

EVALUATION OF THE
RURAL ENTERPRISE PROGRAM,
A COMPONENT OF THE
BAS SAINT LAURENT
AND
GASPÉSIE / ÎLES DE LA MADELEINE
REGIONAL STRATEGY

PREPARED FOR
CANADA ECONOMIC DEVELOPMENT

CÉRAC INC.

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LIST OF ACRONYMS

Agency	Economic Development Agency of Canada for Quebec Regions
CED	Economic Development Agency of Canada for Quebec Regions
CFDC	Community Futures Development Corporation
CQF	Special Fund for the Economic Development and Adjustment of Quebec Fishing Communities (Coastal Quebec Fund)
EQRE	Eastern Quebec Rural Enterprise initiative
IDEA – SME	Innovation, Development and Export Marketing for Small and Medium-Sized Enterprises
MRC	<i>Municipalité régionale de comté</i> (Regional County Municipality)
NPO	Non-Profit Organization
RSI	Regional Strategic Initiative

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ADMINISTRATIVE SUMMARY

1. Mandate and methodology

When the Rural Enterprise initiative (EQRE) was approved in September 1997, it was agreed that the program would be subject to an external evaluation after two years. As originally agreed, the contract for this evaluation was given to a consulting firm in October 1999. The objectives set for this exercise were the following:

- ◆ evaluate the results of the pilot project;
- ◆ assess the ability of the Community Futures Development Corporations (CFDCs) to take on additional responsibilities in managing the EQRE.

The method used called for meetings with Agency representatives, particularly those working at the Rimouski office, representatives from the 13 CFDCs involved in the EQRE, about 20 program applicants/recipients and numerous economic stakeholders in eastern Quebec. These meetings were complemented by an analysis of documents and files related to the management of this regional initiative.

2. Definition of the Rural Enterprise initiative

To help define the role of the EQRE, a draft logical model summarizing this regional initiative was developed. The overall purpose of the EQRE is to “support economic activity in rural communities, building on the human and material potential of the community.” The initiative focuses on: (i) rural populations in the Bas Saint Laurent and Gaspésie/Îles de la Madeleine administrative regions affected by declining production activities and job opportunities and (ii) the ability of rural communities to contribute to the creation of a socio-economic climate favourable to local development. The long-term objectives of the initiative are to “strengthen, diversify and stabilize the socio-economic fabric of rural communities” and to “stimulate the emergence of a local development climate more favourable to rural communities”. To accomplish this, the EQRE is building on the development of rural niche products and services and the integration of activities usually associated with urban communities and/or based on strategic technology.

3. Socio-economic background

A socio-economic survey of the Bas Saint Laurent and Gaspésie/Îles de la Madeleine regions was conducted. While pointing out the very serious problems faced by the two regions, it also identified special features that make them quite distinct and which demonstrate the relevance of activities tailored to regional uniqueness. The analysis also showed that the MRCs that make up the two regions have their own features, which influence a set of inter-related socio-economic variables and which have a varying impact on the situation in the rural communities in question. These findings confirm the position of the CFDCs, which emphasize the unique nature of the

communities in which they work and the importance of a regional initiative like Rural Enterprise being tailored to the specific requirements of the various communities it is intended to support.

4. Quantitative evaluation of Rural Enterprise

The quantitative evaluation of the activities carried out under the EQRE provided the following information:

- ◆ After 25 months of operation, 101 files have been opened, 91 of them the subject of an official application. Of this number, 75 have been analysed, 11 withdrawn and five are undergoing analysis. To date, the Rimouski office has rejected 11 applications and approved 64. The applicants have accepted 59 offers and turned down four, with one decision pending at the time of the evaluation.
- ◆ Of these files, only three were from the Gaspésie/Îles de la Madeleine region (Chaleur Bay), since the CQF is the favoured program for this region.
- ◆ The number of days required for approval (38 working days) or rejection (67 working days) of a file is appreciable, no matter the size of the files. There are two main reasons for this: (i) the lack of experience of applicants and (ii) the workloads of advisors in the Rimouski office.
- ◆ The two components of the EQRE are used to very different extents: component 1, *Preparatory activities for the economic development of a rural community*, accounts for 16.8% of applications and 12.5% of files approved, and component 2, *Technological and niche activities, products and services*, accounts for 83.2% of applications and 87.5% of files approved.
- ◆ In general, EQRE users are small entrepreneurs or small NPOs. Their average sales figures fluctuate between \$35,000 and \$455,000. With the exception of five large enterprises, which submitted projects averaging \$260,000, the overall average project fluctuates between \$26,000 and \$45,000.
- ◆ The contributions granted by the Agency are between \$11,000 and \$25,000. The EQRE obviously obliges larger promoters to take on greater risks (90.4% of project costs), while small promoters assume a lesser share of the risk (75.3%).
- ◆ Data on the creation and protection of jobs are arbitrary and open to interpretation, in light of the observation period, which was confined to the duration of the agreement. Theoretically, the EQRE allows for the creation of 1.7 jobs and the protection of 3.0 jobs per project approved.

5. Qualitative evaluation of Rural Enterprise

Overall, the EQRE makes a positive contribution to federal government support for rural communities in the Bas Saint Laurent region. However, since it was practically unused in the Gaspésie/Îles de la Madeleine region, we have to acknowledge that this support is much more limited in that region. The overall evaluation of the EQRE took into consideration the following points:

- ◆ While the EQRE is a program for the creation of new enterprises, it enables CFDCs and the Rimouski office, as well as new promoters/entrepreneurs, to meet each other, and, in the case of promoters and entrepreneurs, demystifies the organizations and the support programs they provide. It encourages the startup of projects, and the recipients see it in this role. The EQRE also has considerable training potential, which has influenced the recipients. However, it is still too early to understand its real effect and, especially, the impact of the projects funded.
- ◆ The projects submitted and funded open the door to new ideas. While some of them seem to have helped to increase the sales figures of the enterprises assisted, it is far too early to discuss the long-term survival of this spinoff for the enterprises, much less the community.
- ◆ The contributions granted under the EQRE have not yet encouraged new migrants to rural areas to set up enterprises or projects in the two target regions.
- ◆ It is not possible to state with certainty that the projects supported contribute to the sustainable management of resources. However, the regional initiative is conducive to this, because of the type of promoter involved and the considerable importance assigned to this aspect by the Agency and the CFDCs.
- ◆ The results, especially the impact of Rural Enterprise, continue to be limited because of the short life span of the pilot experience and the limited scope of the projects. However, current observations are as follows:
 - The promoters and some projects for which the EQRE is intended have innovative features. However, to really attain its objectives, the EQRE requires even more innovative management to bring it closer to the community.
 - Some steps for the development of projects, products and marketing or other strategies could be associated with urban communities, in light of the expertise received. The recipients have confirmed that they are satisfied with the results of the projects. However, for small enterprises that are still emerging or which have a craftsman type of approach that does not favour this process, the use and integration of advanced technology would appear to be premature.
 - Some of the files analysed and approved have made a significant contribution to the development of advanced technology. In addition, it will be interesting, in coming years, to observe the development of some supported initiatives which have good prospects.

- Some of the projects approved and carried out can now be linked to the new economy, which assigns greater importance to human beings, sustainable development and increased respect for the environment. The Agency and the CFDCs must, however, be involved in the issues related to this new economy and play a motivational role.
 - The spokespersons we met were unanimous in recognizing that the Rural Enterprise regional initiative fills a void in terms of economic support tools for communities.
- ◆ EQRE has helped to support the development of organizational innovation by being more attentive to working with the community in planning the initiative. While the Agency was conservative in managing the initiative, the evaluation reveals that the community recognizes the high quality work accomplished by the Rimouski office and the CFDCs; that the percentage of files rejected was low; and that there has been a change in the application of the EQRE, intended to clarify the ambiguities and improve overall performance.
 - ◆ The financial spinoff observed include the filling of a void in available programming, both in terms of marginal applicants and areas of activity. In addition, the EQRE is a good school for learning how to deal with the machinery of government and other funding agencies. However, the fact that the Steering Committee is not really operational has limited discussions between the CFDCs and the Rimouski office on the lessons to be learned from specific experiences.
 - ◆ The EQRE was initially to have been monitored by the CFDCs. In actual fact, however, there was no formal agreement clearly defining expectations with regard to monitoring. By implication, the CFDCs did not really feel accountable for carrying out this responsibility in a systematic and regular way, particularly since the projects remained under the responsibility of the Rimouski office. The situation does not mean that no monitoring was carried out, since the CFDCs had systematic contact with enterprises in their areas. However, it remains an exercise that responds to the specific needs of each CFDC, since the Agency's specific expectations in this regard have not yet been clearly expressed and there is confusion with regard to the roles and responsibilities that must be assumed by the recipients, the CFDCs, the Rimouski office and the Agency.

6. Review of the roles and responsibilities of the Rimouski office and the CFDCs

The elements considered in the evaluation are interesting in the following regards:

- ◆ The Rimouski office has to deal with very heavy assigned workloads. The CFDCs concerned manage a limited number of programs and are a major partner of the Rimouski office, for which they play a support role in some programs. The EQRE has had a substantial impact on their work:
 - *Rimouski office* — Although the files submitted are small, the analysis tools used are the same as for the other RSIs and for Innovation, Development and Export Marketing for Small and Medium-Sized Enterprises (**IDEA-SME**). Thus the time devoted to a project is to the detriment of the

overall issues of the regional initiative. This situation creates a problem, since the Steering Committee is not operational and no one handles this responsibility.

- *CFDC* — The implementation of the EQRE encourages contact with new promoters, who, in general, need more support in preparing their files. While this workload is not yet significant taken in itself, it is in addition to other, similar support tasks which, as a whole, are increasingly difficult for the CFDCs to handle.
- ◆ The varying workloads, the long distances and the diversity of the files that turn up on the desks of professionals of every partner have an impact on the nature of their relationships. The following findings emerged from the meetings:
 - The quality of the professional and interpersonal relationships among representatives of the Rimouski office and the CFDCs under the EQRE was unanimously emphasized.
 - Multiple workloads are gradually changing the partnership relation between the CFDCs and advisors in the Rimouski office. Visits are less frequent and the agenda heavier. To their great regret, the advisors have less time to visit promoters/entrepreneurs and their projects, while the CFDCs seem better placed to maintain a regular, personalized relationship with them.
 - At the same time, the CFDCs recognize the expertise and seniority of advisors in the Rimouski office in terms of the overall regional initiative, particularly with regard to protecting the initiative's overall issues, guiding more specialized processes and retaining a broader vision of the regional situation.
 - While this situation does not always result in decisions that are popular with all parties, it is recognized that, since the interests of the sub-regions are defended by the CFDCs, it is important for the more comprehensive interests of programs and regions to be taken into consideration. The Rimouski office seems to be respected for the way in which it handles this responsibility.
 - Advisors at the Rimouski office recognized the relevance of having a broader view of regional programs and realities. At the same time, they consider it essential to maintain contact with the community, since they are the Agency's front line spokespersons.
- ◆ Overall, there would be many advantages to strengthening the responsibilities of the CFDCs. It should not be done simply to relieve the Rimouski office, but must be primarily intended to provide a more efficient division of responsibilities, so as to optimize the performance of the EQRE. Plans must be made to:
 - revitalize the Steering Committee;
 - improve the circulation of information;
 - provide for regular and ongoing evaluation of the EQRE;
 - plan for the training required to assist the CFDCs;
 - prepare recommendations in order to regularly focus Rural Enterprise, so as to keep its objectives up to date and improve its performance.
- ◆ Overall, meetings in the field confirmed the findings with regard to the ability of the CFDCs to take on additional responsibility.

- They unanimously feel that they are able to take on more responsibility under Rural Enterprise.
- This transfer of accountability has the advantage of bringing the initiative closer to the community and involves a relatively small financial risk.
- However, the fact that “small” and “pilot project” do not mean less work implies that the Rimouski office will have to continue playing an active and energetic role in terms of the EQRE, even if it distances itself a bit from the projects. It will retain control of: (i) the objectives, (ii) the process (iii) respect for sub-regional and regional concerns, (iv) contacts with the community and (v) protection of public monies and the rules governing the EQRE.
- ◆ Whatever the decisions taken, a certain period of time will be required before they can be reviewed. The more conservative the decisions, the harder it will be to see a difference from what currently exists. The more accountability is substantially transferred, the more the Agency will be in a position to notice significant changes, both positive and negative. This means that it will be able to draw lessons from this experience.
- ◆ Lastly, extension of the EQRE into other regions of Quebec involves the following considerations:
 - The strength of the EQRE comes from its ability to adjust to the specific features of the regions where it is established.
 - The EQRE provides for the acquisition of a great deal of knowledge and a number of avenues remain to be explored to make the most of the current experience. Every region has its own characteristics, and it would undoubtedly be advantageous to take a gradual and specific approach to implementation.
 - Attainment of the objectives of Rural Enterprise requires financial support for promoters/entrepreneurs. This essential condition implies an increase in the number of regions covered, with proportional financial responsibility.
 - One of the spinoffs of the EQRE is related to the acquisition of knowledge. It is therefore important to find common ground where the regions concerned can regularly discuss their experiences and the lessons learned.

7. Recommendations

In order to support Agency managers in the decisions they are called upon to make regarding continuation of the Rural Enterprise rural initiative, the evaluation provided 29 separate recommendations. They have been grouped as follows: (i) recommendations for strengthening the EQRE, (ii) recommendations for reviewing the roles and responsibilities of the CFDCs and the Rimouski office, and (iii) general recommendations.

ACTION PLAN

Title of evaluation: “*Rural Enterprise*”, a component of the regional strategy for Bas Saint Laurent

Observations / recommendations	Is observation relevant?	Management’s response	Planned completion date	Entities responsible
A. Recommendations related to strengthening Rural Enterprise				
1. Identify the results to be attained under the EQRE by the end of the program and review their relevance and feasibility on a yearly basis.	Yes	We have clearly identified the results to be attained and will make any necessary revisions on a yearly basis. The new agreement with the individual CFDCs specifically addresses this issue.	Done Spring 2001	CED + Steering Committee
2. In co-operation with the CFDCs involved, assess to what extent the follow-up tool implemented by the CFDCs could make a significant contribution to monitoring EQRE projects.	Yes	The new agreement allows us to collect data both during and after the completion of each project.	Done Spring 2001	CED + Steering Committee
3. Ensure that specific details of key indicators , such as employment and sales figures, can be provided within a reasonable time frame. It would be helpful if such information remained available for at least two to three years after the end of the project.	Yes	The new agreement covers the issue of key indicators and provides for collecting data both during and after the completion of each project.	Done Spring 2001	CED + Steering Committee
4. In co-operation with the CFDCs, define a reporting model that is concise and can be filled out by EQRE recipients.	Yes	A reporting model has been developed, and each CFDC will be responsible for collecting data.	Done Spring 2001	CED
5. Recognize the importance of revitalizing component # 1 - <i>Preparatory activities for the economic development of a rural community</i> and establish realistic goals to be attained.	Yes	Under the new agreement, each CFDC must work on a minimum number of component #1 files.	Spring 2001	CED + CFDCs

<p>Recommendations related to strengthening Rural Enterprise (continued)</p> <p>6. Find ways to <u>streamline administrative procedures</u> and <u>eliminate duplicate documents</u> while still respecting the Agency's requirements for processing files. Consideration must be given to the EQRE's special situation and to the decisions that will be made concerning the sharing of responsibilities.</p>	<p>Yes</p>	<p>This has already been accomplished under the new agreements with the eight CFDCs in the Bas Saint Laurent.</p>	<p>Spring 2001</p>	<p>CED</p>
<p>B. Recommendations related to revising the roles and responsibilities of CFDCs and the Rimouski office.</p> <p>7. Make the <u>division of responsibilities</u> between the Rimouski office and the CFDCs explicit while taking into account the importance of:</p> <ul style="list-style-type: none"> < improving the sharing of information among partners to avoid duplications, encourage synergy, etc.; < assessing the EQRE on a regular and ongoing basis; < defining training needs required to support CFDCs in the fulfilment of their mandates in regard to the assessment/approval of projects, the ongoing management of files, etc.; and < reviewing the EQRE on a regular basis to update its objectives and improve its performance. 	<p>Yes</p>	<p>The new agreements with the eight CFDCs are very clear on this matter. Roles and responsibilities are clearly defined.</p>	<p>Spring 2001</p>	<p>CED + CFDCs</p>

<p>8. In the context of a transfer of responsibilities to the CFDCs, clearly identify which files will continue to be the responsibility of the Rimouski office (e.g., files submitted by the CFDCs, municipalities, etc.).</p>	<p>Yes</p>	<p>Under the terms of the partnership with the eight Bas Saint Laurent CFDCs, it is clear that component #1 and #2 activities are carried out by the CFDCs. Projects of a regional nature will be forwarded to CED.</p>	<p>Spring 2001</p>	<p>CED</p>
<p>9. In light of the decisions that will be made regarding the sharing of responsibilities for managing the EQRE, define the Rimouski office's leadership role in revitalizing and taking part in the Steering Committee, an entity which will play a part in the following activities:</p> <ul style="list-style-type: none"> < giving advice, based on lessons learned, concerning EQRE policies; < on a yearly basis, defining priorities and results to be attained with a view towards optimizing the overall performance of the EQRE; < ensuring the priorities and regulations of the EQRE are respected so that its specific regional character is protected while maintaining consistency in how the initiative is administered at the various CFDCs; and < serving as a forum for reflecting on the means implemented to better integrate the area's rural milieu into the new economic reality. 	<p>Yes</p>	<p>The partnership of CFDCs and CED recognizes the increased role of the Steering Committee. The Committee will receive quarterly reports from each CFDC.</p>	<p>Ongoing</p>	<p>CED + Steering Committee</p>
<p>10. In light of the mandate agreed upon, review the makeup of the Steering Committee and, implicitly, its operating rules.</p>	<p>Yes</p>	<p>The makeup of the Steering Committee was updated in winter 2001. The new agreement with the CFDCs also defines the makeup and role of the Steering Committee.</p>	<p>Winter and spring 2001</p>	<p>CED + Steering Committee</p>

11. Evaluate the appropriateness of giving the Steering Committee the option of optimizing the use of EQRE funds, assuming the CFDCs are not making the best possible use of the sums allocated to them.	Yes	Under the new partnership, the Steering Committee will effectively have a say in the optimization of budget allowances. Each of the agreements with the eight CFDCs makes it possible to increase or decrease the budget allowance.	Spring 2001 and ongoing	CED + Steering Committee
12. Establish a procedure to better assess CFDC workloads, given the review of responsibilities for managing the EQRE.	No	Under the partnership with the CFDCs, there is already an agreement in principle with the eight CFDCs such that CED, Rimouski office, cannot allocate additional funds.		
C. General recommendations	Yes	The CFDCs have developed software that allows them to access all necessary data for every conceivable type of evaluation.	Already done	CFDC network
13. Assess the progress CFDCs have made with their follow-up framework and database.				
14. Maintain a budget based on the number of CFDCs involved per region that will allow the initiative to achieve its goals.	Yes	The new agreement with the CFDCs works toward this objective.		
15. In order to avoid ambiguities affecting how rules regulating regional initiatives or Agency programs are interpreted, ensure that the wording of descriptions of objectives, eligible activities and administrative or other procedures is the same in both the brochures addressed to the public and the documents governing the initiative/program.	Yes and No	While we are aware of this situation, we do not think it necessary to revise the policy statement or the administrative procedure for granting aid. However, a brochure that reflects the new partnership arrangement will be developed in co-operation with the Bas Saint Laurent CFDCs.	Summer 2001	CED + Sub-committee