Statement of Operations as follows.

	2007	2006
	<i>(in thousands of dollars)</i>	
Accommodation provided by Public Works and Government Services Canada	3,355	3,284
Employer's contribution to the health and dental insurance plans	4,028	3,913
Workers' compensation coverage provided by Human Resources and Social Development Canada	7	6
Legal services provided by Justice Canada	9	8
Total	7,399	7,211

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the Agency's Statement of Operations.

b) Payables and receivables outstanding at year end with related parties:

	2007	2006
	<hr/>	
	<i>(in thousands of dollars)</i>	
Accounts receivable with other government departments and agencies	642	386
Accounts payable to other government departments and agencies	906	1,412

15. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

3.2.13 Table 11: Response to Parliamentary Committees Audits and Evaluations

Response to Parliamentary Committees

No recommendations were received for 2006-2007.

Response to the Auditor General (including the Commissioner of the Environment and Sustainable Development)

The Auditor General of Canada did not report on the activities of ACOA in 2006-2007.

2006 Report of the Commissioner of the Environment and Sustainable Development - Sustainable Development Strategies. The President of ACOA responded to the Commissioner.

External Audits

Office of the Commissioner of Official Languages – 2006-2007 Annual Report.

http://www.ocol-clo.gc.ca/html/ar_ra_2006_07_e.php

Internal Audits

Completed

Compliance audits:

- Audit of Contracting
- Business Development Program Quality Assurance Audit
- Atlantic Innovation Fund Quality Assurance Audit
- Audit of Innovation
- Audit of Program Delivery for Community Economic Development
- Audit of Appointment Delegation and Accountability Instrument and *Public Service Employment Act*
- Service Quality Initiative
- Grants and contributions payment system – reliability audit

Follow-up Engagements:

- Audit of Infrastructure Canada Program
- Audit of Community Futures Program and Youth Seed ConneXion Program

Ongoing

- Finance/administration (Prince Edward Island Region – changed from Nova Scotia)
- Finance/administration (Newfoundland and Labrador Region)
- Community Economic Development – Community Development Resources
- Entrepreneurship and Business Skills Development

Rescheduled to 2007-2008 due to resource-related issues

- Operational and Financial Planning and Reporting
- Access to Information (Canada Business Service Centres)

Further information on audit reports and, where applicable, their corresponding Management Action Plans is available on ACOA's website at <http://www.acoa-apeca.gc.ca/e/library/index.shtml>.

Evaluations

Mid-term Evaluation of the Atlantic Trade and Investment Partnership (ATIP), Belleclaire Consulting in association with Perrin Research & Information Services, August 2006.

<http://www.acoa-apeca.gc.ca/e/library/evallist.shtml>

Summative Evaluation of the Economic Development Component of the Canadian Fisheries Adjustment and Restructuring Initiative, Goss Gilroy Inc., September 2006.

<http://www.acoa-apeca.gc.ca/e/library/evallist.shtml>

There are two changes to report with respect to the evaluations listed in the 2006-2007 Report on Plan and Priorities:

- It is anticipated that the Strategic Community Investment Fund Summative Evaluation will now be completed by March 2008, due to delays encountered with the contracting process.
- It is recommended that the International Business Development Program (IBDP) Implementation Evaluation be removed from the list of evaluations. While examining past IBDP studies (e.g. evaluations, results-based management and accountability frameworks, risk-based audit frameworks), it was determined that the program is well structured, has sufficient controls and procedures, and has matured throughout its lifetime. Questions concerning the IBDP can be answered through the studies completed to date, and through ongoing monitoring for results. ACOA's evaluation unit is currently awaiting responses to the recommendation from the Agency's management committee and Treasury Board Secretariat.

3.2.14 Table 12: Sustainable Development Strategies

Topics to address	ACOA's Response
1. What are ACOA's key goals, objectives, and/or long-term targets of the Sustainable Development Strategy (SDS)?	The key goals are to raise awareness of the benefits of sustainable development and sustainable communities; assist SMEs to identify ways to become more eco-efficient; and ensure that SMEs and communities are aware of the federal funding programs available to help them. The long-term target is to have more competitive, resource-efficient and sustainable businesses and communities in the region.
2. How do ACOA's key goals, objectives and/or long-term targets help achieve ACOA's strategic outcomes?	The key goals, objectives and long-term targets in ACOA's SDS play an important part in developing policies and programs that strengthen the economy of the region, helping to increase the number of competitive and sustainable SMEs in Atlantic Canada, and encouraging dynamic and sustainable communities.
3. What were ACOA's targets for the reporting period?	<p>For the most part, the targets for the reporting period relate to completion of the outstanding commitments under SDS III.</p> <ul style="list-style-type: none"> • Work with other federal departments to hold one workshop on national environmental programs. • Investigate the cap and trade emissions policies in the southeastern U.S. and the New York Energy Smart Program to build policy capacity in this region, and identify opportunities for Atlantic Canada in this key market, and lessons learned that could be applicable. • Undertake a pilot project in New Brunswick to determine the feasibility of encouraging SMEs to permanently integrate pollution prevention (P2) and eco-efficiency (E2) practices into their operations, in order to improve their productivity and economic sustainability. • Internally: purchase at least one additional alternative fuel vehicle; purchase recycled toner cartridges; recycled paper and green products; ensure at least one procurement officer at head office and each regional office completes the online course entitled <i>Guide to Buying Green</i>; deliver information sessions to ACOA employees as part of the consultations process in preparing SDS IV (success will be measured in the number of participants who attend the sessions and hear the message).
4. What is ACOA's progress to date? (This includes outcomes achieved in relation to objectives and progress on targets.)	<p>ACOA partnered with Natural Resources Canada, Industry Canada, Environment Canada, and Public Works and Government Services Canada to conduct consultations with stakeholders in Atlantic Canada. As part of the agenda, each department made a presentation about its funding programs. A guest speaker at each session provided a presentation on sustainable development. A total of 107 stakeholders participated in the workshops.</p> <p>ACOA did not have the opportunity to fully investigate the cap and trade emissions policies in the southeastern U.S. and the New York Energy Smart Program. This initiative is being pursued in 2007 and several meetings are planned.</p> <p>The Sustainable Business Initiative pilot project in New Brunswick is well underway; ten companies have been identified and engaged in the project.</p> <p>Internally: The Agency purchased three hybrid vehicles in 2006-2007. ACOA also continued to increase the amount of green products purchased such as recycled paper, toner and office supplies. Online training was offered to procurement staff on <i>Guide to Buying Green</i> and most have completed the course; the remainder will take</p>

Topics to address	ACOA's Response
5. What adjustments has ACOA made, if any?	<p>the updated online training being offered. Training was offered to all Agency staff as part of the internal consultations for SDS 2007-2010.</p> <p>Workshops for Community Business Development Corporations and Regional Economic Development Organizations were conducted, and the results captured in a report, including recommendations for future steps. A total of 198 representatives participated.</p> <p>From the feedback during consultations and the workshops on eco-efficiency, it is clear that ACOA is on the right track in getting the message out to SMEs and communities on the benefits of sustainable development.</p>

SDS 2007-2010 was prepared and tabled in Parliament in December 2006, and is available at <http://www.acoa-apeca.gc.ca/e/sustain/2006/index.shtml>

Sustainable Development was incorporated into the Agency's Program Activity Architecture, and into work plans for the 2007-2008 fiscal year.

3.2.15 Table 13: Client-centred Service

During the 2006-2007 period, a third corporate client satisfaction survey, based on the common measurement tool process, was completed with an excellent 84% satisfaction rating being achieved.

The service improvement plan continues to require continual modification to maintain relevance, and the results of the 2006-2007 survey will be incorporated into the plan to meet client priorities identified in the latest survey.

The research to develop a formal complaint redress mechanism for the Agency was started during the latter part of fiscal 2006-2007, but the mechanism was not finalized and put into place as originally expected. This exercise should be completed in fiscal 2007-2008.

The Agency continued its approach to looking at standards development for project approval under various programming activities, including the Business Development Program (BDP). The original intent for this period was to use the corporate system as a tracking tool in order to publish measurable standards under the BDP. This exercise is still ongoing and the process needs further development to ensure reliability of data for publishing purposes.

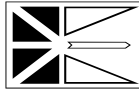
Supplementary information on Client-centred Service can be found at http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp.

3.2.16 Table 14: Travel Policies

The Atlantic Canada Opportunities Agency follows the Treasury Board of Canada Secretariat's Special Travel Authorities, as well as the Travel Directive, Rates and Allowances.

4. Section IV–Other Items of Interest

4.1 Provincial Economic Challenges⁷⁴



Newfoundland and Labrador

Economic activity in Newfoundland and Labrador strengthened in 2006, with real GDP increasing by 3.1%, following modest growth of 0.3% in 2005. Goods-producing industries rose by 4.5% in 2006, outpacing the 2.0% increase of the services-producing industries. Mining industries accounted for the greatest part of the increase in output. These gains largely reflected the first full year of production at the Voisey's Bay mine, despite the labour dispute interruption in the third quarter of 2006. Growth in services came mainly from the transportation and warehousing, retail trade and information, and cultural sectors, largely fuelled by consumer spending.

The manufacturing sector was challenged in 2006, due to the closure of the Stephenville newsprint mill and a reduction in world fish prices. Oil extraction peaked following a decade of significant growth. The White Rose offshore oil project experienced solid activity during its first full year of operation; however, the Hibernia and Terra Nova fields experienced production difficulties in 2006.

Both the participation rate (59.2%) and the employment rate (50.4%) were at or near record highs in Newfoundland and Labrador in 2006. The unemployment rate was 14.8%, falling below 15% for the first time in 25 years. Employment totalled 215,700, up 0.7% over last year.

While employment levels in many rural regions are still experiencing weakness due to dependency on resource based industries such as forestry and fishing, the St. John's metro area has set employment records. In 2006, employment in the St. John's area was 43% of total provincial employment, with an employment rate of 61.7%, 11.3 points higher than for the province as a whole.⁷⁵

⁷⁴ Statistical data presented in this section are from the following sources:

- Statistics Canada – Gross Domestic Product, Provincial and Territorial Economic Accounts Review, #13-016-XIE (2007)
- Statistics Canada – Labour Market, Labour Force Historical Review, #71F0004XCB (2007)
- Statistics Canada – Population, Quarterly Demographic Estimates, #91-002-XIE
- Industry Canada – Exports, Trade Data Online, Strategis (2007)

⁷⁵ Calculated using data from Statistics Canada's *Labour Force Survey*.

Preliminary post-censal estimates indicate the province's population on July 1, 2006, was 509,677, a year-over-year loss of 4,285 people. While out-migration had slowed considerably, levels have recently increased again as the construction phases of a number of major projects have ended, along with challenging conditions in the fishery and forestry sectors, and increased demand for labour, particularly in Alberta. Labour force shortages are now being experienced in a number of sectors, and are expected to worsen significantly in the future.



Prince Edward Island

Following growth of 1.8% in 2005, the Prince Edward Island economy continued its steady performance, with real GDP increasing by 2.2% in 2006. Output in the province's goods-producing industries rose by 3.3%, led by the construction sector and several non-residential investment projects such as the new federal building in Charlottetown, the Atlantic Veterinary College expansion, wind energy projects and the Master Packaging plant expansion. Economic activity in the services-producing industries increased by 1.9% in 2006 supported by strong performances from the financial and business services sectors.

The agriculture sector performed well in 2006, rebounding strongly after a decline in 2005. Farm cash receipts improved considerably, in line with improved market conditions for potato crops and beef. Landings of seafood, mainly lobsters, increased and contributed to a strong year for the fish processing industry. Affected by the high value of the Canadian dollar and weak U.S. demand, the manufacturing sector posted a lacklustre year.

The province's main challenges in promoting business growth involve achieving further economic diversification through cluster development in the sector of bio-science, aerospace, information and communications technology, tourism, and wind energy. Progress with industry and the provincial government was made in all of these sectors, while interactions and dialogue in the emerging areas of the Atlantic Gateway and natural resources were initiated by the Agency.

Human capital development, along with more highly developed immigration policy approaches, is a vital lever of economic growth in both the short and long terms. Key learning and research initiatives with both Holland College and the University of Prince Edward Island were further developed throughout the year. The role of private industry in the area of federal-provincial labour development has been further enhanced through the vehicle of the new Association of Sector Councils. The Labour Market Development Agreement (LMDA) board has done work in mandate renewal in terms of improved policy effectiveness and more strategic client delivery.

To take greater advantage of emerging economic opportunities, federal-provincial partnerships in innovation, human capital, trade, tourism and investment have been

enhanced in an increasingly targeted and strategic manner. A key dimension of federal-provincial relations was the implementation of infrastructure projects under the Municipal Rural Infrastructure Fund and the gas tax through the Umbrella Governance Framework (UGF), now viewed as a model for infrastructure policy and programming for the Agency.

Gaining momentum over the last three years, the bio-science sector, with strong support and leadership from the Agency, is becoming an important feature of the Prince Edward Island economy. The development of the bio-science sector advances the overall spirit of new economy innovation, while providing supportive linkages to the primary natural resource industries of agriculture, fisheries, aquaculture and forestry in Prince Edward Island.



Nova Scotia

After expanding by 1.6% in 2005, growth in the Nova Scotia economy eased slightly in 2006, with real GDP increasing by 1.3%. Output in the goods-producing sector fell by 2.9%, its third consecutive decline, as the labour dispute at the Stora Enso paper mill negatively affected activity in the forestry, manufacturing and utilities sectors. Also posting a decline was the energy sector, due to lower production of natural gas.

However, on the positive side of the ledger, aerospace, shipbuilding, and semiconductor and other electronic products manufacturing were up strongly in 2006. The construction sector also grew significantly as a result of capital projects in the transportation, mining, and oil and gas extraction industries. The province's services-producing industries continued to perform well, increasing by 2.8%, led by significant growth in retail trade, financial services, health care and social assistance, and business services. And, finally, transportation rose 3% in 2006, led by the best advance in air transportation in years.

Nova Scotia is in a strong position to capitalize on the emerging opportunity presented by evolving world trade and transportation patterns. With the rise of Asian economies, particularly China and India, and the tendency for the flow of international trade to concentrate through strategically located transportation gateways, the value proposition of an Atlantic Gateway built around Nova Scotia's key logistics assets becomes ever more compelling, with benefits accruing to the region and to the rest of Canada. The Agency is taking a lead role in facilitating and promoting the development of the Atlantic Gateway.

Increasing the rate of immigrant attraction, integration and retention in Nova Scotia is a particular challenge as population growth rates decline, especially among those of labour force age. It has been forecast that if these trends continue, labour force growth will turn negative by 2011. With this in mind, ACOA is focusing on immigration as a key factor in economic growth in Nova Scotia. Working with the Province of Nova Scotia, non-profit groups and private sector organizations, the Agency is raising awareness of the necessity for long-range human resource planning at the enterprise level, and of the role

immigration can play in meeting the province's labour force requirements, and is also supporting orientation services for immigrant entrepreneurs.

Nova Scotia continues to transition from a goods-producing to a services-producing economy, with repercussions across the province. While employment growth has been positive and sustained in the Halifax Regional Municipality (HRM), other regions of the province have experienced job losses associated with the shut-down of older manufacturing and processing operations. The province is seeing an inflow of innovative service sector investment, such as the decision by Research in Motion to locate its technical support operations facility in Nova Scotia.

Raising the capacity and capability for private sector investment in R&D in Nova Scotia is an ongoing challenge, and one that needs to be overcome to attain a more innovative economy. Partnering is key, between the R&D community and those requiring and conducting the commercialization of R&D results. Through its programming and advocacy efforts, ACOA is helping to increase the rate of technology adoption and skills development in the province, crucial factors for Nova Scotia to maximize productivity gains.

Nova Scotia continues to be challenged by a low level of exports as a proportion of provincial GDP – only about 20% of Nova Scotia's GDP is accounted for by exports. Despite having the most diversified economy of the Atlantic provinces, Nova Scotia's exports are dominated by raw and semi-processed commodities. In addition to the product concentration, the province's exports are concentrated by destination, with between 75% and 80% (by value) destined for the United States. This leaves Nova Scotia exporters particularly vulnerable to exchange rate fluctuations against the U.S. dollar, and puts export-oriented industrial operations, many of which are located in rural areas of the province, at risk of losing their competitive edge as the Canadian dollar appreciates. Nova Scotia is making strides in services sector exports, however, and the recent emergence of Halifax as a regional centre for international financial services bodes well for Nova Scotia's place on the world stage.



New Brunswick

Following growth of only 0.3% in 2005, the New Brunswick economy picked up in 2006, registering an increase of 2.9%. Most of the turnaround came from a 4.5% gain among the province's goods-producing industries, led by the construction sector. Major projects in the energy and transportation sectors, specifically the liquefied natural gas terminal in Saint John, the refurbishment of the Point Lepreau nuclear power plant, and the twinning of the Trans-Canada Highway, fuelled construction activity in 2006.

The manufacturing sector rebounded after a significant decline in 2005, mainly due to the reopening of the pulp mill in Nackawic and increased production at the coated paper mill in Miramichi. However, the recovery in manufacturing was not widespread. A reduction in housing activity in the U.S. led to a significant decrease in production from the

province's sawmills, resulting in the temporary shut down of Fraser Papers' mills and the indefinite closure of the Weyerhaeuser mill in Miramichi. Petroleum refining for the year was also hampered by maintenance shutdowns. The services-producing industries rose by 2.2%, driven by growth in retail trade and financial and business services. A recovery in transportation and warehousing activity reflected the gains in construction and manufacturing.

New Brunswick's labour market participation rate remained at a near record high in 2006. Growth in the province's working-age population slowed noticeably, however, impacted by continued out-migration. New Brunswick faces the significant challenge of ensuring access to a skilled and productive workforce, particularly in rural communities, where the impact of the out-migration trend is most acute.

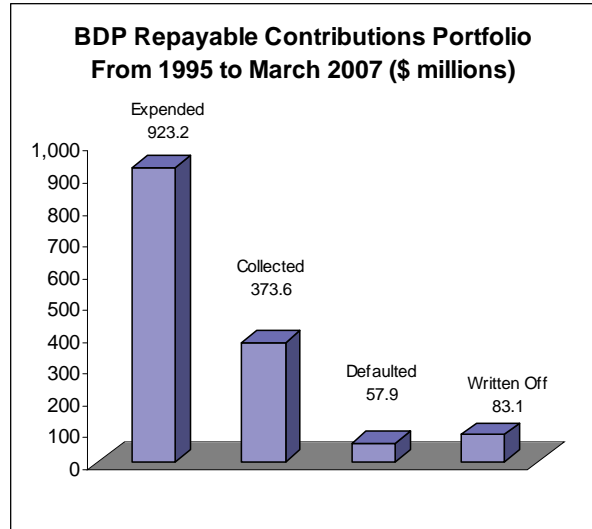
ACOA has worked actively with regional economic development partners to respond to challenges and identify new opportunities for economic growth in New Brunswick. For example, in an effort to help reduce the impact of the downturn in the forestry sector, ACOA's regional office undertook a three-year project with Enterprise Miramichi. This diversification initiative will provide support to 35 SMEs to refocus markets and to expand and generate new employment opportunities.

ACOA has also played a lead role in co-ordinating a concerted effort to grow specific sectors in the province. For example, the Agency was a catalyst in bringing together federal, provincial and industry partners, to establish capacity building and development priorities for the translation industry. These efforts have resulted in a project with Traduction NB Translation to provide leadership for the New Brunswick translation industry through the development of human resources, support for new emerging companies, and the expansion of existing ones, and assistance to the industry in diversifying its product offerings.

4.2 Business Development Program - Repayable Contributions Portfolio

Since 1995, ACOA has provided interest-free, unsecured loans to SMEs under the Business Development Program (BDP) to help them start, expand, increase productivity, develop new markets, or undertake other growth-oriented activities. Commercial assistance is repayable over an average of five to seven years. This chart summarizes the portfolio from inception of the BDP in 1995 until March 31, 2007.

To date, the Agency has collected \$373.6 million of repayable contributions, and the cumulative rate of defaulted contracts and write-offs is 15.3% (\$141.0 million of a total \$923.2 million), an acceptable performance given the high-risk nature of the lending activities the Agency services.



On the overall repayable portfolio (BDP and inherited programs), in fiscal 2006-2007 the Agency collected a total of \$54.7 million, very close to the amount of \$55.2 million forecasted in the 2006-2007 Report on Plans and Priorities. During 2006-2007, the Agency was aggressive in cleaning up its defaulted loans portfolio, and consequently wrote off \$17.6 million in loans where the Agency had no further or possible means of collecting money.

Risk Mix

All commercial clients are risk-rated based on a five-tier grading system. Accounts are reviewed regularly, and the level and frequency of monitoring is adjusted in accordance with the risk rating. The table at right illustrates the risk mix of the BDP repayable portfolio as of March 31, 2007 (excluding conditionally repayable accounts where conditions have not yet been met).

Risk Rating	Portion of Portfolio	Principal Outstanding (\$ millions)
1 Low	5%	15.2
2 Low – medium	22%	60.8
3 Medium	44%	125.5
4 Medium – high	21%	59.5
5 High	8%	21.3
Not yet rated	0%	0.0
Total	100%	282.3

More information on repayable contributions may be found on ACOA's website at

<http://www.acoa-apeca.gc.ca/e/financial/repayable/index.shtml>.

4.3 Government Themes and Management Issues

4.3.1 Regional Federal Councils

Regional Federal Councils are a network of senior officials committed to the betterment of program and service delivery to Canadians in all regions of the country. Through these councils, the Agency works with key federal departments in each region/province to maintain effective linkages and partnerships that co-ordinate the departments' actions in those regions. ACOA vice-presidents chair and play a key co-ordinating role in Atlantic Canada's federal councils. ACOA's senior vice-president occupies the national chair of the federal councils.

The mandate of the Regional Federal Councils includes the integration of improved service delivery, two-way communication with central agencies on regional perspectives and federal initiatives, and co-operation with other jurisdictions, including provincial governments. Government priorities such as human resources renewal, official languages, Aboriginal dialogue, homelessness, service delivery modernization, innovation, policy and increased capacity in regional co-ordination constitute the essence of the councils' business, while placing increased emphasis on the *Federal Accountability Act*.

Some of the specific regional initiatives undertaken in 2006-2007 are outlined below.

New Brunswick

The New Brunswick Federal Council continued to ensure the reflection of regional views in national policies and programs, which allows the Government of Canada to have an increased awareness of regional issues specific to New Brunswick. In 2006-2007, the council welcomed senior officials from Treasury Board Secretariat, the Canada Public Service Agency, as well as the Commissioner of Official Languages to its meetings, thereby allowing the council to engage and inform national decision makers. The council also engaged with other levels of government and stakeholders to provide timely and pertinent information and advice in order to ensure that federal programs and policies were better understood by regional stakeholders. Various council committees helped such engagement, namely the Aboriginal Dialogue Committee, the Service Delivery Modernization Committee, the Human Resources Committee, and the Communications Council.

Significant work was also undertaken in 2006-2007 to ensure development activities regarding succession planning, knowledge transfer, and accountability in the workplace. The council also promoted these objectives during National Public Service Week (NPSW) by awarding a first Public Service Award of Excellence to four federal employees and one federal team, all of whom demonstrated excellence in the

achievement of results for Canadians. The theme for the 2006 NPSW was “Our People, Our Diversity and Our Future.”

Throughout the fiscal year, work continued with regard to the *Public Service Modernization Act* (PSMA). A joint symposium took place with senior departmental executives in the New Brunswick region to discuss and exchange views on the implementation of the PSMA. The council also encouraged shared learning via the sharing of best practices, the sharing of tools and the promotion of excellence and teamwork in the workplace, which also helped move the Public Service Renewal agenda forward in areas of corporate management by supporting the various committees and ensuring their focus was on the government’s priorities. For example, the Human Resources Committee focused on the recruitment of new public servants and on their retention, as well as on succession planning.

The council actively supported its Official Languages Committee throughout the year. Presentations were made to the community of managers on the Commissioner of Official Language’s (COL) findings on language of work. An Official Languages Week was successfully undertaken, culminating in a full-day session addressing challenges and opportunities for employees working in New Brunswick, including direct dialogue between the COL and 130 participants. An Atlantic Symposium was also developed for all Atlantic provinces on Part VII of the *Official Languages Act*. Close to 40 New Brunswick federal employees participated in the symposium. A survey on language training was also developed by the council and forwarded to all federal departments in the province, allowing them to develop horizontal strategies in partnership with the Public Service Language School to better meet the needs of federal employees and departments.

Newfoundland and Labrador

The Newfoundland and Labrador Federal Council continued to deliver a number of interdepartmental programs around learning and development, the main focus being on French language training. In addition, a study of French language training needs was initiated in 2006-2007 and is expected to be completed in 2007-2008.

The council arranged a number of interdepartmental learning events focusing on connecting managers and future leaders. The council undertook a large number of interdepartmental events during National Public Service Week, both in St. John’s and in rural areas of the province. The council also undertook an initiative to determine impediments and opportunities for public service renewal in Newfoundland and Labrador, with the information being used as part of a submission by the National Council Chairs Committee to the Deputy Advisory Committee on Public Service Renewal.

The council continued to partner with the Canada School of Public Service to deliver a number of training and learning programs. The council partnered with the Public Service

Human Resources Management Agency of Canada (PSHRMAC) in piloting the Regional Corporate Leadership Development program.

Prince Edward Island

In 2006-2007, the Prince Edward Island Federal Council continued to support four priorities: human resources, official languages, communications, and rural community development. In support of the *Public Service Modernization Act* (PSMA) and the new learning policy and directive, the council worked closely with the Canada School of Public Service to ensure that mandatory training was offered in the province, including the courses Essentials of Managing in the Public Service, Integrated Business and HR Planning, and Managing Government Information throughout its Life Cycle.

In December 2006, a memorandum of understanding was signed by the council, Public Works and Government Services Canada, and Veteran Affairs Canada (VAC), to facilitate the establishment of a shared learning centre in Charlottetown. This centre will open in November 2007. A shared learning concept was piloted in 2006-2007 using VAC's existing learning facility, and 141 courses were offered to all public servants, with over 1,500 participants (429 of whom worked in departments other than VAC).

The Prince Edward Island Managers Network supported the learning needs of public servants in the province. Learning opportunities on the following topics were offered: due diligence, spirituality in the workplace, emotional intelligence and wellness, along with the annual managers' forum "Transitions".

Official languages continued to be a priority, and the bilingual network grew to over 200 participants to date; French Toastmasters clubs provides an opportunity for maintaining language capacity. This year, an Atlantic symposium on Part VII of the *Official Languages Act* was hosted by the council. It was very successful in helping to create awareness of responsibilities and highlighting areas where public servants can work collaboratively.

Nova Scotia

In 2006-2007, the Nova Scotia Federal Council was very active along a number of lines, including human resource management, official languages, service delivery, security/emergency preparedness, and policy. Under human resource management, the council sponsored several events and pilot projects, including a labour relations symposium titled Building a Better Workplace through Labour Management Collaboration, an academic forum entitled Young Professionals: Creating the New Public Sector Workplace, and a regional corporate development pilot project. In support of official languages, the council's activities included offering French language training for federal and provincial employees, organizing and participating in the Atlantic symposium

on Part VII of the *Official Languages Act*, and organizing a workshop for Official Languages Committee members.

Service delivery efforts are ongoing, with the implementation of Service Canada suite of offerings. As well, the council sponsored a one-day learning and networking event for managers, entitled Way Forward on the Service Transformation Agenda. The council also supported activities related to Security/Emergency Preparedness for Nova Scotia, including hosting a one-day workshop entitled Emergency Table Top Exercises, and other emergency preparedness exercises.

Federal-provincial co-ordination was high on the list of priorities in 2006-2007, as demonstrated by the new co-chairs' reconfirmation of the priorities agreed to the previous year (i.e. Atlantic Gateway, population strategy, environmental sustainability and commercialization). Each of these priorities has federal and provincial co-leads.

Finally, in support of enhancing its role, the council is a member of the national Communications 2010 working group on learning. The council co-ordinated participation in several professional development sessions using video conferencing and webcasting technology, and produced a federal directory of programs and services for federal and provincial elected representatives.

4.3.2 Official Languages Act, Section 41

ACOA continued its efforts to enhance the vitality of Atlantic Canada's French linguistic community, and to support and assist its development. In this respect, ACOA collaborated with several Acadian and Francophone organizations across the region whose activities encompass social, political, commercial and economic interests. Through its normal programming, ACOA supported projects that led to the development of official language minority communities to the order of \$17.4 million, representing a total of 77 projects throughout Atlantic Canada.⁷⁶ Also, a strong working partnership was formed with the Economic Development and Employability Network (Réseau de Développement économique et d'employabilité) of the Atlantic provinces. Through this partnership, an action plan was developed and is being implemented collaboratively.

Section 41 of the *Official Languages Act* sets out the commitment of all federal departments and agencies to enhance the vitality of official-language minority communities, as well as fostering the full recognition and use of both English and French in Canadian society.

The Agency continued to manage seven e-learning projects that were the result of a memorandum of understanding (MOU) between Industry Canada and ACOA that enabled post-secondary Francophone educational institutions to apply for funding related to French content development. This MOU is valued at \$2 million.⁷⁷ Under this same MOU, an internship component was introduced in 2006-2007, where a number of Francophone economic development organizations benefited from a total of \$180,000,⁷⁸ to enable the hiring of a youth intern to work within official language minority communities.

ACOA maintained its active participation on the National Committee of Economic Development and Employability, and on the national committee of departmental co-ordinators responsible for the implementation of Section 41 of the *Official Languages Act*. Internally, an integrated official languages committee was established, combining responsibilities for parts IV, V, VI and Section 41 of the Act. This committee meets regularly to discuss issues related to all parts of the Act, thus creating an Agency-wide awareness of the complete official languages file.

ACOA's regional offices play an indispensable role in implementing Section 41 of the Act via a regional co-ordinator. Numerous projects are supported by the Agency, which enhances the vitality of official language minority communities.

⁷⁶ QAccess (ACOA internal database) internal report for Francophone projects from April 1, 2006, to March 31, 2007 (BDP Projects 2006-2007).

⁷⁷ QAccess (ACOA internal database) report (e-learning projects) to confirm contribution amounts and manual compilation and updates of projects since inception upon approval of project.

⁷⁸ Manual compilation following approval of projects per region. The information was compiled between the regional Section 41 co-ordinator and the national co-ordinator at ACOA head office; the contribution amount was confirmed through QAccess (ACOA internal database) by reviewing each project (Stages-internships – April 2007).

For example, in New Brunswick, a contribution of \$32,400 was allocated to *L'Association des conchyliculteurs professionnels du Nouveau-Brunswick* to elaborate a strategic plan that will guide the industry's development. The goals of this initiative are to develop a sustainable and ecological sector in order to compete on the global market, increase production and leadership capacity, increase sales and employment, and increase research and development investments. The adoption of the suspension method for oyster-growing operations enabled a shorter growth cycle, and the industry experienced significant growth in New Brunswick. In most cases, entrepreneurs involved in this sector are former lobster and crab fishermen seeking to diversify their activities. The oyster-growing industry is a strategic sector in New Brunswick and one in which direct and indirect economic benefits bring new hope to the Francophone regions.

In Prince Edward Island, *La Société de développement de la Baie acadienne*, in partnership with *Réseau de Développement économique et d'employabilité Île-du-Prince-Édouard*, have developed and now oversee the provincial project called *PERCÉ*. The *PERCÉ* program (inspired by the Quebec program *Place aux jeunes*) gives young Francophone islanders who are studying outside the province an opportunity to return home to have a job and a mentorship experience in their field of study. These youths are given a chance to establish important contacts within their respective sectors and, eventually, job opportunities in their home province. The principal objective of the program is to make the province's Acadian and Francophone youths aware of their region's assets, economic and cultural possibilities, and to offer them an opportunity to obtain work experience in their field of study and in their language of choice.

In Nova Scotia, a contribution of \$250,000 was allocated to the *Conseil de développement économique de la Nouvelle-Écosse (CDÉNÉ)* to assist with the implementation of its 2006-2007 business plan. The CDÉNÉ was established in February 1999, with the objective of pursuing economic development activities for Nova Scotia's Francophone and Acadian community. As Nova Scotia's only pan-provincial Francophone economic development organization, the CDÉNÉ provides leadership to Nova Scotia's Acadian and Francophone community by advocating on behalf of and representing the interests of Acadians, and by enhancing the vitality of minority language communities.

In Newfoundland and Labrador, the Long Range Regional Economic Development Board received assistance in 2006-2007 to develop and implement bilingual community economic development initiatives. This project is a co-operative initiative of three partners: the Long Range Community Business Development Corporation, *l'Association régionale de la côte ouest*, and the board. This collaborative process began with the hiring process for a bilingual liaison officer, and continues with the development of a shared work plan and the establishment of a management committee to oversee the activities of the officer for a period of two years. Initiatives arising from the work plan are incremental economic development activities over and above the regular activities of the three partners, and a focus on service improvements for the Francophone communities of the Port-au-Port Peninsula.

4.4 Results-based Management

Results-based management (RBM) is a government-wide approach to improving program and management effectiveness and accountability, and is oriented toward achieving results. ACOA has made reporting, accountability, transparency and protecting the public interest the cornerstones of its RBM approach.

During the year, the Agency continued to invest in the development and implementation of its Management, Resources and Results Structure (MRRS), a framework to integrate financial and non-financial information in a way that links the results achieved to the resources used. The Agency is engaged in providing evidence-based information contained in performance measurement systems, audits, evaluations and reviews to external stakeholders such as central agency officials, parliamentarians and the general public. This performance report is a good example of the way the Agency makes information available in a format that facilitates its analysis – that is, by grouping information along the Program Activity Architecture. It is thus possible to understand what the Agency wants to achieve (outcomes), the activities and results achieved, and the resources used (financial resources and full-time employees). The same information also serves ACOA managers in making strategic and operational decisions on improving the overall effectiveness of the Agency’s programming, and in being accountable for results. In 2006-2007, ACOA strengthened the use of performance information in reviewing the different indicators to ensure they are comprehensive in terms of covering the objectives of the Agency’s outcomes. The Agency enhanced the use of performance information for planning in order to create a robust framework for performance measurement and reporting.

ACOA promoted the RBM by providing training on its Management, Resources and Results Structure to more than 350 employees. During this training, employees were presented with new tools to ensure that projects, supported through service delivery, contribute to the strategic outcomes of the Agency. The Agency used this opportunity to raise awareness of the importance and impact of accountability and its link to RBM and reporting.

ACOA’s Evaluation unit brings value to the Agency by providing independent, objective and evidence-based information on the results of ACOA’s activities. The Agency now publishes its Management Responses and Management Action Plans, which represent engagements upon the recommendations from audit and evaluations, on its website.⁷⁹ The Agency also allocated more resources to track the implementation of management action plans, and is now in the position where all recommendations from previous evaluations and audits have been implemented. A list of completed audits and evaluations in 2006-2007 appears in Section III, Table 11 Response to Parliamentary Committees, Audits and Evaluations.

⁷⁹ <http://www.acoa-apec.ca/e/library/audit.shtml>

The Agency's Review Committee was replaced in 2006-2007 by the Performance and Evaluation Committee, a subcommittee of the Executive Committee for the Agency. This new committee is chaired by the vice-president, finance and corporate services, and includes directors-general from ACOA head office and its regional offices. The role of the committee is to provide leadership to optimize the impact of managing for results by:

- supporting the work of the Agency's performance management function in meeting the information needs of the president, Executive Committee, central agencies and Parliament for program performance, reporting, accountability and expenditure management; and
- ensuring the systematic use of performance management findings for informed management decision-making.

4.5 Corporate Services

Efficiently and effectively managed resources and administrative systems and services to support management decision making, accountability and operational control.

Financial Resources (\$ millions)			Human Resources (Full-time Equivalents)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
24.3	27.8	31.2	210	249	(39)

The spending figures for Corporate Services (indicated above) are also incorporated within the planned spending figures for all program activities in Sections I through III of this report, on a pro-rated basis.

For performance on ACOA's key management initiatives in 2006-2007, refer to section 1.4.4 Management Performance. Other Corporate Services plans and results are presented in the following table.

Corporate Planning and Performance Management	Result:
<ul style="list-style-type: none"> Continue implementation of an integrated planning process for the Agency. Promote and co-ordinate modern business management practices within the Agency as outlined in the Management Accountability Framework. Strengthen linkages among planning, performance measurement, evaluation, policy and programming. 	<ul style="list-style-type: none"> A well-established corporate planning process in place, which includes fully costed regional and branch operational plans, along with integrated human resources requirements. Agency placed in the top 25% across government in the round IV Management Accountability Framework (MAF) assessment, and was commended for its strong performance on values and ethics, leadership, human resources, information technology and official languages.⁸⁰ Building on the results of assessment, three "champion files" have been created to address management priority areas: Values and Ethics, Public Service Renewal (with Employment Equity and Learning and Development component), and Official Languages. These were chosen because they require strong leadership at the senior executive level to ensure the organization builds on its past successes and continues to demonstrate strong results in these important areas. Instituted an Agency-wide integrated planning process built around its Program Architecture Activity (PAA). Advances in implementing this process have resulted in improved integration of financial and non-financial performance information for management decision making. The PAA has also been strengthened over the course of 2006-2007 by building sound program logic models and performance information for each of the PAA elements.

⁸⁰ Treasury Board of Canada and the Public Service Human Resources Management Agency of Canada: Management Accountability Framework, Round IV Assessment (May 2007).

Communications**Result:**

- Work with clients and partners to promote Atlantic Canada as an increasingly innovative, export-oriented and entrepreneurial place: promotion achieved through speaking opportunities, testimonials and partner profiles, support to export and investment activities, and local outreach efforts.
 - Improve the awareness and understanding of the Agency's role in enterprise and community development, as well as its programs and services and how they can be accessed.
 - Support the Agency's key policy and advocacy files through strategic communications activities.
- 2006-2007 efforts included:
 - launch of new website and advertising campaign aimed at attracting foreign direct investment to Atlantic Canada;
 - support to various trade missions, including Team Canada Atlantic missions to the U.S. and a women exporters mission to Boston;
 - The Art of Success - a networking event to highlight the power of partnerships in contributing to New Brunswick's long-term economic successes;
 - promotion of the renewed Atlantic Innovation Fund and announcement of projects under the fund.
 - Activities in support of awareness and understanding of the Agency's role included:
 - advertising campaign (Services for Business: Promoting Entrepreneurship) to encourage entrepreneurs and small business people to access services and information available through Canada Business;
 - increasing public awareness of the Agency's projects funded under the Municipal Rural Infrastructure Fund and the Innovative Communities Fund through public announcement events, news releases and media interviews;
 - support to Advancing Communities Conference, a pan-Atlantic conference aimed at helping economic development groups explore ways to identify and pursue local development goals;
 - holding public information sessions on the Agency's programs and services and providing support to the president's outreach activities; and
 - enhancements to ACOA's public website.
 - Advice and support to key policy-related files such as the Atlantic Gateway, the Atlantic population strategy, and the renewable resources sector;
 - Co-ordination of communications activities with federal and provincial government partners and stakeholders;
 - Support to the public release of policy research initiatives such as the transportation system in Atlantic Canada and an inventory of resources on immigration and diversity.

Finance and Administration**Result:**

The Agency focused in 2006-2007 on achieving excellence in the stewardship of public funds. Three priority areas, namely management performance, expenditure management, and financial management and control, were strengthened by focusing on the following:

Maintaining and monitoring the government-wide management and analysis systems, including the management resources and results structure and the expenditure management information system.

- Agency expenditures were effectively managed and reported within the structure specified under the management resources and results structure policy. Information requirements for the expenditure management information system were met.

Corporate Systems (Information Management and Information Technology)

Result:

- Through the use of Web technology and service transformation, continue to increase the availability of corporate information, integrate program management and finance reporting systems, and prepare key service systems for online delivery.
 - Integrate the work of the Treasury Board Secretariat's Business Transformation Enablement Program into the enterprise architecture of the Agency. Work in close collaboration with PWGSC and other central agencies to implement strategic new initiatives like the common administrative services.
- See details below.
 - ACOA is working closely with Library and Archives Canada on the Business Activity Structure Classification System project in an effort to define and document a government-wide classification process, especially in regard to electronic records management.

Internet

The Agency is leading the way in moving the ACOA website to a more dynamic platform. The website provides a variety of users with easy access to online information (users include ACOA clients, partners, researchers and academics), and offers a transactional tool (ACOA Direct), a variety of information documents, studies, and numerous other required tools in an environment where sharing information is an essential part of doing business.

Modernization of Technology Platform

A major part of the fiscal year's effort continued to go toward upgrading the Agency's servers to the MS Server 2007. The migration to the new platform will allow for an information management strategy fully compliant with Treasury Board, and a greater collaboration within ACOA.

Business Transformation

Information management has become the driving force for all of ACOA's IT projects. For example, all new internal business application solutions are thoroughly discussed to ensure strong accountability, governance and integrity of the information. It requires a close co-operation within the Agency to establish a strong business architecture for all processes. ACOA has implemented major improvements in this area and is now in a position to offer tools supported by a strong business architecture.

ECBC Technical Support

ACOA has signed a memorandum of understanding to provide technical support to Enterprise Cape Breton Corporation, providing an opportunity for sharing the Agency's best practices.

Internal Audit

Result:

- Provide information as an aid to decision making and strategic management and, ultimately, to facilitate program improvement and organizational learning through fair, reliable, valid and understandable internal audits. Internal audit achieves this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It also provides conclusions regarding the Agency's compliance with established government regulations and rules.
- Target met. During 2006-2007, the implementation of the federal government's new Policy on Internal Audit (2006) began. The target for completion is 2009. The policy aims to increase the professionalism of the internal audit function and build a comprehensive government-wide approach to internal auditing that reflects leading-edge public and private sector practices. Information on ACOA's audits and reviews may be found on the Agency's website at <http://www.acoa-apeca.gc.ca/e/library/audit.shtml>.

Human Resources	Result:
<ul style="list-style-type: none"> • Modernize the human resources function by implementing, co-ordinating and monitoring all the new human resource legislation and policies. • Develop and implement a reporting and monitoring framework for staffing. • Increase overall training for Agency managers, with emphasis on procurement, information management, human resources and finance. • Implement an active audit, monitoring and reporting system for position classifications. 	<ul style="list-style-type: none"> • Effective implementation of a complete and updated staffing system, in line with central agency legislation and policy direction. • Reporting is done on a regular basis, in response to timeframes required by central agencies • 100% of ACOA's strategic investment framework training was achieved. • Audit completed for the period of April 1, 2006 to January 31, 2007, included a review of processes and procedures, as well as a review of delegated regional staffing files. See Table 11 in Section 3.2.13.
