

Atlantic Canada Opportunities Agency



**2006-2007
Estimates**

Part III - Report on Plans and Priorities

**Minister
Atlantic Canada Opportunities Agency**

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Section I – Agency Overview

Minister's Message

As the government works to bring about real change, create opportunity and build a strong and united Canada, the Atlantic Canada Opportunities Agency has an important role to play. A strong Atlantic economy contributes to a strong Canada.

ACOA will continue to work within its economic development programs to focus on enterprise development, community development, and advocacy.

ACOA will work to maximize the impact of its investments in enterprise development by focusing on aiding the growth and competitiveness of small and medium-sized businesses. This means helping increase the productivity of individual businesses by targeting the development of areas such as innovation, skills and trade.

ACOA will work with Atlantic universities, other government departments and the private sector on strategically focused activities to promote innovation and commercialization. This is key to making Atlantic Canada more competitive overall, and creating attractive jobs that will help us retain our youth – the future of our region.

For almost 20 years, ACOA has worked to increase opportunity for economic development in Canada's four Atlantic provinces, responding to economic and regional challenges in a strategic way, pooling resources, and bringing a regional perspective to national issues.

Strong communities, a dynamic economy, and opportunities for Atlantic Canadians – these are the priorities that guide the Agency as it works with its partners for the benefit of the Atlantic region and Canada.

Peter G. MacKay
Minister
Atlantic Canada Opportunities Agency

Management Representation Statement

I submit for tabling in Parliament, the 2006-2007 Report on Plans and Priorities 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 Secretariat guidance.
- It is based on the Agency's approved accountability structure as reflected in its Management Resources and Results Structure.
- 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 it.
- It reports finances based on approved planned spending numbers from the Treasury Board Secretariat.

Monique Collette, President
Atlantic Canada Opportunities Agency

Changes in ACOA's Program Activity Architecture

Minor editorial changes have been made to ACOA's Program Activity Architecture since 2005-2006. These have been made solely for the purpose of more accurately reflecting the nature of the activities. No changes were made to the PAA structure.

*2006-2007 Program Activity Architecture (changes are indicated in **bold** type)*

Strategic Outcome	Program Activity	Program Sub-activity
Enterprise Development	Fostering SME Development and Regional Economic Capacity Building	Innovation Entrepreneurship and Business Skills Development Trade Investment Tourism Other Support to SMEs
	Access to Business Information	
Community Development	Community Economic Development	
	Special Adjustment Measures	
	Infrastructure Programming	
Policy, Advocacy and Co-ordination	Policy Research	
	Advocacy	
	Co-ordination	

Summary Information

Raison d'être

The Agency'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."

	2006-2007	2007-2008	2008-2009
Financial Resources (\$ millions)	380.4	348.7	321.8
Human Resources (FTEs)	612	592	592

Strategic Outcomes

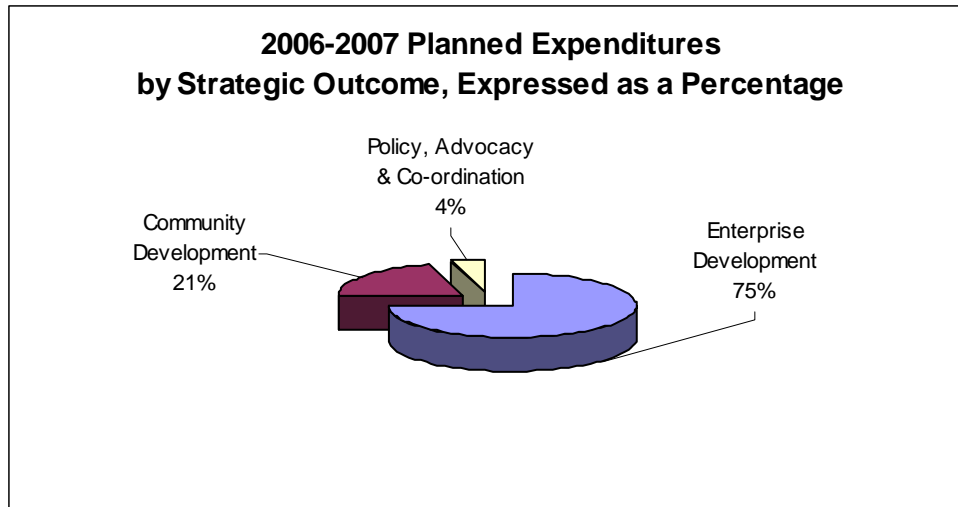
The Agency has three strategic outcomes that reflect its mandate of helping increase

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; ensure regional influence on national policies and programs that affect Atlantic Canadian development and interests; and facilitate the co-ordination of other federal policies and programs within the region to form integrated approaches to development, leading to strengthened Atlantic economic development.

employment opportunities and earned income for Atlantic Canadians.



Operating Environment

ACOA is the arm of the federal government whose mission is to work in partnership with Atlantic Canadians to improve the economy of communities in the region. The Agency accomplishes this through a regional strategy that aims to improve economic performance and enhance the region's competitiveness. Working with partners in all orders 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.

Established in 1987, ACOA offers a broad range of programs and services designed to improve the climate for business growth. The Agency ensures that a wide variety of business development tools and resources are available to Atlantic entrepreneurs throughout all stages of the business life cycle, from the time they are thinking about setting up a new business, to the time they are planning for growth and expansion. ACOA is a federal agency with a difference; its mandate and organizational structure were determined following consultations with Atlantic Canadians from across the region. The result was that, for the first time, a federal organization charged with regional economic development in Atlantic Canada was headquartered in the Atlantic region.

The Agency takes an aggressive 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. It is felt that the Agency's broad-based approach to regional economic development addresses the underlying structural challenges in the economy in an effective and equitable manner.

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

The Agency also participates in several horizontal initiatives. It is the lead department for Team Canada Atlantic and the International Business Development Program. In addition, the Agency is a partner on several horizontal initiatives led by other federal departments. More information on horizontal initiatives can be found in Section III, Table 8, of this report.

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.

The Agency also works locally to improve the growth and competitiveness of Atlantic enterprises through a variety of programs and services designed to increase start-ups, expansions and modernizations.

Recognizing the growing correlation between innovation and productivity, Agency programs place emphasis on fostering research and development, technology adoption, skills development, and the improved access to capital required to make these kinds of investments in innovation possible. The Atlantic Innovation Fund continues to be a driving force behind the latest acceleration of Atlantic research and development. The Business Development Program and other ACOA programs are helping thousands of entrepreneurs to start up and expand businesses, optimize trade and export opportunities, develop new tourism products, and to improve business management practices to grow and compete in the global economy. These programs are strategically important. In the 1990s, 70% of the jobs created by new firms in Atlantic Canada were attributed to small businesses¹.

¹ *The State of Small Business and Entrepreneurship, Atlantic Canada – 2005*, Atlantic Canada Opportunities Agency

The Atlantic Investment Partnership – *The Second Wave* (AIP II) is a broad-based modern approach to economic development. This initiative will allow the Agency to build on the success of the first phase of the Atlantic Investment Partnership (AIP) in critical areas such as:

- Investing in Innovation - The Atlantic Innovation Fund will invest another \$300 million in R&D projects in Atlantic Canada.
- Investing in Communities - The Innovative Communities Fund will invest \$175 million in communities across Atlantic Canada.
- Investing in People - ACOA is investing \$50 million in initiatives to foster entrepreneurship and business expansion, as well as focus on building, attracting and retaining skills in Atlantic Canada.
- Investing in the Business Climate - ACOA is investing \$65 million in initiatives designed to improve the climate for business growth in Atlantic Canada.

Economic Environment

Following a gain of 1.4% in 2004, economic activity in Atlantic Canada improved in 2005, with real GDP increasing by 2.2%. Output in the goods-producing industries is estimated to have risen by 2% in 2005, led by a strong increase in mining, mainly iron ore production and the start-up of the Voisey's Bay mine. Activity in the construction sector weakened, as work on the White Rose and Voisey's Bay projects wound down. The services-producing industries registered good growth (2.4%) in 2005, with the exception of more moderate activity in business and personal services.

Atlantic Canada's labour market improved slightly in 2005 with employment up by 2,500. The unemployment rate fell from 10.7% in 2004 to 10.4%, reaching its lowest level in 30 years.

Foreign exports of commodities from Atlantic Canada rose by 5.3% during the first 10 months of 2005. With the exception of a large increase in the value of shipments of refined petroleum products (29.1%) due to higher energy prices, results for Atlantic Canada's major export products were mainly down in 2005. Total non-energy exports fell by 3.4%. The strong Canadian dollar, as well as a decline in production and demand for many products, contributed to the weak export performance.

Difficult market conditions exist for forestry products, as lower prices led to a decline in the value of exports of softwood lumber (-13.3%), and weak demand resulted in lower shipments of newsprint (-2.4%). The value of pulp exports also fell (-34.6%), mainly due to the closure of a mill in New Brunswick. Exports of fish products declined (-11%), due to lower shipments of crab products resulting from the late start to the fishery in Newfoundland and Labrador. Atlantic Canada's exports to the United States, the destination for over 80% of the region's foreign shipments of goods, increased by 3.8%.

The economy of Atlantic Canada is expected to strengthen further in 2006, led by a full year of production at both the Voisey's Bay mine and White Rose offshore oil field. The manufacturing sector should do well, while a slight decline is expected in the construction sector as work on major projects ended in 2005. The services-producing industries should register solid growth, led by gains in transportation, and personal and business services. Real GDP in Atlantic Canada is forecasted to increase by 3.1% in 2006, while employment is expected to rise by 1.9%.

The economy of Atlantic Canada has become much more diversified over the past few years, with new opportunities being pursued in the knowledge-based economy. This diversification is a result of the emergence of new high-technology sectors that are knowledge-intensive and export-oriented; the development of offshore oil and gas; and the establishment of new capacity for processing natural resources into value-added products.

The development of emerging sectors (e.g. information and communications technologies; biotechnology, life sciences and bioresources; aerospace and defence; advanced manufacturing; and marine technologies) underscores the progress that is being made in the region.

Factors Affecting Economic Performance

The outlook is generally positive, but there are a number of risk factors that could affect the economic outlook. These factors are largely external, relating to the volatility of oil prices as well as sustained global current account imbalances and potential weakness in key U.S. markets.

Consumer confidence could be affected further if oil prices continue to rise, leading to slower consumer spending and weaker economic growth. The large and persistent U.S. current account deficit could lead to further depreciation of the U.S. dollar against all major currencies, including the Canadian dollar. This would pose additional challenges for Canada's export sector.

The appreciation of the Canadian dollar since the end of 2002 has posed a challenge to Atlantic Canadian firms that are highly exposed to international trade. For example, employment in the region's manufacturing sector fell from 108,000 in 2004 to 99,000 in 2005 — a reduction of 9,000, or 8.3%.

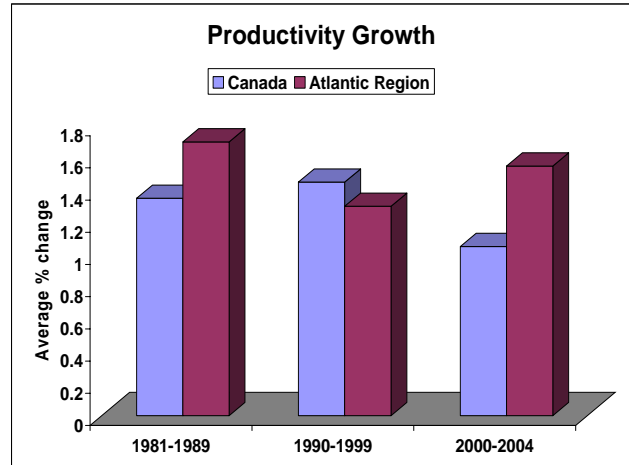
There are a number of major social and economic challenges facing Atlantic Canada over the short and medium terms. Slow or negative population growth, in conjunction with an aging population, will constrain future economic growth, particularly in rural areas. More effort will need to be placed on increasing immigration levels to ensure an adequate supply of labour.

Structural changes to traditional industries also continue to present adjustment challenges for Atlantic Canada's economy. Some fishery and forestry-dependent communities face

significant challenges in terms of finding alternative employment opportunities. In addition, large industrial manufacturers must continue to adapt to higher energy costs for both the production and shipping of products.

The region must continue to enhance its overall competitiveness as global competition intensifies, especially from countries such as China and India. In order to increase the region's competitiveness, there is a need to have sustained growth in productivity levels. Productivity growth in Atlantic Canada has performed relatively well in recent years; however, labour productivity is still only at 86% of the national level. For the region's manufacturing sector, labour productivity is at 76% of the national level.

In an effort to improve productivity, increased emphasis must be placed on encouraging companies to undertake more spending on research and development; acquire advanced technologies; invest in worker training and managerial skills; and become more export-oriented.



Sources: Statistics Canada
Centre for the Study of Living Standards

Further information on specific challenges facing provinces can be found in Section IV.

Agency Plans and Priorities

Program Plans and Priorities

Strategic Outcome					
Enterprise Development					
Expected Results:					
<ul style="list-style-type: none"> Increased earned income and employment opportunities in Atlantic Canada 					
Planned Spending and Full-time Equivalents (FTEs)					
2006-2007		2007-2008		2008-2009	
\$ 282.4 million	462 FTEs	\$ 262.0 million	440 FTEs	\$ 259.4 million	440 FTEs
*Key Priorities:					
Client approach to enterprise development in collaboration with partners					
Proactive support to innovation					
Evaluate priorities on an ongoing basis to provide best possible support to clients					

Strategic Outcome					
Community Development					
Expected Results:					
<ul style="list-style-type: none"> Increased economic opportunities for Atlantic Canada 					
Planned Spending and Full-time Equivalents (FTEs)					
2006-2007		2007-2008		2008-2009	
\$81.2 million	86 FTEs	\$70.0 million	88 FTEs	\$45.7 million	88 FTEs
*Key Priorities:					
Holistic approach to community development					
Facilitation of partner collaboration					
Capacity building					
Adjustment initiatives					

Strategic Outcome					
Policy, Advocacy and Co-ordination					
Expected Results:					
<ul style="list-style-type: none"> Provide policy leadership and advocate Atlantic Canada's interest in economic policy and programming 					
Planned Spending and Full-time Equivalents (FTEs)					
2006-2007		2007-2008		2008-2009	
\$16.8 million	64 FTEs	\$16.7 million	64 FTEs	\$16.7 million	64 FTEs
*Key Priorities:					
A strong policy and advocacy role					
Co-ordinated engagement strategy					

* All priorities are ongoing.

Enterprise Development

ACOA's legislation mandates the Agency to give particular emphasis to the development of small and medium-sized enterprises (SMEs). Accordingly, 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.

Small entrepreneurial firms have taken their place as vital contributors to economic health. Their strengths are their flexibility, resourcefulness, efficient use of limited resources and sensitivity to the market. In fact, over 70% of gross employment created by new firms in Atlantic Canada was by small business.²

Enterprise Development priorities focus on improving value for money and achieving better results for Atlantic Canadians. In 2006-2007, ACOA will continue to work to ensure better integration of its programs when dealing with clients, and will endeavour to assist clients to access other sources of federal programming where

needed. The Agency will also pursue more client interaction by working with partners to develop stronger relationships with industry. Accordingly, ACOA attaches the highest importance to developing and collaborating with other stakeholders in the region as partners in growth. Innovation remains a key priority, and ACOA will continue its proactive support to innovation by undertaking more strategically focused activities.

Key Priorities

- *Client approach to enterprise development in collaboration with partners*
- *Proactive support to innovation*
- *Evaluate priorities on an ongoing basis to provide best possible support to clients*

Community Development

The Agency's vision is to create viable and sustainable Atlantic Canadian communities that have the resources and capacity to take full responsibility and accountability for their own economic development. The Agency works as an agent of change to empower and help communities to achieve their economic development goals, and to ultimately increase economic opportunities for Atlantic Canada. The Agency works in partnership with other levels of government, other federal departments, non-government organizations, and community groups to lever support and co-ordinate economic development efforts.

² *The State of Small Business and Entrepreneurship, Atlantic Canada – 2005*, Atlantic Canada Opportunities Agency (data for period 1989 to 2000)

From time to time communities in Atlantic Canada face the need for sudden or phased adjustment to an economic shock, such as the fishery moratorium or significant lay-offs by a major employer. In these situations, all levels of government must work together to ameliorate the problem. Due to the Agency's broad economic development mandate, its established network, and knowledge of the region, other departments and other levels of government often turn to ACOA. The challenge for the Agency is to map out a realistic and responsive role in these situations. While the cause of the adjustment itself may not always fall clearly within the Agency's mandate, there is usually an expectation that ACOA will play a major role in the response.

To achieve its community development vision, the Agency has identified four key priorities that will be the focus of its efforts in the coming year. These priorities are shown at right.

Key Priorities

- *Holistic approach to community development*
- *Facilitation of partner collaboration*
- *Capacity building*
- *Adjustment initiatives*

Policy, Advocacy and Co-ordination

As the federal agency responsible for economic development in Atlantic Canada, ACOA plays a lead role in identifying critical issues that need to be addressed in helping to foster economic opportunity, meet new economic challenges, and bring forward actions and initiatives to see that these opportunities are realized and economic challenges are addressed.

The Agency's policy function exists to inform and support the decision-making of the Agency, the Minister, and the government by providing intelligence, analysis, and well-grounded advice. It is carried out by means of internal and external policy research on significant economic issues, through ongoing analysis of issues, trends, challenges and opportunities facing the region, and through stakeholder engagement and consultative initiatives such as round tables and conferences. A strong policy presence in the region is key to influencing national policy development.

In its advocacy role, the Agency works to influence national policies, programs and initiatives to reflect the interests of Atlantic Canada. The Agency's mandate also requires it to co-ordinate the policies and programs of the Government of Canada in relation to economic development.

Key Priorities

- *Strong policy and advocacy role*
- *Co-ordinated engagement strategy*

Management Plans and Priorities

The Agency will continue to implement initiatives to strengthen its accountability and planning regime as follows:

- Improving the Agency's integrated planning process by better aligning resources to priorities. This in turn will enhance decision-making and lead to accomplishing better results for Atlantic Canadians. The Agency's planning approach will be based on the Program Activity Architecture.
- Ensuring that human resources (HR) planning is an important and integral component of the Agency's business planning process, thus ensuring that the best HR decisions are made to help achieve business goals and priorities.
- Strengthening the Agency's management control systems by implementing the new internal audit policy. In addition, a chief audit executive will be named, and within three years an internal audit committee will comprise members from the private sector as well as from federal departments other than ACOA.

Human Resource Management

ACOA has integrated its human resource planning into its business planning by including human resources as a formal, integral and mandatory part of the Agency planning process for fiscal year 2006-2007 and beyond. The Agency has established a Human Resources Planning Committee.

Agency FTEs by Fiscal Year		
2006-2007	2007-2008	2008-2009
612	592	592

The integration has been fully implemented and is now part of the annual executive planning forum and the human resource planning requirements are specifically included in the President's call letter for the preparation of operational plans. The Human Resources Branch at Head Office has taken a functional leadership role in the human resource planning exercise and there is a formal review, analysis and roll-up of all human resource plans each fiscal year.

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

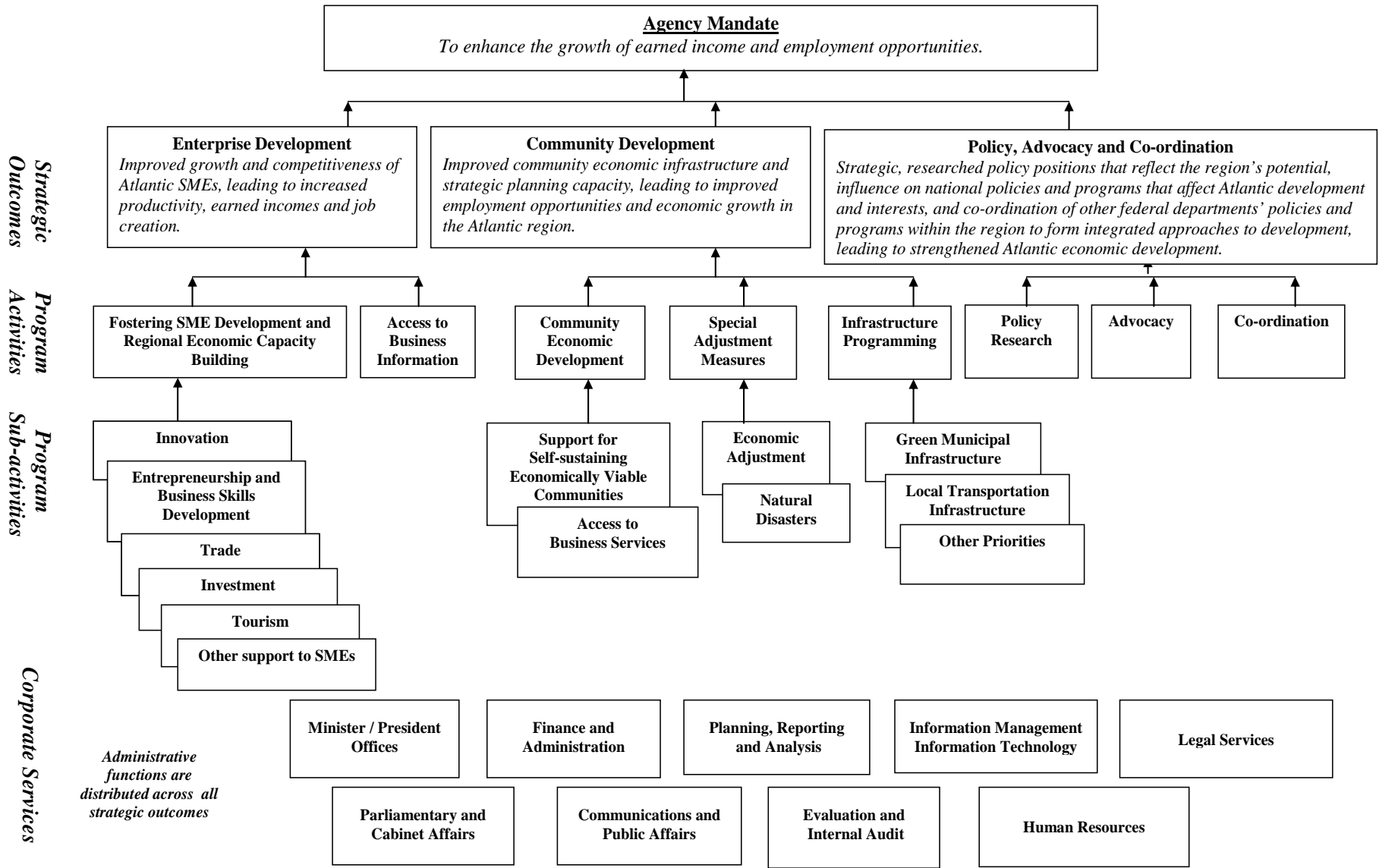
The Government of Canada's annual report on performance entitled *Canada's Performance 2005* focuses on three key policy areas – Sustainable Economy, Canada's Social Foundations, and Canada's Place in the World. In addition, the 2005 report includes a special chapter on Aboriginal Peoples.

The following table depicts the relationship between the Government of Canada's outcomes and ACOA's contribution toward them.

Government of Canada's Outcomes <i>Canada's Performance 2005</i>	ACOA's Response
<u>Economic</u>	
An innovative and knowledge-based economy	Enterprise Development
Strong economic growth	Enterprise Development Community Development Policy, Advocacy and Co-ordination Sustainable Development Strategy
Income security and employment for Canadians	Enterprise Development Community Development
A fair and secure marketplace	Enterprise Development: - Entrepreneurship and Business Skills Development
A clean and healthy environment	Enterprise Development Community Development Sustainable Development Strategy
<u>Social</u>	
A vibrant Canadian culture and heritage	Community Development: - Atlantic Canada Cultural and Economic Partnership - Interdepartmental Partnership with the Official Language Communities - Memorandum of Understanding with Industry Canada -- Investment in Acadian and Francophone Youth
<u>Aboriginal Peoples</u>	
	Community Development - Aboriginal economic development

To review the complete document *Canada's Performance 2005* refer to:
http://www.tbs-sct.gc.ca/report/govrev/05/cp-rc_e.asp.

ACOA 2006-2007 Program Activity Architecture



Section II – Analysis of Program Activities by Strategic Outcome

Strategic Outcome – Enterprise Development

*Improved growth and competitiveness of Atlantic SMEs,
leading to increased productivity, earned incomes and job creation.*

Expected Results: Increased earned income and employment opportunities in Atlantic Canada.			
Indicators:	Annual Target: (2006-2007)		
<ul style="list-style-type: none"> • Impact on employment growth of ACOA-assisted firms 	<ul style="list-style-type: none"> • 1 to 2 times higher than non-assisted firms 		
	Five-year Targets: (2003-2004 to 2007-2008)		
<ul style="list-style-type: none"> • Increase in GDP 	<ul style="list-style-type: none"> • Approximately \$1 billion more annually than without ACOA support to business 		
<ul style="list-style-type: none"> • Increase in GDP per \$ of ACOA expenditure 	<ul style="list-style-type: none"> • \$4 to \$5 in GDP gains for every \$1 of ACOA expenditure 		
Performance Measurement Strategy: Five-year targets will be measured through analysis of data from Statistics Canada and internal systems, using econometric modelling. The annual target will be measured through analysis of Statistics Canada data.			
	2006-2007	2007-2008	2008-2009
Financial Resources (\$ millions)	282.4	262.0	259.4
Human Resources (FTEs)	462	440	440

The region's economic growth in recent years has been positive, driven mainly by increased exports and investment in infrastructure, new manufacturing capacity and offshore oil and gas projects. Foreign exports of commodities from Atlantic Canada continue to increase and, while exports have grown, there is room for expansion, with less than 3%³ of the region's SMEs involved in export activities.

There is a transformation to a knowledge-based economy, with the emergence of new sectors in information technology, bioscience and aerospace while, at the same time, resource-based industries are becoming more knowledge-intensive.

Despite this progress, some significant challenges remain, and great opportunities exist for development. One of the

Evidence of economic growth in Atlantic Canada

- ✓ Foreign exports of commodities from Atlantic Canada continue to increase, with over 80% destined for the United States in 2004.
- ✓ Exports have grown by 130% in the last decade (1994 to 2004).

Source: Statistics Canada, International Merchandise Trade database

³ Source: Statistics Canada, Business Register, Exporter Register, 2003

most telling indicators of this is that, in a number of sectors, productivity remains significantly lower than in leading countries and other regions of Canada. A higher degree of competitiveness is crucial for Atlantic firms, particularly SMEs, to grow and increase their penetration in export markets.

To increase productivity, it is necessary for companies to invest in advanced technologies and worker training, and pay more attention to commercializing the results of research and development (R&D). It is necessary for these firms

Enterprise Development client focus

- *Fostering SME development and regional economic capacity building*
- *Access to business information*

to become more export-oriented, both to access larger markets and, through exposure to foreign competition, to learn of innovative ways of doing business from technology and marketing perspectives. Among the greatest barriers to the start-up and expansion of SMEs is insufficient access to capital. Breaking down these barriers, in association with public and private sector partners, is a priority.

In 2006-2007, as an initial step, the Agency will continue to restructure its offices to enable a better, more holistic approach to its key themes. This promises to enable single points of contact for many of its clients. Furthermore, the Agency is continuing to enhance the level of engagement between its various areas of functional expertise, for example, by engaging trade expertise in the development of initiatives targeted at key areas such as youth and women.

Through its network of development offices across the Atlantic region, the Agency will continue to work with its clients and various levels of government, to maximize access to other sources of funding.

It is within this context that the Agency will work in partnership with other stakeholders and industry to improve the growth and competitiveness of Atlantic SMEs. In 2006-2007 and subsequent years, the Agency

Key Priority

Client approach to enterprise development in collaboration with partners

will continue to approach its work in a strategic manner, and will focus on selected key themes; namely, maximizing the impact of ACOA investments, promoting and supporting improved productivity, sector development strategies, and creating an environment for new investments. The enterprise development approach will be client-focused, in that it will work with clients in a holistic manner focusing on their needs rather than promoting various programs and themes.

Key Priority

Evaluate priorities on an ongoing basis to provide the best possible support to clients

ACOA regional offices will continue their consultative and outreach work with the business community in order to obtain continual feedback on the effectiveness and relevance of their efforts. Information gathered through its networks, outreach activities and consultations will form the basis on which the Agency will evaluate its priorities on an ongoing basis to provide the best possible support to its clients.

Program Activity:

Fostering SME Development and Regional Economic Capacity Building

To improve the region’s capacity for economic growth through a variety of mechanisms, including assistance to SMEs to 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 to promote and participate in the region’s transition to the knowledge economy.

Expected Results: Improved growth and competitiveness of Atlantic SMEs.			
Indicators:	Annual Targets: (2006-2007)		
• Survival rates of ACOA-assisted firms	• 1 to 2 times higher than non-assisted firms		
• Percentage increase in payrolls for ACOA-assisted firms	• 1.5 to 2 times higher than non-assisted firms		
• Productivity growth rate for ACOA clients	• 1.5 to 2 times higher than non-assisted firms		
Performance Measurement Strategy: Analysis of data from Statistics Canada.			
	2006-2007	2007-2008	2008-2009
Financial Resources (\$ millions)	279.6	262.0	259.4
Human Resources (FTEs)	440	440	440

ACOA’s activities, whether investing in research and development, providing SME skills and training, expanding trade, or promoting foreign direct investment and venture capital, are directed at enhancing the competitive strength of SMEs in Atlantic Canada. Small firms create the larger share (60%) of new jobs in Atlantic Canada, making them critical to economic development⁴. SMEs, unfortunately, have a high failure rate in their first few years of existence, and thus find it difficult to attract capital to start and grow, and to get the right advice. Overcoming these hurdles is one of ACOA’s priorities.

The Agency provides assistance to SMEs to help them start, expand or modernize, enabling these firms to increase their productivity and be competitive in the world market. To achieve these results, ACOA will focus on selected key themes; namely, maximizing the impact of ACOA investments, promoting and supporting improved productivity and sector development strategies, and creating an environment for new investments.

Fostering SME Development and Regional Economic Capacity Building through:
<ul style="list-style-type: none"> • Innovation • Entrepreneurship and business skills development • Trade • Investment • Tourism • Other support to SMEs

⁴ The State of Small Business and Entrepreneurship, Atlantic Canada – 2005, Atlantic Canada Opportunities Agency, page 29

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

Program Sub-activity: Innovation	
Description: 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.	
Indicators:	Annual Targets: (2006-2007)
<ul style="list-style-type: none"> • Percentage of leveraging of funds toward innovation projects • Number of meaningful partnerships and collaborations for technology development and commercialization 	<ul style="list-style-type: none"> • 50% • 40
	Five-year Target: (2003-2004 to 2007-2008)
<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"> • 35-50*
Performance Measurement Strategy: Analysis of data from internal systems.	

* This is an initial target. Data will be gathered throughout 2006-2007, which will provide for the establishment of an appropriate baseline and possible adjustments to the target.

The focus of innovation is to strengthen the capacity and performance of the Atlantic Canadian economy through the adoption/adaptation of leading-edge technologies, the research and development of new or improved technologies and their commercialization, and the growth of strategic sectors/clusters. ACOA’s vision for innovation in Atlantic Canada is a region that is recognized for its innovative capacity and its competitiveness in global markets, with an environment conducive to innovation.

The principal tools available to ACOA to advance its innovation strategy are the Atlantic Innovation Fund, which focuses on accelerating the development of the knowledge-based industry; the Business Development Program, which is used to provide funding for R&D projects via its Innovation element; and the Productivity and Business Skills Initiative, which aims at

ACOA will continue to advance its innovation strategy through five key themes.

1. **Innovation systems strengthening:** forging systems linkages, addressing innovation infrastructure gaps, and replicating proven commercialization models.
2. **Strategic sector support:** identifying strategic sectors, sector capability and needs, and funding strategic alliances for innovation and commercialization.
3. **Building innovation capacity:** improving SME access to risk-oriented financing, and building research capacity at universities and other research facilities in support of SME innovation.
4. **Addressing skills gaps:** strengthening technical expertise in SMEs, and attracting leading-edge researchers to Atlantic universities.
5. **Policy, advocacy and co-ordination:** undertaking policy research on critical “horizontal” topics, carrying out a stronger federal innovation advocacy role, and improving regional co-ordination.

improving small and medium-sized businesses' competitiveness through a number of activities such as training, hiring skilled personnel, and improving productivity and/or quality. These tools support ACOA's objective of increasing innovation capacity, ultimately leading to productivity improvement. ACOA's investments will, among other things, 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.

In 2006-2007, through its Springboard⁵ initiative, ACOA will work to engage the Atlantic Association of Universities (AAU) to enhance the transfer of technology from universities to the private sector. Furthermore, ACOA will work in collaboration with other government departments engaged in innovation, such as Industry Canada, National Research Council, and the Canada Foundation for Innovation. A key focus in this work will be to harmonize an approach to maximizing the effectiveness of federal funding. Proactive development of innovation projects along key sectors will continue to be an important strategy in maximizing the effectiveness of programming. As well, ACOA will explore opportunities to work with industry associations in identifying opportunities for developing the innovative capacity within certain sectors.

<p>Key Priority <i>Proactive support to innovation</i></p>

⁵ Springboard Atlantic Inc. is an association involving 14 AAU members, and is supported by ACOA. The focus is on the effective and efficient transfer of technology among universities in Atlantic Canada. It also aims to advance the commercialization of research within both universities and the region's private sector.

Program Activity:
Fostering SME Development and Regional Economic Capacity Building

Program Sub-activity: Entrepreneurship and Business Skills Development	
Description: Facilitates projects, other than community economic development or tourism or trade (export development projects), 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.	
Indicators:	Three-Year Targets: (2005-2006 to 2007-2008)
<ul style="list-style-type: none"> • Percentage of participants in entrepreneurship awareness and promotion activities indicating that the activity increased their intent to start a business • Percentage of participants in business skills development activities indicating that the skills acquired were relevant to enhancing business start-up, survival and/or growth 	<ul style="list-style-type: none"> • 60% to 75% * • 60% to 75% *
Performance Measurement Strategy: Analysis of data from internal database system.	

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

A key to achieving better economic opportunities and growth in Atlantic Canada is to ensure that there are more entrepreneurs and, even more importantly, that owners of SMEs have the business skills needed to succeed and grow their enterprises.

SMEs are at the heart of Atlantic Canada’s economy, and in fact over 70% of gross employment created by new firms in Atlantic Canada during the 1989 to 2000 period was in small businesses⁶. ACOA is an advocate of entrepreneurs and has adopted an Entrepreneurship and Business Skills Development Strategy focused on increasing the number of people with the motivation and skills to successfully start, sustain, or grow a business.

The strategy is designed to create an entrepreneurial climate where entrepreneurship is widely perceived as a career option and business skills development is part of the business culture. Much of the work has a clear emphasis on young people and women business owners, with projects spanning various stages of business development, from exploring entrepreneurship to business retention and growth.

⁶ *The State of Small Business and Entrepreneurship, Atlantic Canada – 2005*, Atlantic Canada Opportunities Agency

Recognizing that strong business skills are critical to business survival and growth, ACOA supports initiatives that enhance awareness and adoption of such skills. Increased networking, training and mentoring are some of the developmental tools used to this end. However, business skills development comes with a wide array of challenges. Often, owners of SMEs either are not aware of the bottom-line benefits that can flow from improved competencies, or simply don't have the time or the financial resources required to enhance those skills.

To meet those challenges, in 2006-2007 ACOA will continue to support awareness, promotion and co-ordination activities to change attitudes toward self-employment with special focus on investment in business skills. These activities will go beyond merely encouraging the exploration of entrepreneurship as a career choice, and will get down to the development of the skills needed to allow entrepreneurs to sustain and grow their businesses. Examples include workshops, Web-based business management courses, internships in SMEs, conferences targeting entrepreneurs, mentoring, business advisory and counselling services, and skills development partnerships with universities.

Two key initiatives are:

- The Women in Business Initiative (WBI), which focuses on strengthening the management capabilities and business development skills within women-owned ventures, improving their access to capital and business support services.
- The Young Entrepreneur Development Initiative (YEDI), which provides young Atlantic Canadians who are aspiring or existing entrepreneurs with opportunities to develop business skills.

Key partners and clients are non-commercial entities, including not-for-profit business support organizations, industry associations, educational institutions, other government departments, and similar groups.

Program Activity:
Fostering SME Development and Regional Economic Capacity Building

Program Sub-activity: Trade	
Description: Projects other than community economic development and tourism projects, that strengthen the international marketing capabilities of SMEs; assist business to enter international markets (new exporters); and facilitate SMEs improved international business performance (increased sales to existing international markets).	
Expected Results: Increased export capacity and sales for SMEs in Atlantic Canada.	
Indicators:	Annual Targets: (2006-2007)
<ul style="list-style-type: none"> • Number of SMEs that have increased export-readiness • Number of new exporters • Number of exporters developing new markets 	<ul style="list-style-type: none"> • 500 • 40 • 60
Performance Measurement Strategy: Analysis of data from Statistics Canada, surveys and internal reports.	

Exporting is one of the nation’s leading engines of economic growth. It builds revenues, fuels business opportunities, and generates jobs. 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, render Atlantic Canada particularly well suited as a base for exporting.

Exports have grown by more than 130% during the last decade (1994 to 2004)⁷. However, there is room for expansion. With less than 3%⁸ of the region’s SMEs involved in export activities, ACOA has focused on proactive measures aimed at building the export capacity within Atlantic Canada.

The Agency works both directly and in partnership with other federal departments and the four provincial governments to deliver its strategic approach to trade development. This approach is focused on four strategic elements: awareness; skills development; capacity building; and policy, advocacy and co-ordination.

Key Priority
Client approach to enterprise development in collaboration with partners

The awareness initiatives promote SME interest in exporting as a growth strategy, enhance the knowledge of current and potential exporters regarding major trade issues and opportunities, and increase awareness within selected export markets of the Atlantic SME export capability.

⁷ Source: Statistics Canada, International Merchandise Trade database
⁸ Source: Statistics Canada, Business Register, Exporter Register, 2003

ACOA's trade education and skills development activities apply to existing, export-ready and potential exporters, providing training and mentoring tailored to their specific requirements. It also builds a cadre of capable trade consultants in the region. The Agency will continue to increase its focus on women, Aboriginal and young exporters within the region. Key initiatives, including missions and export-readiness training, will address barriers these groups face, and will assist their export development.

The capacity building element assists companies in international market expansion and product development, and includes the organization of ACOA-led and partnered trade missions to select U.S. and European markets. In 2006-2007 the Agency will increase its efforts and focus on emerging markets and aftercare and follow-up with exporting Atlantic SMEs. This will be undertaken through various training and research initiatives in collaboration with regional and federal stakeholders and foreign posts. Sectors of focus will include aquaculture, aerospace and defence, and energy.

ACOA's trade strategy incorporates a research agenda focusing on SME export development needs and sectoral export capability. The Agency will continue to develop Atlantic Canadian emerging sectors through the implementation of sector export strategies developed both on a pan-Atlantic and regional basis. The advocacy function provides for an enhanced Agency advocacy role in influencing national and regional policy.

Support for ACOA's trade strategy is provided through:

- *Atlantic Trade and Investment Partnership (ATIP)*
- *International Business Development Program (IBDP)*
- *Business Development Program (BDP)*

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

Program Sub-activity: Investment	
Description: 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.	
Indicators:	Annual Targets: (2006-2007)
<ul style="list-style-type: none"> • Increased awareness of Atlantic Canada as a profitable place to do business (by potential stakeholders and investors) • Number of qualified investment suspects⁹, leads¹⁰, and prospects¹¹ provided to key players and developed through ACOA 	<ul style="list-style-type: none"> • 55 to 60 enquiries for further information with regard to investing in Atlantic Canada • 20 to 25
Performance Measurement Strategy: Annual targets will be measured through analysis of data from internal reports.	

Foreign direct investment (FDI) creates jobs and generates revenues; it strengthens economic infrastructure and builds industrial critical mass required to successfully compete in a global economy. Atlantic Canada’s share of inward FDI is less than 5% of the national amount, compared with 4% for R&D, 6% of the gross domestic product (GDP), and 7.4% of population.¹² Therefore, the potential for economic growth through FDI in Atlantic Canada is significant.

Greater only than the benefits of FDI in Atlantic Canada is the challenge of attracting it. Success requires a focused strategy and a dedicated champion. As the sole arm of the Government of Canada mandated to work toward a better economic future for the region, ACOA will continue to embrace FDI as a strategic focus and an Agency priority in 2006-2007.

In recognition of the importance of FDI as a vehicle for economic growth, ACOA’s Atlantic Investment Strategy is designed to increase FDI in Atlantic Canada through a greater pan-Atlantic co-operative effort in the areas of investment research, awareness and promotion, investment intelligence dissemination, partnerships, and lead development.

⁹ Suspect - for marketing purposes, a member of a target group that may only be known by demographic information

¹⁰ Lead - a qualified response with very limited interaction with an Atlantic Canadian company

¹¹ Prospect - a party interested in a particular solution that has been identified

¹² *Foreign Direct Investment in Atlantic Canada*, Atlantic Province Economic Council, May 2002

This investment strategy has enabled ACOA to undertake comprehensive pan-Atlantic and provincially-based investment development initiatives such as:

- science, technology, trade and investment missions to key markets
- Team Canada Atlantic missions
- lead identification and development
- direct marketing and advertising campaigns
- promotion of the region through several marketing initiatives, including trade show and conference co-ordination and participation, and journalist and site selector familiarization tours.

Elements of the Atlantic Trade and Investment Partnership supporting the investment strategy include:

- Investment research - ACOA focuses its research on the identification and analysis of key factors influencing investment location decisions by foreign corporations, and major trends in the international community.
- Information management and dissemination - The Agency identifies investment opportunities and provides timely investment intelligence to partners, including provinces and municipalities, in order to increase foreign direct investor opportunities in Atlantic Canada.
- Awareness and promotion - The Agency carries out a strategic program to increase awareness, among the U.S. and European investment communities, of Atlantic Canada as a profitable location in which to do business.
- Investment partnerships - ACOA creates closer partnerships – such as the Pan-Atlantic Investment Co-ordination Committee – with Investment Partnerships Canada, Foreign Affairs Canada, International Trade Canada, Industry Canada, and the four Atlantic provinces in order to reduce duplication in the research, awareness and promotion, and intelligence dissemination aspects of FDI development. In addition, the partnerships are also directed at the pooling of human and financial resources to create a greater critical mass with regard to investment development activities, as well as marketing Atlantic Canada as a cohesive entity for investment promotion purposes.
- Lead development - the Agency continues to support provincial and federal investment colleagues through the identification of investment leads and prospects. In addition, ACOA undertakes lead generation activities of its own, via advertising, direct marketing, trade fairs, and networking initiatives.

In 2006-2007, the Agency will increase its efforts and focus on lead development. This will be undertaken through various marketing/research initiatives in collaboration with regional and federal stakeholders and foreign posts. Specific efforts will be made to promote the region in key sectors, including IT outsourcing (nearshoring), advanced manufacturing and innovation, to attract inward foreign direct investment.

Program Activity:
Fostering SME Development and Regional Economic Capacity Building

Program Sub-activity: Tourism	
Description: 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; enhancing quality of tourism product; and extending the tourism season or multi-seasonal expansion.	
Expected Results: Increased growth and competitiveness of tourism industry.	
Indicators:	Annual Targets: (2006-2007)
<ul style="list-style-type: none"> • Productivity growth for ACOA-assisted versus non-assisted firms • Payroll growth for ACOA-assisted versus non-assisted firms 	<ul style="list-style-type: none"> • 1.5 to 2 times higher • 1.5 to 2 times higher
	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
Performance Measurement Strategy: Annual targets will be measured through analysis of data from Statistics Canada. Three-year target will be measured through analysis of data from provincial tourism departments.	

As an economic sector, tourism offers significant wealth and job creation opportunities for Atlantic Canadians. Tourism represents almost 6% of the region's gross domestic product, generates \$3.03 billion in new revenues annually, \$500 million in tax revenues and 110,000 jobs for Atlantic Canadians¹³.

Tourism demand refers to the activities of persons travelling to, and staying in, places outside their usual environment for not more than one consecutive year. It includes leisure time spent touring and sightseeing, visiting with friends and relatives, or time spent taking a vacation. Tourism demand includes people participating in conventions, conferences and other kinds of business or professional activities. Tourism supply is a composite of service providers that collectively deliver a travel experience. It includes transportation and accommodation operators, restaurant and retail shopping establishments, entertainment and recreation facilities, and other providers of visitor-related services.

ACOA's operational definition of tourism will result in the delivery of a wide and varied range of diverse marketing, capacity building and capital investment initiatives. As the catalyst for tourism innovation in Atlantic Canada, ACOA's partnerships with tourism industry associations,

Key Priority

Evaluate priorities on an ongoing basis to provide the best possible support to clients

¹³ Source data provided by the Atlantic provinces tourism departments

private sector groups, provincial and municipal governments, and other federal departments and agencies will foster an unprecedented, co-operative, regional approach to tourism in Atlantic Canada. This leadership will focus government and industry attentions on strategic tourism investments and activities that will increase the growth and competitiveness of the region's tourism industry.

Expanding tourism in Atlantic Canada is one of ACOA's most sustained efforts. In 2006-2007, ACOA will continue to deliver projects that will:

- revitalize the Agency's capacity-building agenda by incorporating enhanced aftercare provisions into sustainable tourism curricula and best practices programs, and enhance the region's market readiness from a quality-of-product-and-service perspective;
- reinvigorate the Atlantic Canada Tourism Partnership by addressing recent changes in tourism markets, intelligence and technology, and incorporating an expanded industry role;
- renew strategic niche marketing partnerships, including the Atlantic Canada Cruise Association, Signature Attractions of Atlantic Canada, Tourism Atlantic Marketing Initiative, and other niche partnerships as they arise;
- build tourism-related infrastructure and capacity in Atlantic Canada through the establishment, expansion and modernization of tourism businesses, and through increased participation in strategic marketing partnerships and product readiness programs; and
- continue to lend support to provincial governments and industry groups in charting tourism development priorities and strategies.

Program Activity:
Fostering SME Development and Regional Economic Capacity Building

Program Sub-activity: Other Support to SMEs	
Description: Projects, which cannot be attributed to other sub-activities, that directly support increased private sector investment, business planning, marketing for the domestic market, or establish venture and seed capital funds.	
Expected Results: 1) Enhanced availability and utilization of risk capital in Atlantic Canada. 2) Increased activity in SME establishment, expansion and modernization related to the domestic market.	
Indicators:	Three-year Targets: (2005-2006 to 2007-2008)
1) Number of investments made by venture capital funds	• 60 deals
Dollars of financing involved	• \$150 million
Dollars leveraged from investors based outside the region	• \$75 million
2) Increase in sales	• Stabilize or increase sales
Increase in wages and salaries	• Stabilize/increase wages and salaries
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.	

Among the greatest barriers to the start-up and expansion of SMEs in Atlantic Canada is insufficient access to capital. Breaking down these barriers, in association with public and private sector partners, is a priority for ACOA. The Agency aims to help address the most critical financing gaps such as soft-cost investments in new technology, staff training and trade development. There is evidence of some higher risk, project-related gaps in rural areas and in the tourism and aquaculture sectors. There are also client-related gaps (e.g. women, youth) and gaps in equity and micro credit.

SMEs need better access to conventional financing. Hence, ACOA is working with its partners to broaden the supply of financing available through banks, credit unions, caisses populaires, the Community Business Development Corporations, and others. For high growth and high potential SMEs, alternative sources of financing such as venture capital and the stock market are required if ACOA is to achieve its vision of a self-sustaining, viable Atlantic economy. In this regard, ACOA has recently made a \$10 million investment in GrowthWorks Atlantic Venture Fund, a local labour-sponsored venture capital fund that operates in the Atlantic provinces. This investment was significant because it also allows for capital retention, i.e. Atlantic Canadians investing in Atlantic Canada's emerging SMEs.

The Agency also funds projects that directly support increased private sector capital investment, business planning, domestic marketing, establishment of facilities and infrastructure, and establishment of venture and seed capital funds. An example of such projects is ACOA’s contribution to host the Global Microcredit Summit in Halifax in November 2006, that will result in over 2,000 delegates from all over the world converging to Atlantic Canada to bring microcredit to the forefront.

The Business Development Program is the principal instrument used by the Agency to provide support, in accordance with the Agency’s risk management framework, for the higher risks of doing business in Atlantic Canada. It is designed to enable SMEs to obtain interest-free and unsecured loans that act much like equity and can be used to leverage capital from other sources.

In the next three years, ACOA will work closely with its private sector partners in an effort to increase the supply of “patient capital” available for Atlantic SMEs. The patient capital gap has been identified as being in the \$100,000 to \$500,000 range. Potential interventions by ACOA include the formation of capital pools, finding the right mechanism to support the “angel” network, and investor-readiness workshops for SMEs that are searching for development or growth capital.

For projects that directly support the business community, ACOA will focus on supporting strategic initiatives and sectors identified in the regional workplans.

Key Priority

Client approach to enterprise development in collaboration with partners

Program Activity: Access to Business Information

Providing counselling, mentoring, information referrals to Atlantic Canadians.

Expected Results: Access for Atlantic Canadians to accurate, timely, and relevant business information, counselling and referrals.			
Indicator:		Two-year Target: (2006-2007 to 2007-2008)	
<ul style="list-style-type: none"> Percentage of clients indicating satisfaction with information they received (from CBSCs) 		<ul style="list-style-type: none"> 75% to 80% 	
Performance Measurement Strategy: Analysis of data from client surveys.			
	2006-2007*	2007-2008*	2008-2009*
Financial Resources (\$ millions)	2.8	0.0	0.0
Human Resources (FTEs)	22	0	0

* Funding has been provided for a one-year extension of CBSC funding for 2006-2007.

Entrepreneurs require access to a wide variety of business development tools and resources 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. The Government of Canada provides this service through the Canada Business Network, with ACOA acting as the federal managing partner for the Canada Business Service Centres (CBSCs) in Atlantic Canada.

The objective of this network of CBSCs is to improve service to small business and start-up entrepreneurs by providing comprehensive information and referrals on government services, programs and compliance requirements for both the federal and provincial orders of government. Serving the business community and entrepreneurs of Canada for over 11 years, the CBSCs reduce the complexity of dealing with various levels of government by serving as a central resource for Canadian business. CBSCs are innovative service providers that facilitate partnerships with other levels of government and business service organizations, all with a view toward providing the best possible client service.

In Atlantic Canada, CBSCs are located in each provincial capital city with access being further enhanced through 108 regional access sites across the region, including 43 Aboriginal Business Service Network sites. Clients may access the CBSCs' services via their website (below), by calling their toll-free number, or visiting one of their locations.

In 2006-2007, the focus will include sustaining a high level of service to clients, enhancing awareness of services, and working with the Canada Business Network partners to implement an improved planning process across the network. For more information, please refer to the following websites:

<http://canadabusiness.gc.ca/gol/cbec/site.nsf/en/index.html>

<http://www.acoa-apeca.gc.ca/e/library/reports/rpp2006/index.shtml>

Strategic Outcome – 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.			
Indicators:		Five-year Targets: (2003-2004 to 2007-2008)	
• Impact on earned incomes in communities		• Stabilize or increase earned incomes in communities	
• Impact on employment growth in communities		• Stabilize or increase employment growth in communities	
Performance Measurement Strategy: Analysis of data from Statistics Canada.			
	2006-2007	2007-2008	2008-2009
Financial Resources (\$ millions)	81.2	70.0	45.7
Human Resources (FTEs)	86	88	88

The Atlantic economy is built on the region’s many communities. From small remote villages, to larger urban centres, the opportunities and challenges vary significantly. ACOA’s focus on community development reflects the important role of the federal government in addressing Canada’s rural/urban dichotomy, in working with Aboriginal Canadians, and in welcoming immigrants, to ensure continued prosperity and productivity. The Agency’s approach requires flexibility based on community realities, their strengths and challenges, while still being strategic on a regional level to maximize economic growth. The traditional strengths of the region’s natural resources and challenges of seasonal employment are well documented, as are the recognized needs of communities in Atlantic Canada for economic diversification, skills development and transformative change.

While overall the economy of the Atlantic region has fared quite well over the past five years, some challenges remain. One of the true challenges facing community developers in Atlantic Canada is communities in transition, those with limited economic capacity and infrastructure, and those requiring assistance in order to capitalize on economic opportunities. These communities are typically found in the region’s more rural and remote areas. In some cases, they have experienced an economic downturn through industry closure or demographic declines, or have limited new job growth that has resulted in a smaller population and a limited economic base. Although adjustment measures may have been in place in some communities, the long-term impacts of these changes continue to have an effect. Youth are leaving, or have left, in search of employment and social opportunities elsewhere – either to a larger centre in the region, or to central or western Canada.

From time to time, communities in the Atlantic region face the need for sudden or phased adjustment to an economic shock such as the fishery moratorium, significant layoffs by a

major employer, or the sudden or pending closure of a mine, mill or other major industry. In these situations, all levels of government must work together with the community to develop a quick response and a plan for the future. Due to the Agency's broad economic development mandate and strong presence in the region, the community, other departments, and other levels of government turn to ACOA. The challenge for ACOA is to map out a realistic and responsive role in these situations.

In 2006-2007, a new pan-Atlantic framework for community development will be developed. This framework will ensure a cohesive, holistic and integrated approach to investments, with the flexibility to respond to regional and community differences. Throughout its history, ACOA has supported community economic development within the region. A number of program areas have been brought together in a new configuration that offers an excellent opportunity for a strategic re-examination of community economic development that builds on best practices and lessons learned from within the region and beyond. The primary focus of the framework will be to ensure that ACOA investments through all funding streams work together to support the ongoing work of communities and the region in achieving strategic economic development goals.

Key Priority
*Holistic approach to
community development*

The region's larger towns and urban centres face different opportunities and challenges. The opportunities for economic growth, the challenge of globalization and international competitiveness factor into daily decision making. Embracing innovation, and developing and retaining a skilled work force, are critical for future growth. The most dramatic and immediate impact of community development is in those that have clearly identified strengths and potential on which to build. Innovation and creativity in these communities can lead to significant development opportunities. Often there is potential to take advantage of these opportunities due to previous significant work in strengthening community development capacity. Leadership is strongest in these transforming communities, and partnerships are in place to build on existing potential. ACOA provides continued support to enhance or improve their economic base, building on their assets, and increasing their capacity to be competitive.

In addition to geographic communities, there are significant communities of interest in the Atlantic region. The limited economic capacity in First Nations communities is a fundamental development issue in the economic future of the region's Aboriginal populations, that requires ACOA to work with its many partners toward a strategic approach to development. Similarly, economic development of French language minority communities requires partnership with other governments and federal departments to ensure complementary interventions.

The building of economic capacity in Atlantic communities relies to a large extent on community-level volunteer leadership through local economic development organizations and, to an increasing extent, there is a strong role for municipalities and local government. ACOA recognizes that building on these community level partnerships is a critical factor of any community development strategy.

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 (CEDOs) that, in turn, provide financial and technical assistance to businesses and communities; conduct strategic planning; and co-ordinate economic development projects under a range of self-sustaining development projects under strategic Community Economic Development (CED) initiatives.

Expected Results: Enhanced business and economic opportunities for Atlantic Canada communities.			
Indicators:	Annual Targets: (2006-2007)		
<ul style="list-style-type: none"> Jobs created by CBDCs and the Seed Capital Program Level of strategic investment in communities 	<ul style="list-style-type: none"> 1,600 jobs \$42.8 million 1,600 loans 		
Performance Measurement Strategy: Analysis of data from CBDC reports and internal systems.			
	2006-2007	2007-2008	2008-2009
Financial Resources (\$ millions)	42.8	44.6	44.8
Human Resources (FTEs)	79	81	81

ACOA supports economic development with communities through projects that build their capacity to identify and co-ordinate the implementation of priorities for economic development in their region. In some cases, these projects are supported by other 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.

The Agency also works to establish and strengthen partnerships with other levels of government and community organizations; engages municipalities on community development priorities; and continues to work in partnership with the provinces on joint community economic development priorities and strategies.

The Innovative Communities Fund (ICF) is a primary program tool for investing in community development priorities. This program supports strategic investments and capacity building initiatives in the context of community/regional strategic economic development plans.

In 2006-2007, ACOA staff will continue to work with communities and community organizations to identify, develop, and support projects that will improve the economic base and long-term development of the community/region.

Key Priority
Capacity building

In addition, the Agency will foster networking and improved communication between community development partners to encourage sharing of best practices and to leverage investments. Agency staff will engage municipalities on community development priorities, and continue to work in partnership with the provinces and the private sector on joint community economic development priorities and strategies.

The Agency will build on the strengths and relationships at the community level and processes such as the Joint Economic Development Initiative (in New Brunswick) and the Nova Scotia Tripartite partnership that focuses on Aboriginal economic development. ACOA will also work in collaboration with Industry Canada and Indian and Northern Affairs Canada in their roles as lead departments for Aboriginal development. The Agency will also work with other federal departments for continued economic development of French language minority communities and development of culturally-sensitive economic policies.

<p>Key Priority <i>Facilitation of partner collaboration</i></p>

As part of its overall focus on population, the Agency will work toward creating an environment that will support the retention and repatriation of Atlantic Canadians in the short term, while recognizing the opportunity for immigration as a possible long-term population development strategy to address the skills and labour force issues facing the region.

To facilitate socio-economic development at the local level, and to increase the capacity of communities to reach their economic development potential, the Agency supports community-based economic development organizations such as the 41 Community Business Development Corporations (CBDCs) and the 51 Regional Economic Development Organizations (REDOs). CBDCs enhance business and economic opportunities in Atlantic Canada’s rural communities, through the provision of investment capital and business counselling. REDOs, often funded in partnership with provincial and local governments, play a leadership role in strategic community development planning project development.

In 2006-2007, ACOA will continue to work in partnership with the CBDCs and urban-based business support organizations to help Atlantic Canadians, through the Seed Capital Program, to acquire the business skills and capital they need to start, modernize and expand their businesses.

Program Activity: Special Adjustment Measures

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

Expected Results: Partner with communities to manage and mitigate economic crises.			
Indicator:	Three-year Target: (2005-2006 to 2007-2008)		
<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 		
Performance Measurement Strategy: Evaluation of data from studies, surveys and internal evaluations.			
	2006-2007	2007-2008	2008-2009
Financial Resources (\$ millions)	24.5	24.5	0.0
Human Resources (FTEs)	0	0	0

The Agency supports initiatives designed to address the specific economic adjustment needs of Atlantic Canadian communities. From time to time, the federal government announces special program initiatives to help affected individuals and communities adjust to their changing economic circumstances. These situations may arise as a result of a downturn in an industry or closure of a major employer and usually are high profile and involve sensitive issues. Economic adjustments to industry closures, resource reductions and other factors require a co-ordinated and effective response by ACOA, other government departments and other levels of government.

Taking advantage of its established network and knowledge of the region, ACOA delivers special development initiatives on behalf of the federal government to facilitate alternate and replacement economic opportunities in communities or areas that experience closure of significant employers or other significant shocks to employment. The Agency assists with planning and strategy development to reduce the impact of economic downturns and improve the economic base of communities in the long term.

ACOA has been asked in the past, for example, to deliver adjustment programs that responded to the closure of military bases, the closure of the cod fishery, and the termination of the ferry service from New Brunswick to Prince Edward Island.

Typically, targeted funding is available for adjustment that is the result of a government decision or that clearly falls within the government’s mandate. Currently, the only targeted adjustment program being delivered by ACOA is the Saint John Shipyard Initiative, in response to the closure of the shipyard in Saint John, New Brunswick.

Key Priority
Adjustment initiatives

A more common response to adjustment, such as factory closures or major downsizing, sees ACOA work in collaboration with a community, other federal departments and other levels of government to use existing programs to best respond to the situation. Economic

adjustment to industry closures, resource reductions and other factors requires a co-ordinated and effective response by ACOA and other government departments. The challenge is to map out a realistic and responsive role in these situations.

To aid in the development of such realistic approaches, ACOA staff will examine work that ACOA and other government departments have done to date in delivering adjustment initiatives, in order to capture lessons learned from these experiences, as well as from ACOA's ongoing work with communities in the diversification of their economies in response to economic challenges. From this information, as well as information from other jurisdictions, ACOA will be better positioned to provide advice to communities and government and propose action in response to adjustments that may be required in the future.

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:	Three-year Target: (2006-2007 to 2008-2009)		
<ul style="list-style-type: none"> Investments in infrastructure projects in Atlantic Canada 	<ul style="list-style-type: none"> \$15.7 million 		
Performance Measurement Strategy: Analysis of data from Shared Information Management System for Infrastructure (SIMSI).			
	2006-2007	2007-2008	2008-2009
Financial Resources (\$ millions)	13.9	0.9	0.9
Human Resources (FTEs)	7	7	7

Community infrastructure is an essential building block for community development. Investments in infrastructure ensure safe drinking water, effective waste management systems, and key transportation projects that facilitate the safe movement of people and goods. As well, strategic infrastructure that supports community development and economic growth can be a catalyst for a community to grow and prosper.

Community-based infrastructure programs are implemented by ACOA in the Atlantic region on behalf of the Government of Canada. Provinces and municipalities manage these projects. In most cases, the Government of Canada matches provincial contributions and generally provides up to one-third of the cost of infrastructure projects. Under various funds, Infrastructure Canada provides national co-ordination among delivery partners in the implementation of the projects.

ACOA regional vice-presidents act as federal co-chairs on the federal-provincial infrastructure management committees. ACOA remains committed to deliver on these important federal initiatives.

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

Strategic Outcome – 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 Atlantic economic development

Expected Results: Provide policy leadership and advocate Atlantic Canada's interest in economic policy and programming.			
Indicator:	Five-year Target: (2003-2004 to 2007-2008)		
<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 		
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.			
	2006-2007	2007-2008	2008-2009
Financial Resources (\$ millions)	16.8	16.7	16.7
Human Resources (FTEs)	64	64	64

Key Objectives of PAC
<ul style="list-style-type: none"> Provide ongoing intelligence and information to decision-makers to determine policy positions and strategic priorities. Advance or develop corporate strategies in areas of sectoral and horizontal priority. Explore areas of further development of the Atlantic economy. Advance the evolution of federal regional development policy. Defend the region's interests in national policy and program development. Pursue industrial regional benefit opportunities.

ACOA's legislation provides the mandate for the Agency's policy, advocacy and co-ordination (PAC) role, which has become central to identifying and analyzing the critical issues facing the regional economy. The PAC function at ACOA exists to inform and support decision-making by the Agency and the Minister, providing intelligence, analysis, and well-grounded advice on a broad range of issues and topics.

The PAC role takes on an added importance as the region undergoes a transformation, with both traditional industries accommodating new global circumstances, and new

endeavours, largely urban-based, entering the industrial mix. Resource industries are struggling to deal with both resource constraints and competitive pressures that are currently seeing rationalization in the pulp and paper sector. All companies must confront the need to modernize their productive processes and technologies. Communities must face up to necessary adjustments, both to stay competitive and to attract or foster new enterprise. Improved productivity is key to this whole process, at the level of the region, a sector, a community, or a company. In addition, the demographic

challenge is very real, both as the region loses population, and as those who remain get older. There is a shift of population within the region, as well, from rural to urban areas, which places stress on many smaller and remote communities. Skill shortages are developing in many industries, particularly those in new and knowledge-based sectors.

One of the initiatives to be undertaken in 2006-2007 is designed to gain greater insight on how to increase Atlantic Canada's productivity and competitiveness; this will be essential to take advantage of the opportunities and challenges that will occur with the economic emergence of China and India, and to address the economic challenges of significant demographic change and population shifts from rural to urban areas in Atlantic Canada.

The immigration strategy developed in 2005 guides the Agency in its work to help address the demographic challenges faced by the Atlantic provinces, by fostering activities to attract and retain immigrants in Atlantic Canada. This strategy is leading to a wider Atlantic Population Strategy, currently being developed in collaboration with the provinces and other federal departments, which seeks to help address some of the impact of a declining and aging population, as well as continuing shifts of population from rural to urban areas.

Another initiative is to redefine the Agency's community adjustment strategy, which will guide the collaboration with affected communities and help them identify and develop a new economic future. Such a strategy can build on the Agency's vast experience in community development, and on best practices in community adjustment collected both in the region and elsewhere.

Sector strategies are also a means to help communities adjust. An example is the evolving strategy for aquaculture in Atlantic Canada, which takes into account industry opportunities and challenges related to competitiveness, fish health, international trade and regulation, and policy or program issues at the local, provincial, federal and international levels. In 2006-2007, ACOA will continue to work closely with Fisheries and Oceans Canada in developing a national aquaculture framework agreement.

Both horizontal and sectoral strategies, developed in collaboration with other federal departments, provinces and industry, guide the Agency in its advocacy efforts and in federal-provincial discussions.

One of the management priorities to be carried out in 2006-2007 is the establishment of a process to identify and review policy and advocacy priorities on an ongoing basis. This will help ensure that the Agency's efforts reflect the changing global economic environment; the economic opportunities and challenges; provide a basis to reallocate resources; and modify program instruments and policies.

ACOA's work, in co-ordination with its partners, must address these and many other critical requirements, while staying relevant both to the Government of Canada's overall policy directions and to ACOA's central mandate of economic development in Atlantic Canada.

Program Activity: Policy Research

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

Expected Results: Increase internal and external capacity to identify and explore issues critical to developing policies and designing and improving programs.			
Indicators:		Targets: (2006-2007)	
<ul style="list-style-type: none"> • Impact of new policies/strategies on programs and initiatives • Usefulness and impact of studies • Increased capacity of partners/researchers to participate in policy development 		<ul style="list-style-type: none"> • Continuation of program and policy review activity based on environmental scanning and issue analysis • Studies and research relevant to the Government and Atlantic Canada priorities • Creation of inventory of researchers 	
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.”			
	2006-2007	2007-2008	2008-2009
Financial Resources (\$ millions)	11.0	10.9	10.9
Human Resources (FTEs)	29	29	29

The policy function is carried out by means of internal and external research on significant Atlantic economic issues, through ongoing analysis of issues, trends, challenges, and opportunities facing the region, and through stakeholder engagement and consultative initiatives, including roundtables and conferences. Within ACOA, officials in head office, regional offices and the Ottawa office carry out the policy function.

Key Priority
A strong policy and advocacy role

A policy network has been established to engage policy resources from all parts of the Agency in corporate policy initiatives, to provide an internal “think tank” on policy issues, and to contribute to well-informed positions on key issues, federal-provincial relations and sectoral or horizontal strategies.

The Agency undertakes research internally and funds research undertaken by a range of partners, including researchers at Atlantic Canada’s universities and in public policy organizations. A dedicated research program, the Atlantic Policy Research Initiative, supports region-wide research projects, and is designed to contribute to building a critical mass of public policy research capacity in Atlantic Canada.

Some of the research areas ACOA intends to undertake in 2006-2007 and subsequent years relate to innovation and commercialization. These could include innovation benchmarking, sector/cluster analysis, community-based innovation, Atlantic Canada's trade relationships and trade environment.

The Agency's policy work aims to provide a well-grounded base of understanding for the development of ACOA strategic priorities and initiatives, for program design, and as input to major resource allocation decisions. It is also a source of input to national policy development and provincial and federal-provincial relations.

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.			
Indicators:	Five-year Targets: (2003-2004 to 2007-2008)		
<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 		
Performance Measurement Strategy: Analysis of data from interviews with senior officials of economic development departments, and from the Agency’s files and procurement network.			
	2006-2007	2007-2008	2008-2009
Financial Resources (\$ millions)	4.0	4.0	4.0
Human Resources (FTEs)	23	23	23

ACOA’s advocacy efforts have two main aims – defence of the region’s interests in national policy and program development, and pursuit of industrial regional benefits (IRBs) from large national procurement contracts, particularly major Crown projects, such as those tendered by the Department of National Defence. Undertaken largely in Ottawa, with full input from the region, ACOA co-ordinates and executes a strategic advocacy agenda reflecting the opportunities and strengths of Atlantic Canada.

The advocacy function influences national decision-making processes through rapid and reactive responses to federal initiatives. Equally important is proactive advocacy, ensuring that the federal system is informed on the issues and priorities essential for Atlantic Canada’s development. Advocacy ensures a two-way flow of information from and to the region, particularly on topics related to ongoing strategic priorities.

Key Priority
A strong policy and advocacy role

Advocacy efforts have ensured that the federal government is able to respond quickly and effectively to unexpected economic challenges in Atlantic Canada. ACOA has advocated on behalf of communities to ensure they have the support needed to build sustainable economies.

Since early 2005, the Agency has focused its advocacy efforts on several priorities (see box at right), each led by a vice-president champion. The objective of having defined priorities is to ensure national policies and programs reflect the regional context and environment and promote Atlantic Canadian opportunities. For example, the Atlantic population strategy addresses several key Government of

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

Canada priorities, including immigration, youth, cities and communities and regional economic development. Advocacy efforts are focused on strategically increasing the population of the region through activities that will increase the availability of skilled labour, productivity enhancements and community capacity.

These advocacy priorities are strategically aligned with the economic development direction of the region. Sustained, high-profile senior commitment and leadership ensure access and effective integration of these priorities at the national level. ACOA's advocacy activities also involve strategic partnerships and alliances with stakeholders at all levels of government, industry and communities across Atlantic Canada.

The federal government's attention to cities and communities has allowed ACOA, through its advocacy priorities, to provide an ongoing regional perspective to national infrastructure program development and delivery. For example, future infrastructure investments under economic, social and cultural pillars complement ACOA's existing programs and efforts. These common benefits have ensured the continued inclusion of ACOA in priorities setting discussions for national, city and community initiatives.

The federal industrial regional benefits (IRB) policy is a framework for using major procurements as a lever to promote industrial and regional development objectives to improve industrial competitiveness; gain market access; and increase investment and exports in high technology sectors. ACOA uses the IRB policy to inform and advocate to national and multi-national companies about Atlantic Canadian industrial capacity, and encourages bidders to work and partner with these companies.

The IRB component of advocacy concentrates on major Crown projects in excess of \$100 million. Currently, IRBs are pursued through the Department of National Defence's annual capital spending of approximately \$1.5 billion. Recent industrial benefits activity undertaken by ACOA has resulted in \$1 billion in work being committed to Atlantic Canada. Current regional efforts are ongoing with regard to maritime helicopters; search and rescue helicopters; space development contracts; aerospace overhaul and repair; land vehicle refurbishment; and aerospace in-service support contracts.

ACOA participates in the review of all procurements over \$2 million for socio-economic potential, and is a member of the Senior Project Advisory Committee on all major Crown projects (those over \$100 million). The Agency advocates for a strong IRB strategy in all major Crown projects and for their subsequent inclusion in requests for proposals. IRB plans are submitted by bidders; they are evaluated and become contractual obligations that are negotiated, monitored and verified. The Agency plays an important role in the procurement system, working with government and industry, focusing on strategic initiatives that meet national and regional goals, and contributing to industrial development and economic prosperity.

A number of current major Crown projects that the Agency will be following in 2006-2007 include: tactical airlift, fixed-wing search and rescue, joint support ships;

mobile gun system; medium-support vehicle system; multi-mission effects vehicle; Victoria class in-service support; and the Halifax class modernization. There will be significant benefits accruing to Canada as a result of these programs and, because of the strong working relationship between Atlantic industry, businesses and ACOA, Atlantic firms are well-placed and well-prepared to meet the needs and expectations of the Government of Canada.

Program Activity: Co-ordination

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

Expected Results: Co-ordination of activities among ACOA, federal departments and provincial governments in Atlantic Canada.			
Indicators:		Annual Targets: (2006-2007)	
<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"> Impact on joint strategic initiatives 		Five-year Target: (2003-2004 to 2007-2008)	
		<ul style="list-style-type: none"> Progress achieved in addressing economic opportunities being pursued 	
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.			
	2006-2007	2007-2008	2008-2009
Financial Resources (\$ millions)	1.8	1.8	1.8
Human Resources (FTEs)	12	12	12

The co-ordination role is critical to ensuring that all the policy players within the region aim toward the same goals, with no duplication of effort. At one time, this co-ordination role was limited to the economic mandates of other federal departments within the region, but this has become both refined and broadened over time. Currently, federal-provincial policy efforts are focusing on productivity, competitiveness, and rural-urban issues. In addition, in 2006-2007, ACOA will continue to work toward a new population strategy for the region, in collaboration with partners that include Citizenship and Immigration Canada, the provinces, post-secondary institutions, communities, non-governmental organizations, and the private sector.

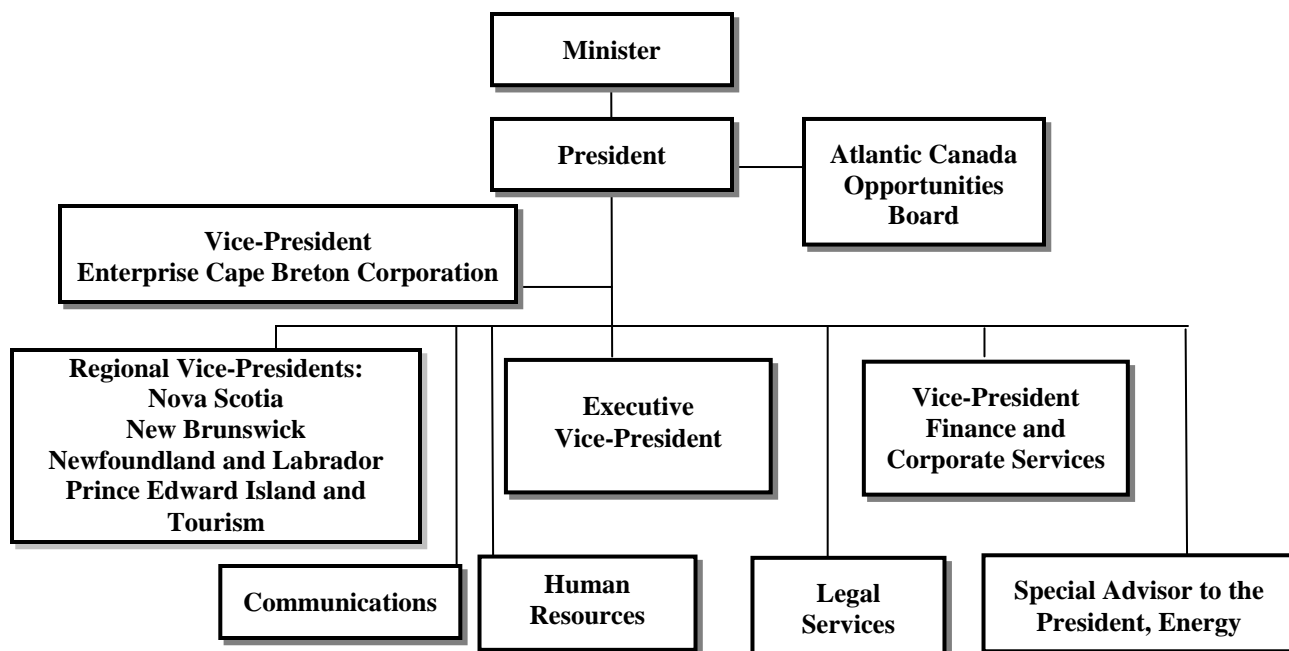
ACOA’s relationship with central agencies and, in particular, the other regional development agencies has become more important. In part, this is to share experiences in developing the regional economies in different parts of Canada. In part, it is to refine and re-define what the role of regional agencies has become, is becoming, and should be. All of these partnerships and co-ordination efforts aim to accomplish objectives that ACOA alone would find difficult. Examples of this involvement include membership in:

- Deputy ministers’ committees on economic prosperity and the environment;
- Regional development agencies’ senior officials’ committee on advancement of the regional development framework;
- federal-provincial senior officials’ committee, and its subcommittees on policy, population, and access to capital;
- Federal Regional Councils (chair and participation); and
- Atlantic Executive Network.

Key Priority
Co-ordinated
engagement strategy

Section III – Supplementary Information

Organizational Information



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

Accountability

The Minister of the Atlantic Canada Opportunities Agency, the Honourable Peter MacKay, 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) and the Cape Breton Growth Fund Corporation (CBGF).

The President of ACOA, Ms. Monique Collette, is located in Moncton, New Brunswick. The President is also the Chair of the Agency's Atlantic Canada Opportunities Board, President and CEO of ECBC, 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.

Atlantic Canada Opportunities Board

Atlantic Canada Opportunities Board members 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 ACOA President 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.

Agency Organization

ACOA's mandate and organizational structure were determined following consultations with Atlantic Canadians across the region. The result was – for the first time – a federal organization charged with regional economic development in Atlantic Canada being headquartered in the region. The Agency has 36 regional and field offices in cities and towns across the four 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 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 Vice-President 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 Executive Vice-President, also works to ensure Atlantic Canadians are aware of and able to take advantage of the opportunities to provide services and sell products to the Government of Canada.

Key Responsibilities

- Executive Vice-President
 - Policy and Programs
 - Regional level co-ordination of priorities and programs
 - Delivery of pan-Atlantic agreements
 - Policy research
 - 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
 - Business Intelligence and Chief Information Office Directorate
 - Audit and Evaluation Secretariat
 - 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)

Tables and Templates

Table 1: Agency Planned Spending and Full-time Equivalents

(\$ millions)	Forecast Spending 2005-2006	Planned Spending 2006-2007	Planned Spending 2007-2008	Planned Spending 2008-2009
Fostering SME development and regional economic capacity building	264.1	280.9	262.7	260.1
Access to business information	2.8	2.8	0.0	0.0
Community economic development	75.9	42.8	44.6	44.8
Special adjustment measures	26.2	24.5	24.5	0.0
Infrastructure programming	52.2	13.9	0.9	0.9
Policy research	11.0	11.0	10.9	10.9
Advocacy	3.9	4.0	4.0	4.0
Co-ordination	1.8	1.8	1.8	1.8
Total Main Estimates	437.9	381.7	349.4	322.5
Adjustments:				
Procurement savings				
Fostering SME development and regional economic capacity building	0.0	(0.7)	0.0	0.0
Reduced cost of the new Ministry – smaller Cabinet	0.0	(0.7)	(0.7)	(0.7)
Governor General Special Warrants				
Additional funding to support community economic development in rural and disadvantaged urban areas (Community Futures Program)	0.2	0.0	0.0	0.0
Additional resources to meet official language objectives in the Federal Public Service related to: information exchange, regional bilingualism needs, learning and language retention, bilingual networks and service delivery (Official Languages Innovation Program)	0.5	0.0	0.0	0.0
Funding for the Municipal Rural Infrastructure Fund that will invest in public infrastructure projects designed to improve the quality of life in both urban and rural communities	0.4	0.0	0.0	0.0
Funding related to government advertising programs	0.2	0.0	0.0	0.0
Collective bargaining agreements	4.5	0.0	0.0	0.0
Funding for activities that are essential to the implementation of the <i>Public Service Modernization Act</i>	0.1	0.0	0.0	0.0
Operating budget carry forward	3.2	0.0	0.0	0.0
Other				
Treasury Board Vote 10	0.1	0.0	0.0	0.0
Employee Benefit Plan	0.6	0.0	0.0	0.0
Total Adjustments	9.8	(1.4)	(0.7)	(0.7)
Total Planned Spending	447.7	380.4	348.7	321.8
Less: non-responsible revenue	67.3	57.0	57.0	57.0
Plus: cost of services received without charge	7.6	6.8	6.8	6.8
Total Agency Spending	388.0	330.2	298.5	271.6
Full-time Equivalents	678	612	592	592

In 2005-2006:

- The Agency's total authorities were \$447.7 million, consisting of Main Estimates of \$437.9 million, augmented by: \$9.1 million through Governor General Special Warrants, \$0.1 million in other Treasury Board approved authorities, and \$0.6 million in adjustments to the cost of employee benefit plans.
- Actual expenditures of \$418.7 million resulted in a lapse of \$29.0 million. This lapse comprises \$23.8 million in grants and contributions (including \$1.9 million in frozen allotments). The lapse also includes \$12.6 million under the Infrastructure Canada Program that the Agency expects to re-profile to 2006-2007 or later years, depending on the requirements of the program (which expires March 31, 2009). The balance of the lapse (\$5.2 million) is in operating expenditures, of which \$3.9 million is eligible for the operating budget carry forward provisions.
- During the year, the Agency received authority for new funding totalling \$62.9 million, including \$46 million announced in Budget 2006 for innovation, \$12.8 million for community economic development under the Strategic Community Investment Fund, \$3.1 million for incremental funding under the Community Futures Program and \$1.0 million for the government's Ocean Action Plan.
- The Agency set aside \$58.5 million in frozen allotments due to approval received for reprofiling of grants and contributions funds: \$24.5 million from the Atlantic Innovation Fund, \$21.0 million from the Saint John Shipyard Adjustment Initiative and \$13.0 million from the Infrastructure Canada Program. In addition, the Agency set aside \$6.3 million as a frozen allotment as part of the expenditure reduction exercise. The new funding approved was offset against the frozen allotments, with a balance of \$1.9 million remaining frozen.

Planned spending in 2006-2007 shows a decrease of \$66.7 million from 2005-2006, a large part of which (\$38.3 million) is due to the winding down of the Infrastructure Canada Program (replaced by the Municipal Rural Infrastructure Fund, with funding and expenditures reported by Infrastructure Canada). The balance of the decrease is primarily in the Community Economic Development program activity (in the Strategic Community Investment Fund), which saw increased requirements as approved projects matured and cash flows were reprofiled to 2005-2006 in anticipation of the winding up of the program.

Planned spending in 2007-2008 shows a decrease of \$31.7 million (from \$380.4 million in 2006-2007 to \$348.7 million in 2007-2008). The decrease is due to a \$13 million reduction for the Infrastructure Canada Program as the program winds down, a decrease of \$7 million in adjustments to planned spending arising from Expenditure Review Committee reductions, and a decrease of \$9.9 million due to adjustments arising from the timing of collections from repayable contributions. Other minor adjustments account for the remaining \$1.8 million.

Planned spending in 2008-2009 shows a decrease of \$26.9 million (from \$348.7 million in 2007-2008 to \$321.8 million in 2008-2009). The decrease is due to a \$24.5 million reduction for the Saint John Shipyard Adjustment Initiative as the program winds down. Other minor adjustments account for the remaining \$2.4 million.

Table 2: Resources by Program Activity

Program Activity	Budgetary		Total Main Estimates	Total Planned Spending
	Operating	Grants and Contributions		
Fostering SME development and regional economic capacity building	65.9	215.0	280.9	279.6
Access to business information	2.8	0	2.8	2.8
Community economic development	10.8	32.0	42.8	42.8
Special adjustment measures	0	24.5	24.5	24.5
Infrastructure programming	0.9	13.0	13.9	13.9
Policy research	5.1	5.9	11.0	11.0
Advocacy	4.0	0	4.0	4.0
Co-ordination	1.8	0	1.8	1.8
Total	91.3	290.4	381.7	380.4

Table 3: Voted and Statutory Items

Vote		2005-2006 Main Estimates	2006-2007 Main Estimates
1	Operating expenditures	78.8	82.8
5	Grants and contributions	350.1	290.4
(S)	Minister of Atlantic Canada Opportunities Agency - Salary and motor car allowance	0.1	0
(S)	Contributions to employee benefit plans	8.9	8.5
	Total	437.9	381.7

The \$56.1 million decline (mains over mains) can be attributed to reduced funding for community economic development and infrastructure programming, offset by growth in fostering SME development and regional economic capacity building.

Table 4: Services Received Without Charge

Accommodations, provided by Public Works and Government Services Canada (PWGSC)	3.4
Employer's contribution to employees' insured benefits plans and expenditures, paid by Treasury Board Secretariat (TBS)	3.4
Salaries and associated expenditures of legal services, provided by the Department of Justice	0
Total	6.8

Table 5: Sources of Non-respendable Revenue

	Forecast Revenue 2005-2006	Planned Revenue 2006-2007	Planned Revenue 2007-2008	Planned Revenue 2008-2009
Fostering SME Development and Regional Economic Capacity Building				
Repayable contributions	59.5	55.0	55.0	55.0
All other	7.8	2.0	2.0	2.0
Total Non-respendable Revenue	67.3	57.0	57.0	57.0

More information on non-respendable revenue may be found at:

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

Table 6: Resource Requirement by Branch

Branch	<i>Fostering SME Development and Regional Economic Capacity Building</i>	<i>Access to Business Information</i>	<i>Community Economic Development</i>	<i>Special Adjustment Measures</i>	<i>Infrastructure Programming</i>	<i>Policy Research</i>	<i>Advocacy</i>	<i>Co-ordination</i>	Total Planned Spending
Newfoundland and Labrador	67.6	0.6	13.0	-	3.2	0.6	0.6	0.3	85.9
Prince Edward Island	33.4	0.4	3.6	-	1.2	0.2	0.1	0.2	39.1
New Brunswick	66.4	0.8	11.0	24.5	3.7	0.4	0.3	0.3	107.4
Nova Scotia	77.4	1.0	9.0	-	5.8	0.6	0.2	0.3	94.3
Corporate*	34.8	-	6.2	-	-	9.2	2.8	0.7	53.7
Total	279.6	2.8	42.8	24.5	13.9	11.0	4.0	1.8	380.4

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

Table 7: Transfer Payments Programs

Information templates have been completed regarding each transfer payment program where total transfer payments will exceed \$5 million in 2006-2007.

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

These templates can be found at http://www.tbs-sct.gc.ca/est-pre/20062007/p3a_e.asp

Table 8: Horizontal Initiatives

ACOA will act as the lead partner on:

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

ACOA will act as a partner on:

1. Rural Development/Canadian Rural Partnership
http://www.rural.gc.ca/iwg_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)
http://www.infrastructure.gc.ca/icp/index_e.shtml?menu3
4. Canada Strategic Infrastructure Fund (CSIF)
http://www.infrastructure.gc.ca/csif/index_e.shtml
5. Municipal Rural Infrastructure Fund (MRIF)
http://www.infrastructure.gc.ca/mrif-fimr/index_e.shtml?menu3
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/english/>
8. Canadian Agriculture and Food International (CAFI) Program
http://www.agr.gc.ca/int/cafi-picaa/index_e.php?page=intro
9. Aboriginal economic development

ACOA's detailed report on these horizontal initiatives can be found on the Agency's website at: <http://www.acoa-apeca.gc.ca/e/library/reports/rpp2006/index.shtml>. Information on all Government of Canada horizontal initiatives can be found on the Treasury Board of Canada's website at: http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp.

Table 9: Sustainable Development Strategies

ACOA's Sustainable Development Strategy (SDS) III continues to focus on initiatives that contribute to sustainable businesses and communities in Atlantic Canada.

Points to address	Agency Input
<p>1. How does your department plan to incorporate SD principles and values into your mission, vision, policy and day-to-day operations?</p>	<p>ACOA will be working to integrate SD into its operational planning process for 2006-2007 to make it more visible to staff and facilitate performance measurement. Monitoring of commitments and initiatives will be done on a regular basis.</p> <p>Awareness training to all staff is planned for May 2006 to reinforce the principles and values of SD in the Agency.</p>
<p>2. What goals, objectives and targets from your most recent SDS will you be focusing on this coming year? How will you measure your success?</p>	<p>The target for the reporting period will be to complete most of the outstanding commitments under SDS III.</p> <p>ACOA will work with other federal departments to hold one workshop on national environmental programs. Information sessions will form 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.</p> <p>ACOA will 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. The success will be measured in the compilation of valuable information on economic and achievable energy management in this region.</p> <p>A pilot project in New Brunswick will be undertaken to determine the feasibility of encouraging New Brunswick SMEs to permanently integrate pollution prevention (P2) and eco-efficiency (E2) practices into the management of their operations in order to improve their productivity and economic sustainability. This program is expected to reduce client operating costs, and thereby increase their long-term viability and their competitiveness. Success will be measured by the number of companies who participate in the pilot project.</p> <p>With respect to internal operations, ACOA will purchase at least one additional alternative fuel vehicle; provide awareness training to all staff, and at least one procurement officer at Head Office and each regional office will complete the online course, entitled <i>Guide to Buying Green</i>. The Agency will purchase recycled toner cartridges, recycled paper and green products. The Agency's success will be measured by the increase in alternative fuel vehicles, more knowledge in green procurement, and an increase in purchasing green products.</p>

Points to address	Agency Input
3. Identify any sustainable development tools, such as strategic environment assessments or environmental management systems, that will be applied over the next year.	ACOA established an environmental management system (EMS) in 2000 and revised it in 2003. The main section of the EMS is the action plan which records progress against the commitments made under the sustainable development strategy. During the 2006-2007 fiscal year, ACOA will put the EMS on its intranet site to make it more easily accessible to staff.

For the most recent detailed report on ACOA's progress in its sustainable development strategy, refer to the ACOA website at:

<http://www.acoa-apeca.gc.ca/e/library/reports/performance2005/sustainable.shtml>

Table 10: Internal Audits and Evaluations

Internal Audits and Evaluations		
Internal Audits:		
<i>This list represents approximately 80% of ACOA's audit workload. The remaining 20% will include audits and other engagements expected to be received during each fiscal year (e.g. from Treasury Board, the Auditor General, ACOA's Review/Audit Committee, and from other sources such as ACOA's regional offices).</i>		
Name of Audit	Estimated Start/Completion	
<u>2006-2007</u>		
Innovation – comprehensive audit	Apr. 2006	Jun. 2006
Finance/Administration (Nova Scotia Region) – comprehensive audit	May 2006	Jun. 2006
Finance/Administration (Newfoundland and Labrador Region) – comprehensive audit	May 2006	Jun. 2006
Community Economic Development – comprehensive audit	Jul. 2006	Sep. 2006
Operational and Financial Planning and Reporting – comprehensive audit	Aug. 2006	Dec. 2006
Access to Information (CBSCs) – comprehensive audit	Oct. 2006	Dec. 2006
Entrepreneurship and Business Skills Development – comprehensive audit	Jan. 2006	Mar. 2007
Appointment Delegation and Accountability Instrument and <i>Public Service Employment Act</i> – compliance audit	Jan. 2007	Mar. 2007
Grants and contributions payment system – reliability audit	Apr. 2006	Mar. 2007
Follow-up engagements	Apr. 2006	Mar. 2007
Selected government-wide sectoral, thematic or horizontal audits	Apr. 2006	Mar. 2007
Specialized projects – compliance audit	Jan. 2007	Mar. 2007
Infrastructure Canada Program – compliance audit	Mar. 2006	Jun. 2006
<u>2007-2008</u>		
Trade – comprehensive audit		
Tourism – comprehensive audit		
Finance and Administration (New Brunswick region) – comprehensive audit		
Finance and Administration (PEI region) – comprehensive audit		
Organizational governance – comprehensive audit		
IT high-risk areas – comprehensive audit		
Grants and contributions payment system – reliability audit		
Follow-up engagements		
Selected government-wide sectoral, thematic or horizontal audits		
Specialized projects – compliance audit		
Infrastructure Canada Program – compliance audit		
<u>2008-2009</u>		
Investment – comprehensive audit		
Other support to SMEs – comprehensive audit		
Finance and Administration, Head Office – comprehensive audit		
Integrated risk management – comprehensive audit		
IT – areas of control not previously covered in 2007-2008 engagement – comprehensive audit		
Collection and recovery – comprehensive audit		
Grants and contributions payment system – reliability audit		
Follow-up engagements		
Selected government-wide sectoral, thematic or horizontal audits		
Specialized projects – compliance audit		
Infrastructure Canada Program – compliance audit		

Internal Audits and Evaluations

Internal Evaluations:

<i>Name of Evaluation</i>	<i>Estimated Start/Completion</i>	
<u>2006-2007</u>		
Strategic Community Investment Fund – summative evaluation	Feb. 2006	Mar. 2007
International Business Development Program – formative evaluation	Sep. 2006	Mar. 2007
Advocacy (aerospace and defence)	Jun. 2006	Feb. 2007
Canada/Newfoundland Comprehensive Economic Development Agreement – summative evaluation	May 2005	Jun. 2006
<u>2007-2008</u>		
Saint John Shipbuilding (Industrial Development Program) – summative evaluation		
Saint John Shipbuilding (Sustainable Resource Policy) – summative evaluation		
Community Futures Program – summative evaluation		
<u>2008-2009</u>		
Business Development Program – summative evaluation		

There are two main types of evaluations: *formative* and *summative*.

Formative evaluations are conducted mid-cycle in the program (or policy or initiative) and examine the effectiveness of program implementation in order to facilitate improvements.

Summative evaluations are generally conducted toward the end of the program cycle and examine impacts to make conclusions about overall program effectiveness.

Note: A number of umbrella results-based management and accountability frameworks (RMAFs) will be undertaken in an effort to adopt a more strategic and risk-based approach to performance measurement and evaluation. These RMAFs will facilitate program-readiness for upcoming evaluations.

Section IV – Other Items of Interest

Provincial Economic Challenges

In **New Brunswick** the rationalization in the forestry sector continues to have a major impact, with several permanent and temporary mill closures occurring again in 2005-2006, including the permanent shutdown of Smurfit-Stone in Bathurst. The Agency is working with local communities to develop responses to these job losses and diversify the economies. Positive growth continues in the construction sector, with large projects being planned in the 2006-2007 period, including the liquefied natural gas terminal in Saint John and the refurbishment of Point Lepreau nuclear-powered electrical generating plant. Large road construction projects will contribute to the growth of GDP during 2006-2007. The slowdown in the resource sectors is having a negative impact on the manufacturing sector and is expected to continue into 2006-2007. The manufacturing sector lost 7,900 jobs between January and September 2005, and the appreciation of the Canadian dollar could continue to constrain production.

Prince Edward Island's main challenges in promoting business growth are to achieve further economic diversification through cluster development in the bio-resource, aerospace, information and communications technology, tourism, and wind energy sectors. Human capital development, along with more highly developed immigration policy approaches, will be 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 will be further developed. The role of private industry in the federal-provincial labour development area will be enhanced through the vehicle of the new Association of Sector Councils. Implementation of infrastructure projects under Municipal Rural Infrastructure Fund, gas tax, and the federal-provincial umbrella governance framework will be a key feature of the coming year. To take greater advantage of emerging economic opportunities, federal-provincial partnerships in innovation, human capital, trade, tourism, and investment will be enhanced in an increasingly targeted and strategic manner.

The challenge in **Nova Scotia** continues to be ensuring that economic growth is experienced not only in urban areas, but also in rural ones. A recent Conference Board of Canada analysis of Nova Scotia's economy¹⁴ predicts that, overall, real GDP growth in Nova Scotia in 2005 and 2006 will be driven by the services and retail sectors. As these sectors tend to be concentrated in urban centres, it will provide stimulus to these specific areas. The report goes on to forecast continued difficulties for the sectors primarily located in the rural areas of Nova Scotia. These include the mining and construction sectors, fisheries and forestry, and tourism. In the mining sector, results of drilling for natural gas have not been as encouraging as was hoped, and this has resulted in a number

¹⁴ *Provincial Outlook Autumn 2005: Economic Forecast*, Conference Board of Canada, Ottawa, 2005

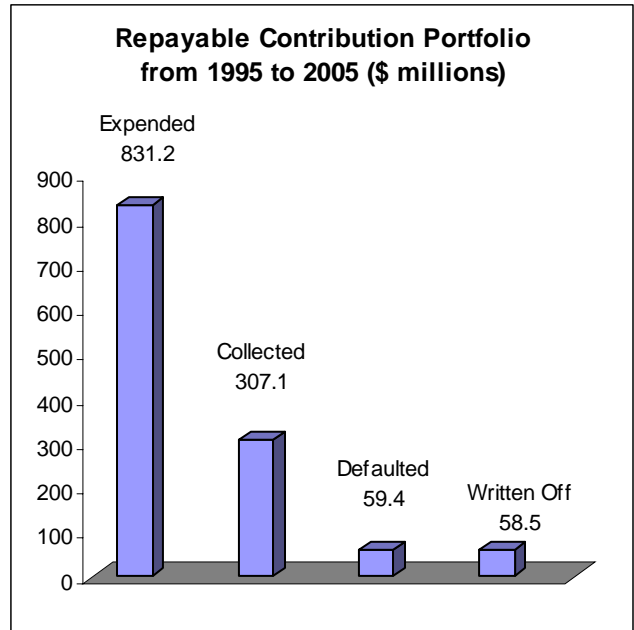
of delays and cancellations of exploration activity. Reduced quotas on the herring and crab fisheries, combined with a late season start due to bad weather, have impacted negatively on the fishery. Expected declining housing starts, both domestically and in the U.S., are expected to slow the forestry and construction sectors. Finally, rising costs of gasoline have discouraged motorists from visiting the province. For many rural communities, tourism provides not only revenues, but seasonal work. These economic developments are likely to increase the division between urban and rural development.

Economic restructuring continues to evolve in **Cape Breton** after the closure of the island's two major industries, coal and steel. Investments in a number of sectors over the past five years have helped to mitigate the negative impact of these closures. Employment in the tele-service industry has meant the addition of 3,500 jobs, and this is leading to a restructuring in the type of work being done in Cape Breton. Value-added manufacturing has been a growing segment of the economy, notably auto-parts manufacturing, with potential for future expansion. It is anticipated that a liquefied natural gas terminal will be operational in the strait area by late 2008. Construction of the terminal is expected to take about 36 months and will employ approximately 600 people at peak construction. Keata Pharma Inc. began construction of a new building to house a pharmaceutical manufacturing facility. The venture is expected to create 177 new jobs. Cape Breton University, in partnership with the company, launched a new Biotechnology and Pharmaceutical Technology Certificate Program to train potential employees. It is anticipated that the facility will be operational by September 2006.

A particular challenge for **Newfoundland and Labrador** is the loss of employment in rural resource-based industries. The closure or downsizing of major facilities over the past year has seriously affected the economic prospects of several communities. The coming year holds the possibility that other operations, particularly fish plants, will also close or will cut back production. This is expected to exacerbate rural outmigration in these areas. An opportunity lies in the much-improved fiscal position of the government of Newfoundland and Labrador. The renegotiation of the Atlantic Accord benefits, and increased revenue from offshore oil and gas, transformed a projected 2005-2006 budget deficit of \$492.5 million into a surplus of \$1.5 million. The provincial government now has greatly increased flexibility to deal with emerging opportunities. Another opportunity is the robust economic growth of the St. John's area, fuelled largely by offshore oil and gas development. Close to half of the province's population now resides within commuting distance of St. John's.

BDP Repayable Contributions Portfolio (Update as of December 2005)

Since 1995, ACOA has provided interest-free, unsecured loans to SMEs under the Business Development Program (BDP) to help them start up, expand, improve productivity, develop new markets or undertake other growth-oriented activities. Commercial assistance is repayable over an average repayment term of five to seven years. The collection of repayable contributions under the BDP is expected to total at least \$55.2 million in 2006-2007. The cumulative rate of defaulted contracts and write-offs since 1995 is 14.2% (\$117.9 million of a total \$831.2 million). Over the past two years, the average annual combined default and write-off rate was 3.38% (3.8% as at December 31 in fiscal year 2005-2006). It is anticipated that the Agency will write off approximately \$15 million in 2006-2007.



Historically, ACOA collects approximately 78% of its forecast scheduled repayments on all repayable programs. Approximately 16% of those annually forecasted revenues end up being rescheduled to future years, and approximately 6% represent defaulted contracts and write-offs.

Risk Mix

The planned risk mix for 2006-2007 is shown in the table at right. The current portfolio mix is approaching the desired risk mix distribution. The latest BDP evaluation suggested that the Agency may have drifted toward more capital asset-based or lower-risk lending; however, more emphasis is being placed on “incrementality” and “need” in the due diligence process. This, in turn, is leading to a slightly higher risk mix for the receivables.

Risk Rating	Current Mix	Anticipated Mix
<i>Low</i>	11%	10%
<i>Low-medium</i>	24%	25%
<i>Medium</i>	37%	35%
<i>Medium-high</i>	22%	25%
<i>High</i>	6%	5%

For more information on repayable contributions, see: <http://www.acoa-apec.ca/e/financial/repayable/index.shtml>

Government Themes and Management Issues

1. Federal Regional Councils

Federal Regional Councils bring together senior officials of federal departments and agencies. Councils play an important role as an executive forum to help improve service delivery, communication with provincial governments and other federal departments on regional perspectives and federal initiatives, as well as co-operation and co-ordination with other jurisdictions.

It is anticipated that the Federal Regional Councils will take on an enhanced role in 2006-2007 and will be asked to implement a new initiative aimed at strengthening the federal presence in the regions.

Some of the specific regional initiatives to be undertaken are outlined below.

New Brunswick

While continuing to address priority public management files in 2006-2007, the Federal Council will focus on enhancing the federal presence in the region and providing horizontal input into national policy and program development.

The council will also look at renewing its involvement in several other projects, including accessing funding through the *Public Service Modernization Act's* Strategic Investment Fund and the Official Languages Innovation Fund.

Prince Edward Island

The Prince Edward Island Federal Council will focus efforts in support of the Federal Regional Presence Initiative. This will include developing and strengthening working relationships with: central agencies; deputy ministers and assistant deputy ministers; line departments/agencies; provincial government officials; and stakeholders at all levels (national, regional, provincial and municipal). The council will develop a Government of Canada strategic plan for the PEI region, which embarks on a whole-of-government approach and outlines how federal policy and program instruments might help serve PEI in its objective to become a stronger, more self-reliant partner in the federation.

The council will continue to focus on regional horizontal priorities such as official languages, human resources, rural community development, and communications.

The council will work to support the achievement of common national priorities as identified by the chairs of the Federal Councils. They include:

- identifying optimal federal capacity/presence in each region;
- supporting areas where councils can play a value-added role, such as *Public Service Modernization Act* implementation and the common shared services initiatives;
- developing provincial/regional strategies or action plans in support of regional ministers' objectives and priorities; and
- supporting Service Canada and integrated service delivery.

Nova Scotia

The Nova Scotia Federal Council will continue to support transitional and corporate initiatives. Transitional initiatives include work on Aboriginal, strong neighbourhoods, and security files. Corporate initiatives include work on official languages, human resources modernization, service delivery, diversity and learning.

To enhance its regional presence, the Nova Scotia Federal Council will work with other Federal Regional Councils on four common priorities that were identified by council chairs. These include:

- assessments of regional capacity and federal presence;
- a strategic plan to promote stronger federal presence in the regions;
- integrated service delivery initiatives supporting the launch of Service Canada; and
- promotion and implementation of the integrated management agenda.

Newfoundland and Labrador

The Newfoundland and Labrador Federal Council will continue to deliver the programs of the Canada School of Public Service, which provides interdepartmental training to members of the federal public service. The council will carry out a needs assessment for French language training among federal public service employees, and will also hire a French language training co-ordinator.

2. Official Languages Act, Section 41

On the national front, the Atlantic Canada Opportunities Agency will maintain its active participation on the National Committee on Economic Development and Employability and on the National Committee of Co-ordinators Responsible for the Implementation of Section 41 of the *Official Languages Act*. The Agency's President will actively pursue participation in the deputy ministers' committee on official languages with the Privy Council Office, and Agency personnel will continue to collaborate on Citizenship and Immigration Canada's Francophone minority communities steering committee.

ACOA will maintain its working relationship with the Economic Development and Employability Network (*Réseau de Développement économique et d'employabilité*), both nationally and in each of the Atlantic provinces. In addition to the regular contacts it maintains with organizations representing Acadians and Francophones in the four Atlantic provinces and the assistance it provides for their activities, the Agency will continue to collaborate with the region's four French-language economic development organizations.

In the Atlantic region, the Agency will continue its participation in the official languages sub-committee of each of the region's four Federal Councils. ACOA will continue to help various Acadian and Francophone organizations in the region to stimulate and drive economic development in their communities. The Agency also works with minority language communities to ensure that their needs are an integral consideration in ACOA's research into economic development and entrepreneurship.

ACOA will continue to implement measures identified in the memorandum of understanding it entered into with Industry Canada, under which the Agency has already invested over \$2 million in tele-learning for the region's French-language post-secondary institutions and it will, over the next two years, invest \$400,000 in internships for Acadian and Francophone youth.

ACOA will continue to oversee contributions awarded to Acadian and Francophone groups by regional economic development organizations and local business development corporations. The Agency also promotes Acadian and Francophone representation on the boards of these funding organizations, and requires the provision of services in both official languages at Canada Business Service Centres throughout the four Atlantic provinces.

3. Service Improvement Initiative, Citizen-centred Service Delivery

The Agency continues to support the Service Improvement Initiative. Building on excellent results from its second client survey in 2003-2004, the Agency will continue to refine service delivery practices. A third client survey, based on the common measurement tool (CMT) process, will be completed during 2006-2007.

The service improvement plan (SIP) compiled during 2005-2006 will require continual modification to maintain relevance. As the Agency repositions to reflect changing economic circumstances, pressures and strategic directions, the improvement plans will be adjusted to meet client priorities as identified in the client survey. It is expected that the SIP will be formalized during this period.

While current work practices support responding to client input, a formal complaint redress mechanism will be finalized and put in place.

The Agency will continue with the development of client-driven service standards for project application processing. Both client surveys identified the “turnaround time for project approval under the Business Development Program” as an area for improvement. In addition to providing online access to assist clients in following up on the status of their application, the Agency intends to publish standards that identify for the client information required for an efficient review and project approval process under the Business Development Program.

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. It uses results as a basis for planning, managing and reporting, and aims to improve performance by having managers compare and analyze actual results against planned results through regular monitoring, evaluation, reporting, feedback and adjustments. ACOA has made reporting, accountability, transparency and protecting the public interest the cornerstones of its RBM approach.

The Agency will continue to invest in the development and implementation of its Management, Resources and Results Structure, a framework to integrate financial and non-financial information in a way that links the results achieved and 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. The Agency will continue to do so in a format that will facilitate their analysis and be useful to gauge Agency performance to deliver results. 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.

Providing guidance and co-ordinating the planning, performance measurement and reporting with regard to the Agency's programs is an integral part of ACOA's Corporate Planning and Performance Management (CPPM) division. The CPPM division, through its evaluation unit, also brings value to the Agency by providing independent, objective and evidence-based information on the results of ACOA's activities. The CPPM division promotes RBM best practices and works closely with Agency managers who have a responsibility for demonstrating performance and acting on performance information. The division does so with the collaboration of the Audit and Evaluation Secretariat, which monitors the implementation of audit and evaluation recommendations, and provides administrative support to the Review Committee.

The Agency's Review Committee (which is chaired by ACOA's President and includes the vice-presidents from Head Office and the regions, and other senior managers) meets regularly to plan, review and revise the Agency's three-year rolling review plan. This plan essentially details all audits, evaluations and reviews to be undertaken over a three-year period, in order to provide timely, relevant strategic information for use by Agency managers, Treasury Board, the government and Canadians. Details on ACOA's review plan for fiscal year 2006-2007 may be found in Section III, Table 10.

In the coming months, the Agency will review the governance of the evaluation function, in order to continue to enhance both its capacity to produce and use result-based performance information and implement the new policy on internal audit. The Agency intends to review its audit and evaluation policy for the same reasons.

Corporate Services

The Corporate Services function includes a wide range of activities that support Agency outcomes. Corporate Services works for continuous improvement in the provision of timely and quality corporate administration and the promotion of sound management.

The key objective of Corporate Services is to ensure that ACOA's resources are efficiently and effectively managed, and that systems and services are in place to support management decision-making, accountability, and operational control.

Activities in 2006-2007 and beyond:

Corporate Planning and Performance Management

- 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 between planning, performance measurement, evaluation, policy and programming.
- Produce the Agency's Report on Plans and Priorities and Departmental Performance Report, in an accurate and timely manner and in accordance with prevailing parliamentary schedules and protocols.

Communications

- Work with clients and partners to promote Atlantic Canada as an increasingly innovative, export-oriented and entrepreneurial place. Promotion will be 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.

Finance and Administration

The Agency is focusing its plans and priorities on achieving excellence in the stewardship of public funds. Three priority areas, namely management performance, expenditure management, and financial management and control, will be 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.
- Tabling in Parliament the government's Main Estimates and Supplementary Estimates in an accurate and timely manner and in accordance with prevailing parliamentary schedules and protocols.

- Tabling the Public Accounts of Canada, including the government's audited financial statements, within prescribed deadlines as set by the Treasury Board Secretariat and Public Works and Government Services Canada.

Corporate Systems (Information Management/Information Technology)

- 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.

Internal Audit

- 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.

Human Resources

- 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.
- Continue to provide information and awareness sessions to all staff on the informal conflict management system.

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