

Business Plan 2018–21

Economic Development and Trade

Accountability Statement

This business plan was prepared under my direction, taking into consideration our government's policy decisions as of March 7, 2018.

original signed by

Deron Bilous, Minister

Ministry Overview

The ministry consists of the Department of Economic Development and Trade, which includes 12 international offices established in high-priority markets, the Alberta Enterprise Corporation, Alberta Innovates, and the Northern Alberta Development Council.

Economic Development and Trade leads efforts to diversify and make Alberta's economy resilient, support trade development, attract foreign investment, ensure business competitiveness and deliver opportunities for job creation. The ministry develops and implements economic development strategies, policies and programs that foster sustainable growth, encourage industry diversification, support businesses, enhance market access and leverage science and technology to provide social, environmental and economic benefits for Albertans. The result is a dynamic, resilient and sustainable economy that supports and ensures Alberta's prosperity, now and into the future.

A more detailed description of Economic Development and Trade and its programs and initiatives can be found at www.economic.alberta.ca.

Strategic Context

The outcomes and key strategies identified in this business plan are aligned with the strategic direction of the Government of Alberta.

The Ministry of Economic Development and Trade leads the government's economic development efforts by supporting Alberta small and medium sized businesses, helping Alberta businesses reach new markets, attracting new investment from around the globe, and leveraging science and enhancing innovation to their full economic potential.

Alberta's economy is positioned for success. The province's economic performance exceeded many expectations in 2017, and is poised to continue to do well in 2018. Alberta is forecast to lead the country in economic growth for the next two years. Real GDP growth in 2017 exceeded 4 per cent and is expected to exceed 2 per cent in 2018 and 2019 respectively. In 2017, Alberta exports were \$100.2 billion, up from \$79.2 billion in the previous year. Private sector investment in Alberta in 2017 was 2.5 times higher than the Canadian average, and the province is on track to lead the country again in 2018 on a per capita basis. Alberta also continues to have the highest employment rate in the country and the highest weekly earnings.

A key part of building a strong and sustainable economy is ensuring a diversified economy – one that is not overly dependent on a single commodity or market.

Over the last two years, Alberta's oil and gas sector has faced many challenges; however, it is adapting to new global realities through the application of technology and innovation to drive efficiencies and cost gains. Alberta continues to build on its economic strengths and take advantage of opportunities to ensure that Albertans have access to work in high-skilled jobs in growing sectors, and Alberta companies are globally competitive and fully capable of reaching new markets.

This ongoing success story is supported by key initiatives under the Alberta Jobs Plan, including the Alberta Investor Tax Credit and the Capital Investment Tax Credit.

The Alberta Jobs Plan was created to help establish a more resilient and diversified economy. The plan invests in infrastructure, diversifies Alberta's economy, supports small and medium sized businesses, improves access to capital, encourages investment and expands market options, and provides Albertans with new training opportunities while protecting services for families. The plan builds on existing strengths in sectors like agri-food, creative industries, tourism, technology, manufacturing and small business.

Programs like the Alberta Investor Tax Credit and the Capital Investment Tax Credit also provide support by stimulating investment in non-traditional sectors. The Alberta Investor Tax Credit encourages venture capital corporations to invest in and provide mentorship to start ups in non-traditional sectors. In 2017, \$82.8 million in total investment was raised through this program. The Capital Investment Tax Credit encourages manufacturing, processing and tourism infrastructure companies to make capital investments in Alberta and support the development of a vibrant venture capital community in the province. \$1.2 billion in total investment was raised through this program in 2017.

Small and medium sized businesses often face challenges when transitioning to international markets. Creating opportunities that bring Alberta products and services to the global market is critical to the overall health of the provincial economy. The ministry is working to expand access for small and medium sized businesses through Alberta's 12 international trade offices. Alberta companies are also able to access funds for export activities through the Export Expansion Package.

Advancing gender equality is also a priority for the Government of Alberta as it is intrinsically linked to social and economic growth and is vital to the realization of human rights for all. In Economic Development and Trade, and across government, this commitment has been operationalized through the adoption of Gender-based Analysis Plus (GBA+) and the establishment of a Centre of Responsibility to assess the gender and diversity implications of engagement processes, policies, programs and initiatives.

Alberta will continue to focus on building partnerships in new markets, creating market access for new and existing products, supporting the enhancement of products and services offered by Alberta companies, promoting new industries and investment in the province, and supporting new businesses, entrepreneurs, innovation and commercialization.

By improving the links between trade and investment attraction, economic development, and science and innovation, the ministry will continue to foster conditions that encourage job creation, sustainable growth and the formation of competitive and diversified economic sectors in both rural and urban Alberta.

Outcomes, Key Strategies and Performance Measures

Outcome One: Diversification is increased through the implementation of focused strategies

Economic Development and Trade provides leadership in efforts to make Alberta’s economy competitive, diverse and resilient. The development and delivery of focused, integrated and coordinated frameworks and strategies, such as the Alberta Research and Innovation Framework, sector strategies and international market strategies, and supporting policies and programs stimulate the diversification of economic activities, markets and revenue sources for the private sector, and enable Alberta’s innovators and job creators to succeed. The ministry also plays an important role in assessing the economic development implications of government policies and activities, and in collaborating with other ministries with an economic mandate, as well as federal-provincial-territorial and private sector stakeholders.

Key Strategies:

- 1.1 Provide leadership on the development of sector strategies for sector development as Alberta works towards reducing vulnerability to boom-and-bust cycles and diversifying its economic base.
- 1.2 Prioritize and coordinate Government of Alberta trade, investment and advocacy actions in priority markets.
- 1.3 Develop and implement strategic frameworks, policies and action plans, such as the Alberta Research and Innovation Framework, that outline government direction, and guides actions and investments to achieve research and innovation outcomes.
- 1.4 Increase Alberta’s partnerships and leverage research and innovation funding through strengthened relationships with federal, provincial, municipal government agencies and the private sector to enhance Alberta’s position as a globally competitive research and innovation jurisdiction.
- 1.5 Facilitate the implementation of a Climate Change Innovation and Technology Framework to focus on a coordinated approach to innovation and technology development funding under Alberta’s Climate Leadership Plan.
- 1.6 Provide leadership for Alberta’s approach to international engagement to diversify Alberta’s exports and foster strategic relationships.

Performance Measure	Last Actual 2015-16	Target 2018-19	Target 2019-20	Target 2020-21
1.a Sponsored research revenue attracted by Alberta’s comprehensive academic and research institutions (\$ millions)	818	830	840	849

Linking Performance Measures to Outcomes:

- 1.a Alberta’s comprehensive academic and research institutions are able to leverage the sustained research commitment of the ministry to attract leading researchers and additional funding from non-Government of Alberta sources to perform research and innovation activities. Funding from Economic Development and Trade, along with additional funding from the province and other sources, supports globally-competitive research excellence in priority areas, contributing to a broadened economic base, effective resource and environmental management, and healthy, resilient communities. Demonstrating achievement in these areas contributes to economic diversification. Industry gains access to leading edge knowledge to solve challenges and improve productivity and competitiveness. Albertans benefit from research through improved health treatments, diagnostics and system, better understanding and mitigation of environmental impacts of resource extraction, new employment opportunities from new company development and growth of emerging sectors. The strength of Alberta’s post-secondary research institutions also supports the development and attraction of the next generation of innovators.

Performance Indicators	Actual (Year)	Actual (Year)	Actual (Year)	Actual (Year)
1.a Percentage of manufacturing, business and commercial services Gross Domestic Product growth in Alberta	3.1% (2013)	5.6% (2014)	-3.0% (2015)	-3.1% (2016)
1.b Start-ups licensing university technology per million population	4.6 (2012)	5.2 (2013)	6.8 (2014)	8.4 (2015)

Outcome Two: Jobs are supported through the fostering of opportunities for businesses

Building on Alberta's strengths, Economic Development and Trade strives to stimulate opportunities that support trade and investment that lead to jobs. It works to ensure Alberta's businesses have improved access to centralized and comprehensive services, through tools such as the Alberta business portal, to assist them in undertaking advanced research, commercializing new products or processes, locating investment capital in the province and exploring new export opportunities. In collaboration with other ministries and the private sector, the ministry generates and implements policies and strategies aimed at improving opportunities for Albertans to enter the workforce and keep pace with changing needs of the job market. The ministry works to enable businesses and sectors to grow and expand, while implementing initiatives to increase high quality job opportunities for Albertans, and contribute to a healthy provincial economy.

Key Strategies:

- 2.1 Deliver programs to stimulate private sector capital investment, encourage investment by businesses in non-traditional sectors, and increase diversification by assisting businesses to create sustainable jobs across the province; such as the Capital Investment Tax Credit (CITC) program.
- 2.2 Deliver strategies and programs that ensure resilience by enabling business expertise and entrepreneurship start-up and scale-up success in changing economic circumstances, such as the Alberta Investor Tax Credit (AITC).
- 2.3 Enhance the business portal to provide current, comprehensive and easy-to-use business, economic and innovation related information to support business development and attract investment.
- 2.4 Facilitate connections for Alberta business in international markets by leveraging our international offices and relationships with international development organizations, to attract investment and grow exports.

Performance Measures	Last Actual 2017-18	Target 2018-19	Target 2019-20	Target 2020-21
2.a Alberta Investor Tax Credit Program (AITC): Total annual investment raised (\$ millions) Leveraged Ratio	82.8 ¹ 3.33:1	102.0 3.33:1	105.0 3.33:1	100.0 3.33:1
2.b Capital Investment Tax Credit Program (CITC): Total annual investment raised (\$ millions) Leveraged Ratio	1,217 20.5:1	370 10:1	360 10:1	265 10:1
2.c Alberta Export Expansion Package (AEEP): Number of Alberta businesses and associations receiving funding and supports through AEEP	1,334 ¹	1,500	1,500	1,500

Note:

- ¹ This last actual represents a partial year result (April 2017 to February 2018).

Linking Performance Measures to Outcomes:

- 2.a Innovators and investors routinely report that there are funding gaps in two phases of a product's development and business cycle – first at the seed and start-up phase; second when the business is operational but needs to expand to survive. The AITC seeks to address these funding gaps by incenting investment in businesses during the seed and start-up phase. It is expected that companies under the program have faster revenue and employment growth.
- 2.b A tax credit for capital investment would stimulate economic activity, as businesses without profits or readily accessible cash during the economic downturn may have been forced to postpone investment decisions, terminate employees, or face bankruptcy. CITC's effectiveness at promoting investment in more capital-intensive industries leads to job creation.
- 2.c AEEP is a suite of programs to support Alberta's small and medium-sized enterprises (SMEs) in making informed business decisions when entering new markets, increasing business activities in targeted foreign markets, and attracting investment to Alberta. By supporting Alberta's businesses to enter new international markets through trade and/or investment, the package expects to support the creation of jobs.

Performance Indicators	Actual 2014	Actual 2015	Actual 2016	Actual 2017
2.a Private sector employment:				
• thousands	1521.1	1516.6	1470.6	1469.2
• per cent	2.3%	-0.3%	-3.0%	-0.1%
2.b Self-employment:				
• thousands	383.9	375.0	372.6	382.3
• per cent	3.5%	-2.3%	-0.6%	2.6%

Outcome Three: Growth is stimulated in key sectors and markets

Economic Development and Trade focuses on creating economic opportunities through programs such as Invest Alberta and initiatives that will diversify and grow Alberta's industry sectors, including work to: incent access to capital markets and investments; bring together international and domestic efforts to attract investment; promote Alberta's exports; and, support innovation and commercialization. The ministry, together with other Government of Alberta ministries, is responsible for creating the right conditions for economic growth by removing barriers to investment and encouraging economic activity in key sectors.

Key Strategies:

- 3.1 Lead a whole-of-government approach to incent and promote investment in Alberta.
- 3.2 Expand access to seed, early and late-stage venture and expansion finance and investment capital for Alberta's businesses in key sectors and markets.
- 3.3 Support the growth of globally-competitive enterprises in Alberta through enhanced innovation and technology commercialization programs and partnerships.
- 3.4 Build on current and create new relationships and partnerships with agencies, industry associations, globally connected enterprises, and foreign governments to promote collaboration that generates economic benefit for Alberta.
- 3.5 Provide regional economic development support to assist municipalities, communities and regions across the province in carrying out initiatives, including the Community and Regional Economic Support (CARES) initiative, that contribute to sustainable growth and increased diversification.
- 3.6 Lead Alberta's participation and ensure Alberta's interests are advanced in trade and investment negotiations, including the negotiation of the North American Free Trade Agreement and the Trans-Pacific Partnership.

Performance Measures	Last Actual (Year)	Target 2018-19	Target 2019-20	Target 2020-21
3.a Cumulative value of AEC (and their syndicate partners) funds invested in Alberta businesses (\$ millions)	375 (2016-17)	431	459	519
3.b. Community and Regional Economic Support (CARES) Program: Total value of projects funded (\$ millions)	6.9 (2017-18)	6.0	6.0	6.0

Linking Performance Measures to Outcomes:

- 3.a Access to capital enables Alberta businesses to start up or grow, which supports economic growth and diversification in the province. Tracking the number of businesses that receive funding from Alberta Enterprise Corporation and their syndicate partners provides an indication of whether an increasing number of firms are gaining access to capital.
- 3.b Through CARES, the Alberta government provides matching grants to fund initiatives that: 1) improve local business environment and/or regional collaboration; 2) increase support for entrepreneurs and small and medium-sized enterprises; 3) support businesses and industries that provide diversification to a community or region; and 4) increase investment that drives high value job creation. The use of these grants by municipalities, communities and regions is expected to result in enhanced local economic conditions, increased leveraging of regional economic development resources and higher local and regional capacity for sustainable economic development delivery.

Performance Indicators	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017
3.a Total value of Alberta's exported products (\$ billions)	103.0	121.6	92.4	79.2	100.2
3.b Total value of Alberta's exported products outside of United States (\$ billions)	11.9	11.9	11.9	10.8	12.5
3.c Alberta non-residential investment per capita (\$ thousands)	22,932	23,805	18,115	14,358	n/a

Risks to Achieving Outcomes

To increase the likelihood of achieving its outcomes, the ministry must consider and manage strategic risks. The ministry follows an Enterprise Risk Management Approach to identifying and managing its risks, which include:

- Rising protectionism internationally may impact Alberta's ability to access markets for its products and services;
- Trade and the flow of investment into Alberta will continue to be affected by geopolitical uncertainty and commodity price volatility; and
- Alberta will be vulnerable to geopolitical uncertainty and commodity price volatility without focused and sustained action to diversify the province's economy.

These strategic risks were considered as part of the development of the ministry's business plan. Economic Development and Trade is committed to taking action to mitigate the adverse effects of these risks on the achievement of the ministry's outcomes.

STATEMENT OF OPERATIONS

(thousands of dollars)	Comparable			2018-19 Estimate	2019-20 Target	2020-21 Target
	2016-17 Actual	2017-18 Budget	2017-18 Forecast			
REVENUE						
Internal Government Transfers	111,775	116,020	108,724	121,973	98,130	97,530
Transfers from Government of Canada	6,888	4,479	3,089	5,369	7,583	3,000
Investment Income	1,937	1,086	1,201	801	700	600
Premiums, Fees and Licences	1	768	708	3,835	3,834	3,834
Other Revenue	50,309	51,640	52,325	50,898	53,434	56,114
Ministry Total	170,910	173,993	166,047	182,876	163,681	161,078
Inter-Ministry Consolidations	(116,359)	(116,626)	(109,330)	(122,579)	(98,736)	(98,136)
Consolidated Total	54,551	57,367	56,717	60,297	64,945	62,942
EXPENSE						
Ministry Support Services	14,052	16,097	16,097	17,059	17,049	17,041
Economic Development	25,881	28,996	28,996	24,264	24,264	24,264
Trade and Investment Attraction	23,098	27,726	27,726	29,866	27,534	27,574
Science and Innovation	56,394	50,481	50,481	49,124	49,124	49,124
Jobs, Investment and Diversification	14,665	55,580	55,580	30,543	34,077	38,903
Alberta Enterprise Corporation	1,955	2,100	2,100	2,000	2,000	2,000
Climate Leadership Plan	-	10,795	4,795	5,020	7,820	820
Alberta Innovates Corporation	298,366	285,990	291,703	288,216	278,521	244,821
Ministry Total	434,411	477,765	477,478	446,092	440,389	404,547
Inter-Ministry Consolidations	(164,000)	(122,387)	(143,837)	(110,837)	(105,837)	(105,837)
Consolidated Total	270,411	355,378	333,641	335,255	334,552	298,710
Net Operating Result	(215,860)	(298,011)	(276,924)	(274,958)	(269,607)	(235,768)
CAPITAL INVESTMENT						
Ministry Support Services	71	2,075	1,779	2,025	625	25
Alberta Innovates Corporation	10,838	10,588	18,004	11,090	14,750	10,750
Ministry Total	10,909	12,663	19,783	13,115	15,375	10,775
Inter-Ministry Consolidations	-	(2,000)	(1,704)	(2,000)	(600)	-
Consolidated Total	10,909	10,663	18,079	11,115	14,775	10,775