



BRIEFING

Atlantic Canada Opportunities Agency

November 2022



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ACOA AT A GLANCE

Fueling economic growth in Atlantic Canada

- **Mission**
 - Help Atlantic Canada's economy grow
- **Values**
 - Commitment to the region
 - Customer service and creativity
 - Nimbleness/Responsiveness
- **1 of 7 regional development agencies**
- **On-the-ground presence**, allowing:
 - solid understanding of region's **challenges and opportunities**;
 - strategic relationships with clients and partners.
- Manages crises at regional level
 - **COVID-19 pandemic**: prime example
- **30 points of service**
- **577** full-time equivalents at:
 - **head office** in Moncton, New Brunswick (with a team in Ottawa);
 - **regional offices** in each provincial capital; and
 - **satellite locations** throughout the region.



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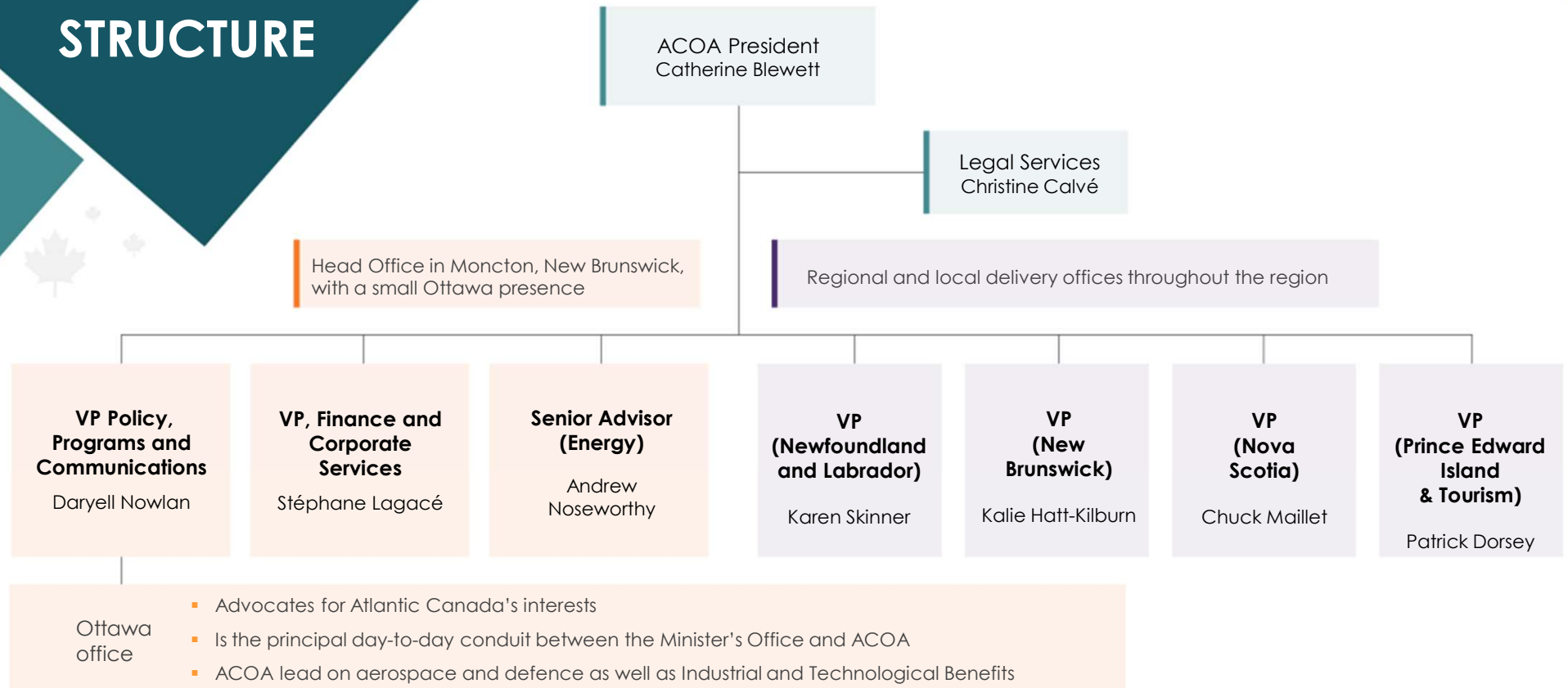
Delivering programs and advocating for Atlantic Canada

TWO CORE FUNCTIONS

ACOA's mandate is twofold:

- **Delivering programming** principally for small and medium-sized enterprises (SMEs) and community groups
- **Advocating** for businesses and communities as well as strong economic development policies across the Government of Canada that may impact the region
 - *Working through effective **governance** and strong **collaboration** to ensure Atlantic Canada issues and opportunities are well understood in the federal system (key ministers and officials)*

ORGANIZATIONAL STRUCTURE



CURRENT CORE PROGRAMS

Providing strategic, agile support through repayable, provisionally repayable and non-repayable contributions

Regional Economic Growth through Innovation (REGI)
(common to all regional development agencies)

Business Development Program (BDP)

Atlantic Innovation Fund (AIF)

Innovative Communities Fund (ICF)

- For non-commercial projects and contributions

Community Futures Program (CFP)

- Funds 39 independent Community Business Development Corporations

CURRENT TEMPORARY PROGRAMS

Delivering short-term initiatives

ALL INITIATIVES COMMON TO ALL REGIONAL DEVELOPMENT AGENCIES

*(except Hurricane
Fiona Recovery Fund,
the Canada Coal
Transition Initiative and
the PEI Potato
Stabilization and
Innovation Initiative)*

Recent COVID-19 economic recovery funding initiatives

Canada Community Revitalization Fund

- Ending March 31, 2023

Tourism Relief Fund

- Ending March 31, 2023

Aerospace Regional Recovery Initiative

- Ending March 31, 2024

Jobs and Growth Fund

- Ending March 31, 2024

Other funding initiatives

Hurricane Fiona Recovery Fund

- Ending March 31, 2024

Women Ecosystem Fund

- Ending March 31, 2023

National Ecosystem Fund / Black Entrepreneurship Program

- Ending March 31, 2025

Canada Coal Transition Initiative

*(common to ACOA and Prairies Economic
Development Canada)*

- Ending March 31, 2026

PEI Potato Stabilization and Innovation Initiative

- Ending March 31, 2024



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Providing grants and contributions as a catalyst for growth

	Actual Expenditures			Planned Expenditures		
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Operations & Maintenance	\$69M	\$70M	\$71M	\$75M	\$69M	\$66M
Grants & Contributions	\$275M	\$496M	\$364M	\$361M	\$269M	\$227M
Total	\$344M	\$566M	\$435M	\$436M	\$338M	\$295M

PROGRAM SPENDING

Over the past decade (2011-2012 to 2020-2021) ...

- ACOA approved an annual **average of 1,245 projects**.
 - Average **approved contribution: \$230,135**.
- on average each year, ACOA assisted **971 businesses** and invested in **273 communities**.
- on average, ACOA's **annual spending** was **\$276M**.

In 2022-2023: Out of the \$440M, \$147M are temporary allocations.

- Of the \$361M in grants and contributions, \$323M were committed as of October 20, 2022.

It is expected that there will be a 38% decrease in grants and contributions spending by 2024-2025, compared to 2021-2022.




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Client Profile

ACOA's Commercial Clients

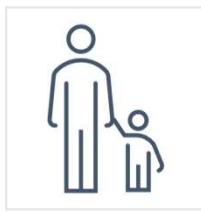


ACOA clients are majority owned by:

- Women - 11.5%
- Men - 80.6%
- Equally owned - 7.9%

ACOA clients are aged:

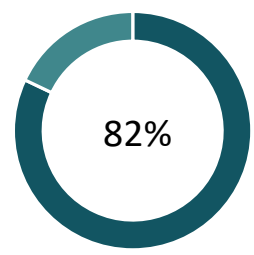
- Less than 40 – 9.9%
- 40-54 - 36.1%
- 55 and over - 54.0%



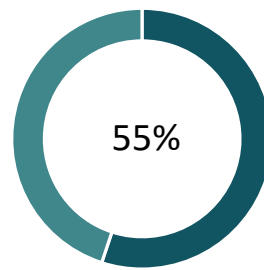

ACOA clients are:

- Immigrants – 5.9%
- Canadian-born – 94.1%

ACOA clients with less than 50 employees



ACOA clients with \$2 million or less in revenue



RESULTS

Impacting the region's economy

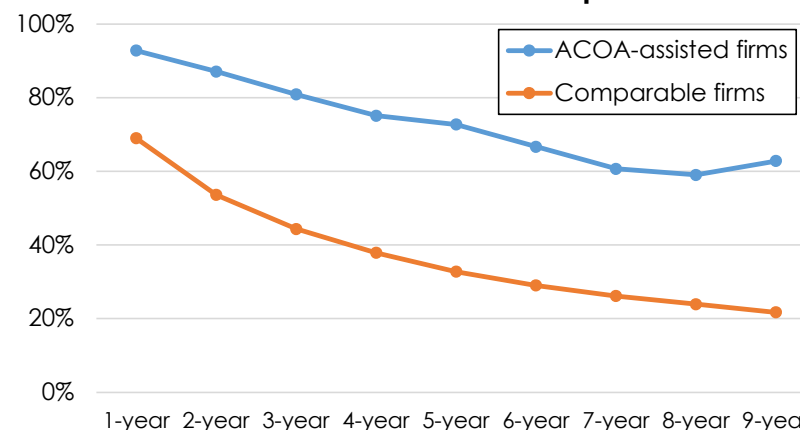
Sales and labour productivity (2014 to 2019)

- Sales by ACOA-assisted firms grew by an average of 4.2% per year.
- Labour productivity by ACOA-assisted firms grew by an average of 1.1% per year.

Business exports, growth and R&D (2014 to 2019, except for exports)

- Atlantic Canada's commodity exports rose by 34.9% in 2021 to \$37 billion. When comparing prior to the pandemic, the region's exports in 2021 were above those of 2019 (+4.6%, from \$35.4 billion).
- In 2019, there were 140 ACOA-assisted high-growth firms, up 11.1% compared to 2014.
- ACOA-assisted firms' R&D expenditures as a percentage of revenue averaged 0.6% over the 2014-2019 period, compared to 0.1% for other firms.

Business survival rate – start-ups



The **business survival rate** for ACOA-assisted start-ups is 73% vs. 33% for unassisted firms after the crucial fifth year following start-up.

RESULTS (cont'd)

Impacting the region's economy

Since April 1, 2022, ACOA has funded 634 projects under its core programming and 353 projects under its temporary programming.

Rural vs. Urban

- 47.95% of projects undertaken as part of ACOA's core programming and 75.35% of projects undertaken as part of ACOA's temporary programming supported businesses in rural communities

Underrepresented Groups

- 13.88% of projects undertaken as part of ACOA's core programming and 30.59% of projects undertaken as part of ACOA's temporary programming supported businesses majority owned or led by underrepresented groups
 - Includes women, Indigenous, persons with disabilities, BIPOC, and LGBTQ2S+ individuals (but not OLMCs)

OLMCs

- 5.52% of projects undertaken as part of ACOA's core programming and 7.93% of projects undertaken as part of ACOA's temporary programming supported businesses majority owned or led by OLMCs

RESULTS (cont'd)

Improving clients' growth and productivity

BIGS Data Results - TBS

- BDP clients that received funding between 2008 and 2017 showed 3.9% median revenue growth rate for the 3 years that followed receipt of financing.

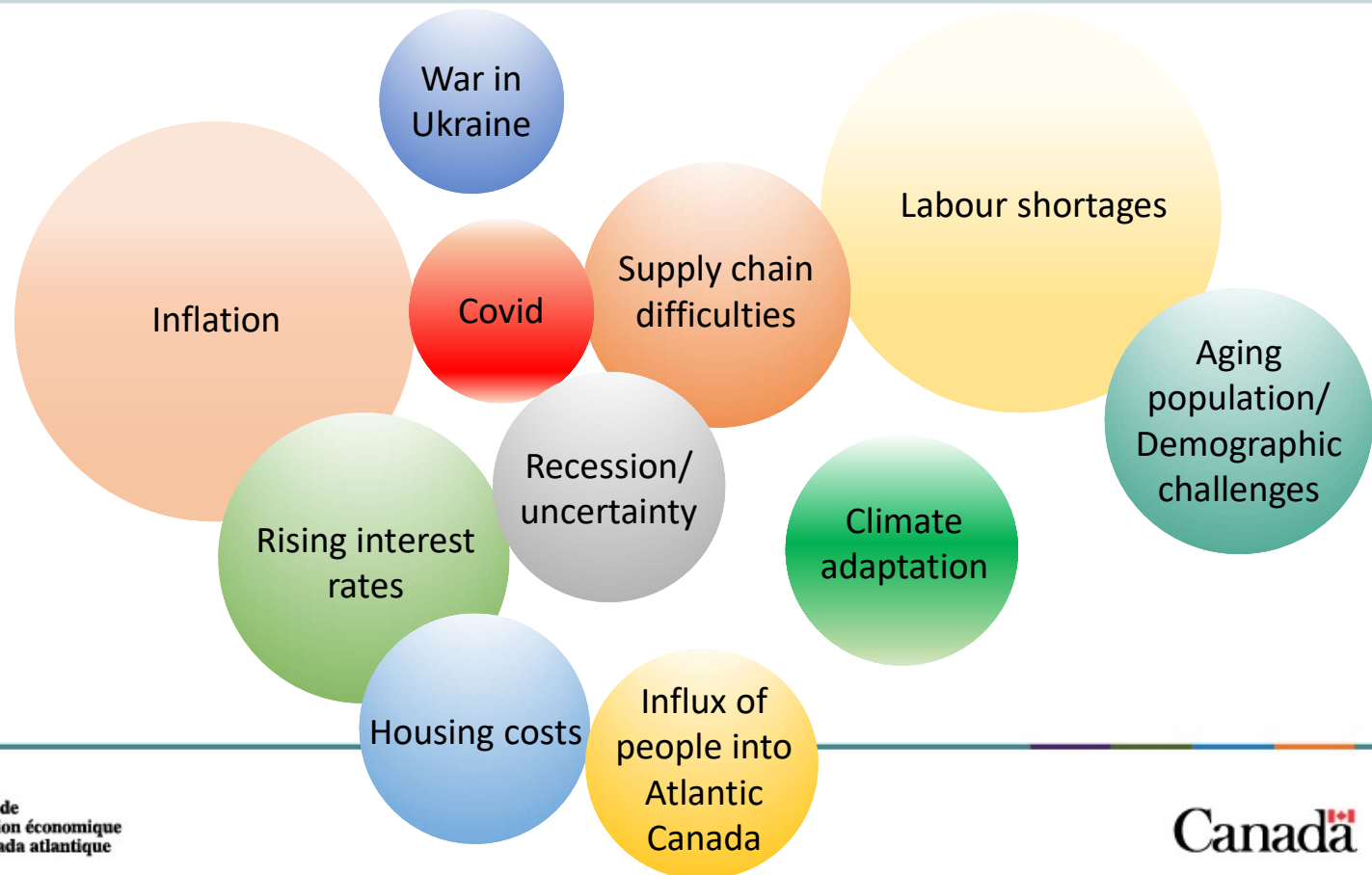
Stats Can study

- Statistically robust regression analysis on ACOA clients from 2008 to 2018 supported by REGI, BDP and AIF shows that ACOA's support to businesses has a strong and positive impact on business performance (generates more revenue, creates more employment, becomes more efficient)
- 1% increase in business support (\$1,846) yields :
 - 0.315% increase in revenue or in dollar terms (\$35,146)
 - 0.242% increase in jobs (an additional 0.12 job per client)
 - 0.065% increase in productivity (\$126 in sales by employee)
 - 0.407% increase in salaries and wages (\$3,496)



Residents and business owners in Atlantic Canada are facing a number of economic pressures both locally and globally...

ECONOMIC CONTEXT



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ECONOMIC CONTEXT (cont'd)

Increased change and heightened uncertainty are disrupting the global economy:

- Globally, **inflation** largely began with COVID lockdowns and economic slowdowns which challenged supply chains. Post-lockdown, consumer demand picked up before supply chains could recover. This was made worse by:
 - **Upward wage pressure as reopening economies needed more workers than were available**
 - **Surges in food and energy prices** due to supply limitations caused by the Russia-Ukraine war and climate issues
- **Central banks (including BoC) have reacted to high inflation by raising interest rates** to slow business investment and consumer spending, which lowers demand and inflation
- **Risk of recession:** due to the above factors, according to private sector forecasts, declines in economic growth are expected for 2022 and 2023
- For **Atlantic Canada**, these global economic pressures are leading to:
 - Concerns of an **economic slowdown and loss of demand for produced goods and services** as prices remain high or the economy falls into recession
 - For certain sectors (e.g. technology sector), a **change in the financial market environment that could make access to capital (and venture capital in particular) more difficult**, leading to layoffs and the outmigration of skilled labour
 - Despite a potential slowdown, **labour shortages** remain a concern in the region (particularly in certain skilled occupations) due to demographic challenges



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The Atlantic economy is gaining momentum since the onset of the pandemic:

- Real GDP and employment are **surpassing pre-COVID level**
- **Population growth of Maritime provinces (+4.7%) surpassing the Prairies (+4.6%)** for the first time since the 1940s (NL: -1.8%)
- In 2021, **over 22,000 more Canadians arrived in the region** than left it: trend has continued in 2022, with interprovincial migration resulting in a net gain of 12,400 for the region in Q2 of 2022 alone
- **Share of immigrants (to Canada) who immigrated to the Atlantic region** grew to 5.7% in 2021 from 3% in 2015; in Q2 of 2022, was up to 6.5%

ECONOMIC CONTEXT (cont'd)



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But the region is also facing pressure points:

- **Job vacancies at an all-time high** (i.e., 54,300 vacancies in Q2 2022, up 78% from Q2 2019)
- **Housing prices up more than 50% in the Maritimes** since beginning of pandemic
- **Prince Edward Island has the highest inflation rate in the country (8.7% in October 2022):** N.S. 7.7%, N.B. 6.9%, N.L. 6.5%, Canada 6.9%
- **Wage growth for consumers not yet keeping up with inflation (as of October 2022) in N.L. (+4.0%), PEI (+7.5%), or N.S. (+5.2%).** However, N.B. was above inflation at +8.6%
- **Consumer confidence declining sharply** since late 2021
- **Business investment in Canada overall has been weak since 2015**, and in Atlantic Canada, machinery and equipment investment has trended below the national average in recent years. Firms in Canada are reporting **tighter credit conditions** with SMEs facing **high interest rate** spreads, which points to slower or more limited productivity growth in the future
- **As a result of these economic pressures, economic growth is expected to slow through 2023**, though perhaps less sharply than in other areas of the country due to the region's sustained in-migration

ECONOMIC CONTEXT (cont'd)



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ACOA Supporting Government of Canada Economic Development

Approach to ensure close collaboration and alignment between RDAs, ISED, and other federal partners in pursuit of Canada's economic priorities, including the net zero mandate

**Policy
Priorities**

STRONGER GROWTH



NO WRONG DOOR



**PLACE-BASED
ECONOMIC
DEVELOPMENT**



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Policy Priorities (cont'd)

Stronger growth

Objective: Leverage experimentation and horizontal approaches to help businesses scale up and create high quality jobs, build export capacity and improve productivity.

Automation and Digitalization

- Important tools for Atlantic businesses in weathering pandemic
- Key priority for ACOA – more than \$322.1M expended over past 5 years*
- ACOA working with partners to help businesses fully embrace automation and digitalization

Immigration

- Key to getting back to pre-pandemic momentum
- ACOA plays a convening role with partners and has also provided more than \$18.6M for attraction and retention projects over past 5 years*
- Potential for ACOA to help shape initiatives that leverage immigration to address skilled labour shortages



Policy Priorities (cont'd)

No Wrong Door

Objective: Leverage RDAs' on-the-ground presence and strong relationships to provide seamless support to businesses and facilitate access to programs across government

Hurricane Fiona Recovery Fund (HFRF)

- Hurricane Fiona had a devastating impact on Atlantic Canadians, with insurable damages estimated at \$660 million (the worst ever in Atlantic Canada and the 10th worst in Canada)
- ACOA is working closely with federal and provincial disaster assistance officials to design and implement HFRF supports that will complement other measures and fill important gaps

Canada Digital Acceleration Program (CDAP)

- ACOA has been active in strengthening digital adoption through direct investments and in collaboration with ecosystem partners
- Since the announcement of CDAP in Budget 2021, ACOA has worked closely with ISED to ensure businesses, business organizations and communities can access the program.
- Pathfinding is ongoing, with over 100 Atlantic firms having signed grant agreements



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Policy Priorities (cont'd)

Placed-based economic development

Objective: Support economic diversification and development at the local level through initiatives that position regions to contribute to Canada's competitive advantage.

Just Transition

- Sustainable Jobs Plan - NRCan leading, with support from ISED, RDAs and others
- Regional Energy and Resource Tables (RETs) – ACOA supporting and advising NRCan
- Futures Fund – ISED, ACOA and PrairiesCan supporting economic diversification in NL, AB, SK
- Supporting green energy and de-carbonization in Atlantic Canada

Rural Economic Development

- Atlantic Canada: most rural population (46% vs. 19% for Canada)
- ACOA highly active in rural initiatives – more than \$675.3M expended over the past 5 years*
- Potential for ACOA to focus even more on areas such as housing

Strong support tailored to the unique challenges and opportunities of the region

- Digitalization and automation
- Immigration and skills
- Tourism
- Clean technology



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Working strategically, guided by focused actions Champion Files

AREAS OF FOCUS

Key areas of focus include:

- **Advanced manufacturing, Automation and Digitalization**
- **Skilled Workforce and Immigration**
- **Tourism**
- **Indigenous economic development**
- **Ocean**
- **Food Industry**
- **Clean growth**
- **Start-up ecosystem**



To guide its investments, ACOA applies the following **lenses**:

- **Improving the quality of jobs**
- **Increasing productivity and digitalization** for greater competitiveness
- **Fostering diversity** to spark innovation
- **Leveraging green technologies** for economic growth



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PARTNERSHIPS

Collaboration with Other Federal/Provincial Partners

- ACOA works with federal and provincial partners on various key files. For example:
 - Other **regional development agencies** – COVID-19 recovery programs; standardization of data collection
 - **Innovation, Science and Economic Development** – Tourism Relief Fund; Women Entrepreneurship Strategy; Black Entrepreneurship Program; OLMC Entrepreneurship Strategy
 - Innovation, Science and Economic Development & National Defence – Industrial and Technological Benefits / investments in aerospace and defence;
 - National Research Council – Industrial Research Assistance Program
 - Fisheries and Oceans Canada, Finance Canada, the Privy Council Office, the Treasury Board Secretariat, Public Safety Canada and Canada Economic Development for Quebec Regions, as well as with the Provinces on the Hurricane Fiona Recovery Fund.
 - Atlantic Growth Strategy – Collaboration with **Provinces** on select areas such as international trade and tourism development



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