



Société
d'aide au développement
des collectivités et Centre
d'aide aux entreprises

Study on the economic contribution of Quebec's SADCs and CAEs

September 19th, 2023

Final report



SADCs and CAEs Make a Significant Economic Contribution to Quebec

Setting the scene

The Réseau des SADC et CAE supports SADCs and CAEs in their activities in support of rural businesses and communities. Much of the Réseau's funding comes from the federal government, providing it with a lever for economic development to contribute directly to the growth of Quebec's regions. At the dawn of the renewal of its funding agreement with the federal government, the Réseau commissioned Aviséo Consulting to produce an economic impact study to quantify its impact on the Quebec economy.

A methodical approach to triangulating impacts

Aviséo applied a comprehensive and rigorous methodological approach to estimate the impact of SADCs and CAEs. This approach is broken down into three sections: 1) An overall portrait of the Réseau des SADC et CAE and how it operates; 2) CGE modelling to estimate the impact of SADCs and CAEs on the Quebec economy, and an illustration of the regional economic impact within two Quebec regions, using Aviséo's Quebec regional intersectoral model; 3) A study of structuring effects.

Rigorous, flexible modelling and the development of customized scenarios capture many of the impacts of SADCs and CAEs

Aviséo used its computable general equilibrium (CGE) model to simulate the impact of SADCs and CAEs on the Quebec economy. Notably, this tool enables us to take the impacts on price levels and market equilibriums into consideration and offers great flexibility in modelling behavior. The scenarios were developed on the basis of data shared by the Réseau. They break down as follows:

Capital shock	This scenario estimates investment expenditures arising from loans granted by SADCs and CAEs.
Survival	This scenario estimates the impact of SADCs and CAEs resulting from increased business survival.

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Summary of modelling results

Quebec, in M\$, by scenario

	Scenario 1 Capital shock	Scenario 2 Survival	Total impact
Value added <i>In \$M</i>	185	273	458
Investments <i>In \$M</i>	41	60	101
Corporate income <i>In \$M</i>	42	62	104
Household income <i>In \$M</i>	128	168	296
Government revenues <i>In \$M</i>	92	120	212

¹ For the period spanning from April 2019 to March 2023

Sources: Réseau des SADC et CAE, Analysis by Aviséo Consulting, 2023

Economic impacts amounting to nearly half a billion dollars for Quebec over the 2019-2023 period¹

An effect on business survival that has a positive impact on Quebec and its regions

The vast majority of impacts on value added come from scenario 2, which focuses on the increased survival of supported businesses, that produces the greatest impacts. In calibrating this scenario, Aviséo drew on numerous Statistics Canada studies produced for the Réseau. Among the results of these studies is an estimate of the survival of Réseau-supported companies compared to a control group. **In almost all sectors, Réseau-assisted companies do better than those in the control group.** This impact is the result of all the activities of SADCs and CAEs, including technical assistance.



Structuring Effects in Addition to Economic Impacts

Regional economic development is one of the specialties of SADCs and CAEs

The implementation of projects from SADCs and CAEs is carried out with the implicit aim of contributing to regional economic activity. This impact can be illustrated using Aviséo's Quebec regional intersectoral model.

Regional economic impacts illustrated by those in the Bas-Saint-Laurent and Estrie regions

These impacts are illustrated by two simulations:

- Regional impacts attributable to loans granted to businesses in each region
- Regional impact resulting from a better survival rate for businesses assisted in the Bas-Saint-Laurent and Estrie regions, which were selected for the high value of the loans granted.

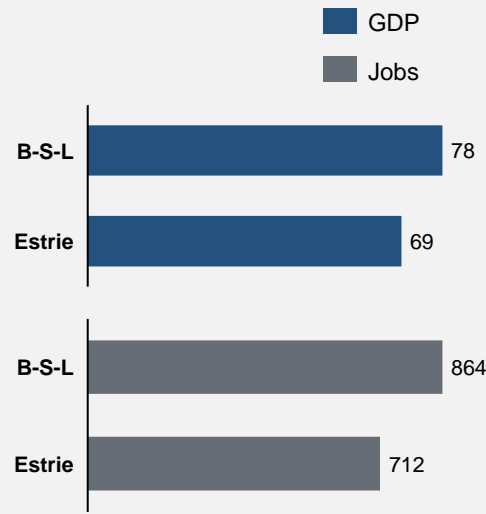
Several of the Réseau's programs are accompanied by complementary objectives and initiatives that can be structuring for certain clientele

Aviséo has identified three areas in which the Réseau des SADC et CAE and its intervention are having a structuring impact that goes beyond traditional economic impacts. More difficult to quantify, they contribute to wealth creation and collective well-being.

Structuring effects	Description
Helping SMEs improve their environmental performance	Through the Virage vert program, the Réseau fills a real need to help Quebec SMEs make the ecological transition.
Supporting the next generation of entrepreneurs to support business transfers and start-ups	Support for young entrepreneurs predominantly comes through the Stratégie Jeunesse program, which contributes to the emergence of new businesses, job creation and the attraction of investment to Quebec's regions.
Supporting female entrepreneurship to create greater wealth	The Réseau is developing a support and financing program for flexipreneurs ¹ . This program is adapted to the reality of women entrepreneurs who, for example, have another job in addition to their business.

¹ The initiative is being developed in collaboration with the Shawinigan SADC.
Sources: Réseau des SADC et CAE, Analysis by Aviséo Consulting, 2023

Summary of regional modelling results Bas-St-Laurent and Estrie, GDP in \$M, number of jobs



The role of SADCs and CAEs is highly relevant and could be expanded

The analysis shows that funding for SADCs and CAEs is not only justified but should be increased. The Réseau's priority areas of intervention, particularly with regard to the ecological transition, young entrepreneurs and women's entrepreneurship, make it a **vehicle for wealth creation, both for the Quebec economy and for communities.**

Its structuring impacts will have an economic impact not only today, but also in the future. A Quebec and Canada resolutely focused on the future can count on the Réseau des SADC et CAE to help them achieve their objectives.



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Context and Objectives

Context and Objectives

Portrait of the Réseau des SADC et CAE

Modelling and Economic Impact

Structuring Effects

Conclusion

A Study to Measure the Economic Contribution of SADCs and CAEs in Quebec

The Réseau des Sociétés d'aide au développement des collectivités (SADC) et Centres d'aide aux entreprises (CAE) du Québec (hereinafter referred to as "the Réseau") supports SADCs and CAEs in their activities to support rural businesses and communities.

In May 2023, the Réseau des SADC et CAE commissioned Aviseo Consulting to carry out a study on the economic contribution of all services provided by the Réseau's 67 establishments in Quebec

- However, this study had to go further than traditional employment indicators, as investments have structuring effects that go far beyond these and are therefore important to highlight
- Whether through loans or technical assistance, or by targeting specific clienteles or distinct objectives (e.g. Virage vert), these investments and activities are likely to have **multidimensional impacts on Quebec's economy**
- It should be noted that the impacts presented in this report do not include impacts from local economic development programs and projects (e.g. Mesure d'interventions locales), nor do they include impacts from certain business assistance programs delivered by the Réseau over the past three years (e.g. Regional Relief and Recovery Fund (RRRF), Tourism Small Business Assistance Project).

Aviseo Consulting used a variety of data inputs and sources in the framework of its analyses




- The work was carried out from May 2023 to August 2023 using data, announcements or publications available at the time of the work
- The data used come from recognized statistical agencies, the transfer of information held by the Réseau on its activities and public domain documentation
- Although every effort has been made to ensure the accuracy of the information contained in this report, there can be no guarantee that it will be accurate at the date it is received by the reader, or that it will continue to be so in the future.

Furthermore, the rigour of the approach used is in line with the Réseau's objectives and best practices in economics.

A Tailor-Made Method for Estimating the Economic Impact of SADCs and CAEs

Studying the contribution of SADC and CAE activities on Quebec's economy requires meticulous documentation and a methodological approach in order to arrive at solid and representative findings.

Thus, each section is self-supporting with its own findings, but they all feed into each other in the reconstruction of the impact of SADCs and CAEs in Quebec - an impact that revolves around the growth in investment and survival of businesses supported by SADCs and CAEs.

	Portrait of the Réseau des SADC et CAE	<ul style="list-style-type: none"> – The first stage of this report takes the form of a contextualization that focuses on a portrait of the Réseau and its members' interventions. This step will contextualize the Réseau's areas of intervention but will also include a brief discussion on a temporary program that was put in place during the Covid-19 pandemic
	Economic Modelling and Impacts	<ul style="list-style-type: none"> – Building on the findings of the previous section, the following section first presents the assumptions and model used to estimate economic impact in Quebec. The results are then presented separately for each scenario, before being aggregated to present an overall picture of the impacts – We also include an illustration of economic impacts in two administrative regions of Quebec
	Structuring Effects	<ul style="list-style-type: none"> – Finally, the study would not be complete without a discussion of the structuring effects, which are more qualitative in nature and therefore more difficult to quantify, but no less important.



Portrait of the Réseau des SADC et CAE

Context and Objectives

Portrait of the Réseau des SADC et CAE

- *Portrait*
- *Local economic development*
- *Technical support*
- *Financing*

Modelling and Economic Impact

Structuring Effects

Conclusion

The Réseau's history is shaped by local economic development issues

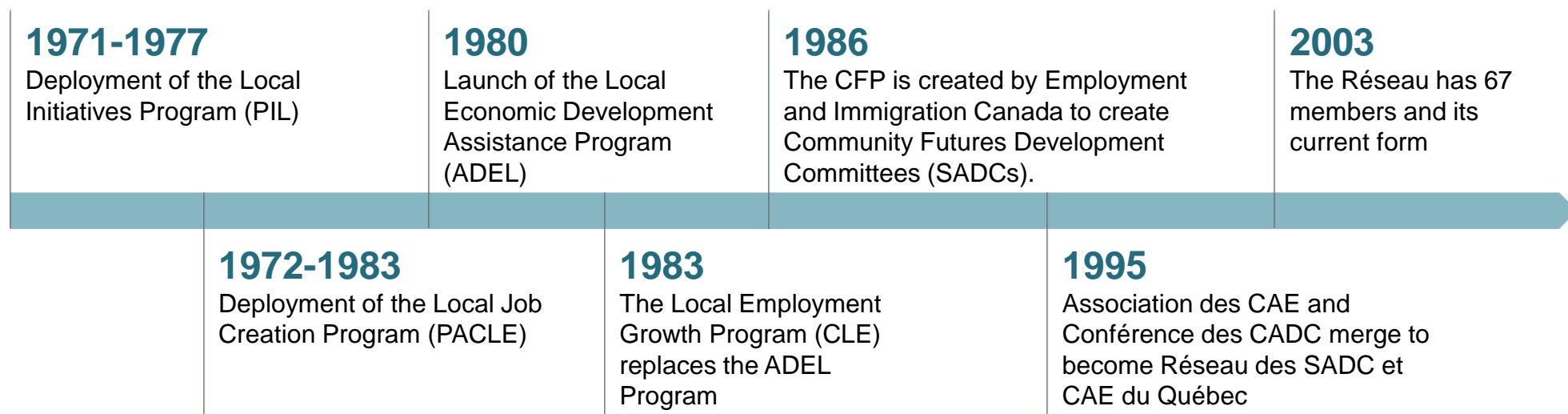
The first local economic development initiatives were launched in Canada in the late 1960s, at a time of generalized economic slowdown and rising unemployment in the regions of Quebec

- Prior to the creation of the Community Futures Program (CFP), government initiatives to promote regional economic development were largely focused on regional labor issues
- In 1983, the creation of the Local Employment Growth Program (CLE) marked the beginning of the autonomy and empowerment of communities in decision-making concerning their economic development.

Today, communities face new challenges, particularly in the wake of the pandemic.

- The issue of workforce availability remains, but has evolved in a context of low unemployment rates in both Quebec and Canada
- Businesses located in rural areas must also adapt to climate change, integrate new technologies, and deal with the challenges of vitalizing their region.

History of the CFP and the Réseau

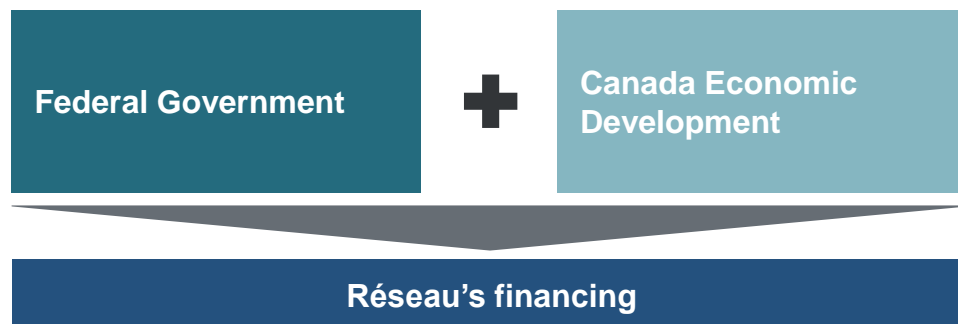


The Réseau is made up of 67 SADCs and CAEs located in 15 regions of Quebec

The Réseau des SADC et CAE supports SADCs and CAEs in their activities to support rural businesses and communities

- The Réseau comprises 57 SADCs and 10 CAEs in 15 administrative regions, excluding Montreal and Laval
 - On a national scale, the Community Futures Network of Canada operates 267 non-profit offices to support rural and remote area small businesses.
- The Réseau is a non-profit organization comprising over 400 professionals and 600 volunteers
- The Réseau provides support and financing services for entrepreneurs, contributing to the economic vitality of the regions
 - This includes assistance to businesses and the granting of loans.
 - Supporting local economic development.
- Financial support for the Réseau is provided by the federal government and Canada Economic Development for Quebec Regions (CED).

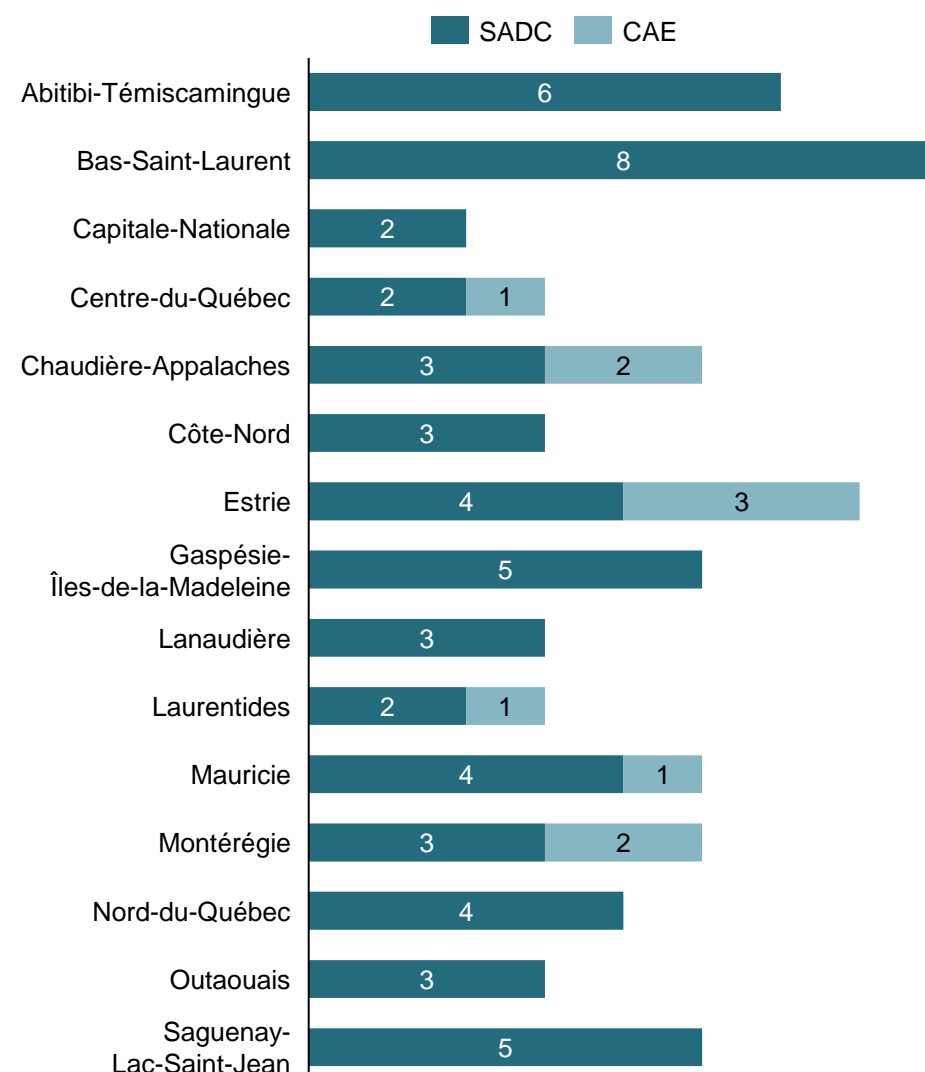
Sources of Financing



Sources: Réseau des SADC et CAE, Analysis by Aviseo Consulting, 2023

Distribution of SADCs and CAEs by administrative region

Quebec, 2022; in numbers



Network programs are developed to meet the needs of Quebec SMEs

The Réseau des SADC et CAE offers numerous programs to help Quebec SMEs. Although they all have their own specific characteristics, it is possible to identify three main areas of intervention.

Multiple spheres of intervention for maximum impact

By combining financial and technical support with local economic development from a unified perspective, SADCs and CAEs are able to implement initiatives that have a real impact on Quebec's rural communities. What sets SADCs and CAEs apart from financial institutions is the local economic development, support and follow-ups they offer. In short, they are true business partners for entrepreneurs.

Local development	Technical support	Financing
<p>The Réseau is committed to contributing to the economic development of Quebec's regions</p> <ul style="list-style-type: none"> – Local economic development of communities is the historic mission of the Réseau, which includes collective projects – The presence of SADCs and CAEs in the field enables them to gain a thorough understanding of local issues and promotes the dynamism of regions. 	<p>As a complement to financing, technical assistance offers concrete solutions to companies</p> <ul style="list-style-type: none"> – Technical assistance is available for business start-ups, business growth or business transfers – Technical assistance can come from a professional within the SADC or CAE, or take the form of a financial contribution to access external services – Many SADCs and CAEs have areas of specialization. 	<p>Business financing takes the form of loans or direct investment</p> <ul style="list-style-type: none"> – The financing offered by SADCs and CAEs also includes business support in the form of coaching – They often complete a company's financial package by offering a different, more comprehensive partnership than traditional financial institutions. SADCs and CAEs are therefore complementary to traditional financial institutions.

Local Economic Development Promoted by SADCs and CAEs

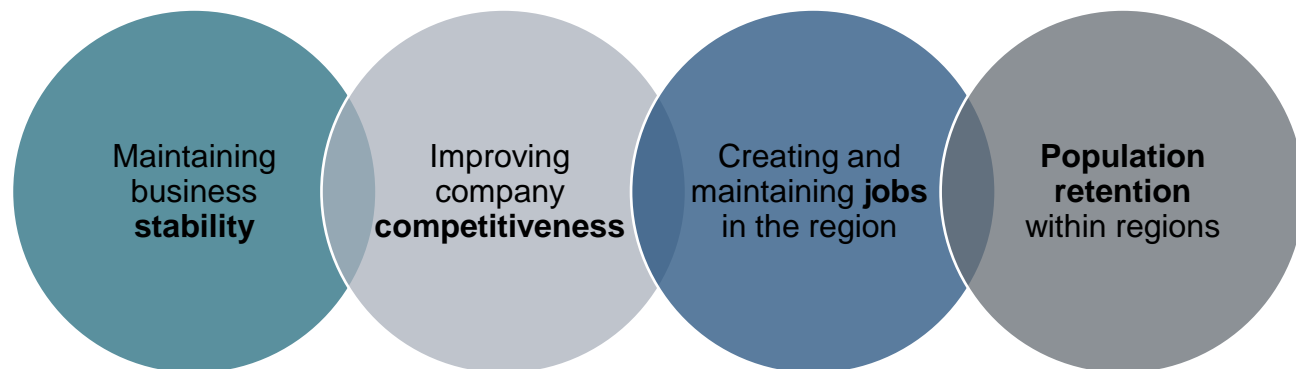
The economic development activities supported by SADCs and CAEs meet a specific economic objective for the localities and communities they serve

- Projects can be carried out directly by SADCs and CAEs or through partnerships with external stakeholders
- No economic sector is excluded from the outset, because communities vary greatly in their sectoral composition, and the sectors that are buoyant today are not necessarily those that will be in the future

The Mesure d'interventions locales (MIL) is a special fund pertaining to local economic development

- \$2.5 million have been invested by SADCs and CAEs in 2022-2023 as part of the MIL, generating a considerable leverage effect
 - This amount enabled 389 projects to be carried out, with total investments of \$10.0 million by SADCs and CAEs and their partners
- Projects mainly concern local initiatives, knowledge transfer activities, socio-economic events, and studies and diagnostics.

MIL's impact on companies and regions



Two Examples of Local Economic Development Carried Out by SADCs

SADC interventions in local economic development are linked to specific issues experienced by local communities, which can have a persistent long-term impact. By aiming to improve citizens' quality of life, they promote regional economic growth.

Goûtez l'Abitibi-Témiscamingue

All Abitibi-Témiscamingue SADCs (6)



Project description

- To enable the sale of food products and basic necessities via an online store

SADC's role

- SADC professionals and an external consultant drew on their complementary fields of expertise to bring the project to life

General impact

- 45 Abitibi-Témiscamingue food companies now sell their products every week
- Sales of over \$24,000 and an increase in the average basket per consumer of \$73

FatLab dedicated to the Atikamekw

SADC Haut-Saint-Maurice



Project description

- Technology training specifically developed to meet the needs of Atikamekw youth

SADC's role

- Financing
- Promoting the project to Atikamekw youth
- Mobilizing local economic players

General impact

- 15 young people from La Tuque between the ages of 15 and 30 took part in the training.
- These young people are ready to find a job or start their own business

Structuring Technical Assistance for Companies

SADCs and CAEs offer technical assistance and coaching to businesses, in addition to financing services. This technical assistance and coaching clearly distinguishes SADCs and CAEs from lenders such as financial institutions

- Assistance offered by SADCs and CAEs is provided both upstream and downstream of financing
- The intervention is always tailored to the company's specific needs in an effort to maximize impacts.

Whether it's for business start-up, growth or transfer, SADCs and CAEs offer concrete, tailored solutions

The support offered can take several forms:

- Help with financing arrangements
- Business plan and business model assistance
- Reflection on the company's real needs
- Search for partners and/or lifters
- Highly specialized expertise
- Access to a specific program.

Although SADCs and CAEs have a wide range of cutting-edge expertise at their disposal, it is sometimes also possible for companies to call on external technical assistance through specific one-off programs

The impact of in-house technical assistance projects can be more difficult to measure. However, this impact can be illustrated through case studies.

The assistance provided is tailored to the specific needs of businesses



Information and communication technology



Business plan, expansion, start-up



Management, finance, operations



Acquisition and succession, human resources



Marketing



Sustainability

A Lasting Partnership with the SADC, From Start-up to Expansion



Flexible support that adapts to business needs



SADC's assistance has a human dimension

SADC's impact on the company

- At Utopie's start-up, SADC provided technical assistance in setting up the company's financial structure, as well as interpreting financial results and balance sheets
- The SADC has remained a partner of Utopie as the company has grown, although its support has evolved to meet the company's changing needs through its different growth phases

Company description

- Company specializing in the manufacturing of skis and snowboards
- Utopie was founded in 2003 and is located in Saint-Narcisse-de-Rimouski
- Canada's largest ski and snowboard manufacturing plant
- More than 35 employees
- Manufactures around 15,000 pairs of skis and snowboards each year, the majority of which are exported to the United States

Continuous support for nearly 20 years

- Utopie has been working with the SADC de la Neigette since its inception in 2003
- SADC has always been a partner in this project, in one way or another
- SADC was present at Utopie's beginnings 19 years ago and is still present today as the company has grown and plans its five-year expansion strategy

"Our relationship with SADC is extraordinary: the same person has been handling our file since day one."

***Jean-François Bouchard,
President and Founder***

Special features of SADC support

- The support offered by the SADC is an inexpensive, turnkey solution for the company
- SADC has a more patient and flexible stance than a standard lender, matching Utopie's needs
- While Utopie was growing and SADC was a second-tier collaborator, it remained the most patient and accommodating partner

A relationship of trust with SADC

- On the SADC side, the same person has been in charge of the Utopie file from the outset, which has helped build a relationship of trust between the two parties
- Utopie's relationship with SADC has taken on a human dimension over the years, notably thanks to shared values

SADC offers multi-dimensional support that has a tangible impact on businesses



A company propelled by SADC support

A tailor-made and scalable assistance service

- The SADC put the company in contact with several organizations simultaneously, enabling Atikuss to create numerous business links and propelling its development towards international exports
- The SADC enabled Atikuss to be accompanied by an on-site specialist to help the company develop its business in northern Canada
- In the wake of the pandemic, the SADC helped Atikuss diversify its offer by supporting the company in the deployment of a laundry service, enabling the company to grow and accelerate its development



Company description

- For the past eight years, Atikuss has been making clothing and accessories using ancestral design methods and natural materials
- The company has built up a fair-trade market in native footwear, providing craftswomen with a fair wage for their work
- Atikuss' flagship project, Les Bottes de l'espoir, is part of a project that supports Canadian aboriginal women

Special features of SADC support

- Atikuss' collaboration with SADC Côte-Nord began when the project was launched eight years ago
- The support provided by the SADC was flexible and helped Atikuss develop its business plan
- SADC's support helped Atikuss build its credibility in the business community



The partnership built with SADC goes beyond business relationships

A lasting and high-quality collaboration

- The SADC director who helped Atikuss get off the ground is still present and involved, adding a human dimension to the support provided by the SADC
- The SADC Côte-Nord team is made up of dynamic young women who motivated and encouraged the Atikuss founder during the start-up process

“The SADC helped us improve efficiency while mechanizing some of our operations.”

*Josée Shushei Leblanc,
Founder, owner and
General Manager*

Three Examples of SADC's Support Offering to Local Businesses

Les Crevettes de Sept-Îles

SADC Côte-Nord

ABS Remorques Inc.

SADC des Sources

La Cabane chez Arthur

SADC du Haut-Saint-François

Company description

- Company specializing in seafood
- The owners also own a restaurant, a fishmonger's and a seafood processing plant

Company description

- Company that designs, manufactures and supplies conveyORIZED semi-trailers

Company description

- Sugar Shack
- Restaurant and maple products boutique

SADC's role

- The SADC enabled the company to consult experts in order to automate production processes such as shrimp peeling

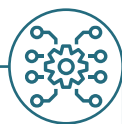
SADC's role

- The SADC enabled the company to obtain the services of an expert to deploy a sustainable robotization project

SADC's role

- The SADC enabled the company to expand its dining room, set up a new boutique and offer services during the week

Type of assistance provided



- The support provided by SADC is part of the Technical Assistance Component (TAC) of the RRRF program

Type of assistance provided



- The assistance provided by the SADC is part of the Virage vert program, which helps companies improve their environmental and economic performance

Type of assistance provided



- The non-repayable financial contribution provided by the SADC is part of the Tourism Small Business Assistance Project

General impact

- By providing this technical assistance, the SADC supported the company from Côte-Nord in implementing an innovative production strategy

General impact

- SADC's support has enabled this Eastern Townships company to increase its production capacity while reducing industrial waste and material wastage

General impact

- With this financial support, the SADC is demonstrating its support for the regional tourism industry, which has been severely affected by the pandemic, and contributing to the recovery of small businesses affected

Capital Réseau, a financial vehicle for the Réseau

Capital Réseau has been the innovative financial vehicle of the Réseau and its members since 1999, providing SADCs and CAEs with ongoing access to capital

- The assets total \$76.5 million, almost half of which are composed of SADCs and CAEs contributions.

The objectives of Capital Réseau are aligned with those of the Réseau, to remain at the service of SADCs and CAEs

- Capital Réseau adapts to the needs of companies and to various local development initiatives.

The attractive terms and conditions proposed by Capital Réseau make it the ideal tool for communities

- Interest rates on members' investments can be as high as 4.25%¹
- More attractive returns than those of financial market term deposits
- Loans from the Stratégie Jeunesse fund benefit from an interest rebate for the first two years.

Capital Réseau plays a crucial role as a strategic partner for both the federal government and the SADCs and CAEs

- Canada Economic Development has chosen Capital Réseau to carry out the Projet d'aide aux petites entreprises touristiques rurales (PAPETR), which includes investments totalling \$20 million
- During the pandemic, the federal government entrusted Capital Réseau with a non-repayable contribution to provide companies in regions covered by SADCs and CAEs with emergency financial assistance in the form of loans (Regional Relief and Recovery Fund - RRRF).

¹Revised upwards on March 31, 2023, according to the 2022-2023 annual report of the Réseau des SADC + CAE

Sources: Réseau des SADC et CAE, Analysis by Aviseo Consulting, 2023



The RRRF, an Effective Support Measure to Meet the Challenges of the Pandemic

The deployment of the RRRF in response to the pandemic enabled the Réseau and the SADCs and CAEs to demonstrate their speed of action and understanding of local issues by supporting the businesses affected.

- Small businesses that had not been able to benefit from federal government support were able to receive it
- Community vitality has been maintained by providing targeted support for local services and to the retail industry.

Government aid has helped many companies get through the pandemic

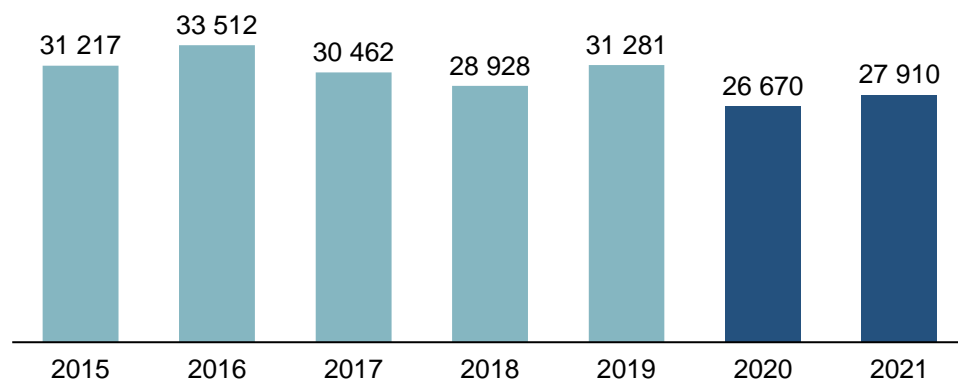
- In fact, business closures in 2020 and 2021 were lower than before the pandemic.

Between June 2020 and September 2021, the RRRF granted investments totaling \$123.5 million and comprises three intervention components

- 3,576 loans were granted to 2,779 businesses
- 355 collective local economic development projects were financed
- 4,139 companies received structuring technical assistance from SADCs and CAEs.

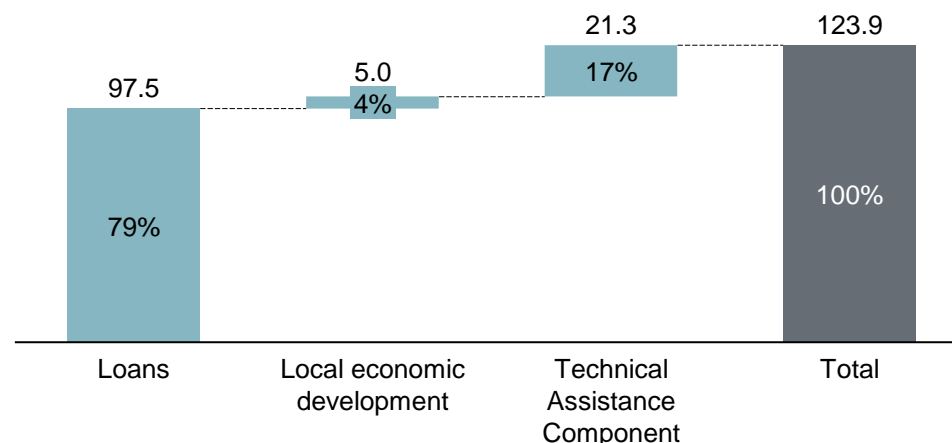
Companies disappearing in Quebec

Quebec, 2015-2021, corporate sector, in numbers



Breakdown of assistance granted under RRRF

Quebec, June 2020 to September 2021, in \$M and as a % of sales





Modelling and Economic Impact

Context and Objectives

Portrait of the CFDC and CAE Network

Modelling and economic impact

- *Methodology*
- *Results*
- *Regional economic impact*

Structuring Effects

Conclusion

Three Scenarios to Model the Economic Impact of SADCs and CAEs in Quebec

Developing different scenarios makes it possible to estimate the overall impact of SADCs and CAEs on Quebec and its regions. The first two scenarios measure the main economic impacts arising from two different transmission mechanisms: the impact of loans on investment, and the economic impact attributable to a better survival rate of supported businesses. The scenarios were developed using the database provided by the Réseau, consulting Statistics Canada reports and drawing on the economic literature.

Economic impact in Quebec

1

Impact on business investment: Data on loans granted by SADCs and CAEs are used to estimate subsequent investment spending by recipient businesses. For this purpose, only loans whose object is likely to be converted into capital are considered

2

Impact on business survival: Based on Statistics Canada reports that measure the impact of SADCs and CAEs on the businesses they support, it was possible to estimate the economic impact of SADCs and CAEs resulting from the increased survival of supported businesses

Impact on regional economic activity¹

3

Economic impact in two regions : The objective of this scenario is to illustrate the impact of SADCs and CAEs on regional development by measuring

- the regional economic impact of loans granted by SADCs and CAEs to businesses in the selected region
- economic impacts attributable to the increased survival rate of assisted businesses in selected regions.

¹ Regional economic impact modelling was carried out using a regional intersectoral model rather than a CGE model.

A Comprehensive, Flexible and Rigorous Methodological Framework

Key features of the CGE model

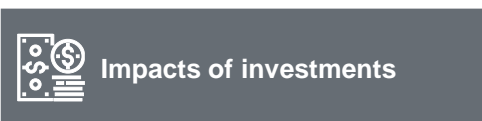
- The model is calibrated according to a Quebec social accounting matrix (2018)
- Quebec is modelled as a small, open economy with government
- There are 63 production sectors and one representative household
- Sectors use two production factors, labour and capital, which are internationally immobile, and they produce according to a Cobb-Douglas production function
- The labor supply function is endogenous, which implies that workers can work more or less depending on incentives
- Modelling the labor market reflects the constraints present in the economy.

Framework for analyzing economic and fiscal benefits of the Réseau des SADC et CAE

For illustration

AVISEO
MODÈLE
EGC

Scenarios



CGE model



Impacts



+ A distinctive model

The CGE model includes behaviors, market equilibrium conditions and numerous relative prices, making it a realistic representation of the economy. Many governments around the world have a CGE model.

¹ In a CGE model, measured variations include all impacts (direct, indirect and induced). The results therefore represent net and total effects.

METHODOLOGY

Loans Enabling Capital Expenditure of Over \$150 million

Capital expenditure has been calibrated on the basis of data provided by Réseau

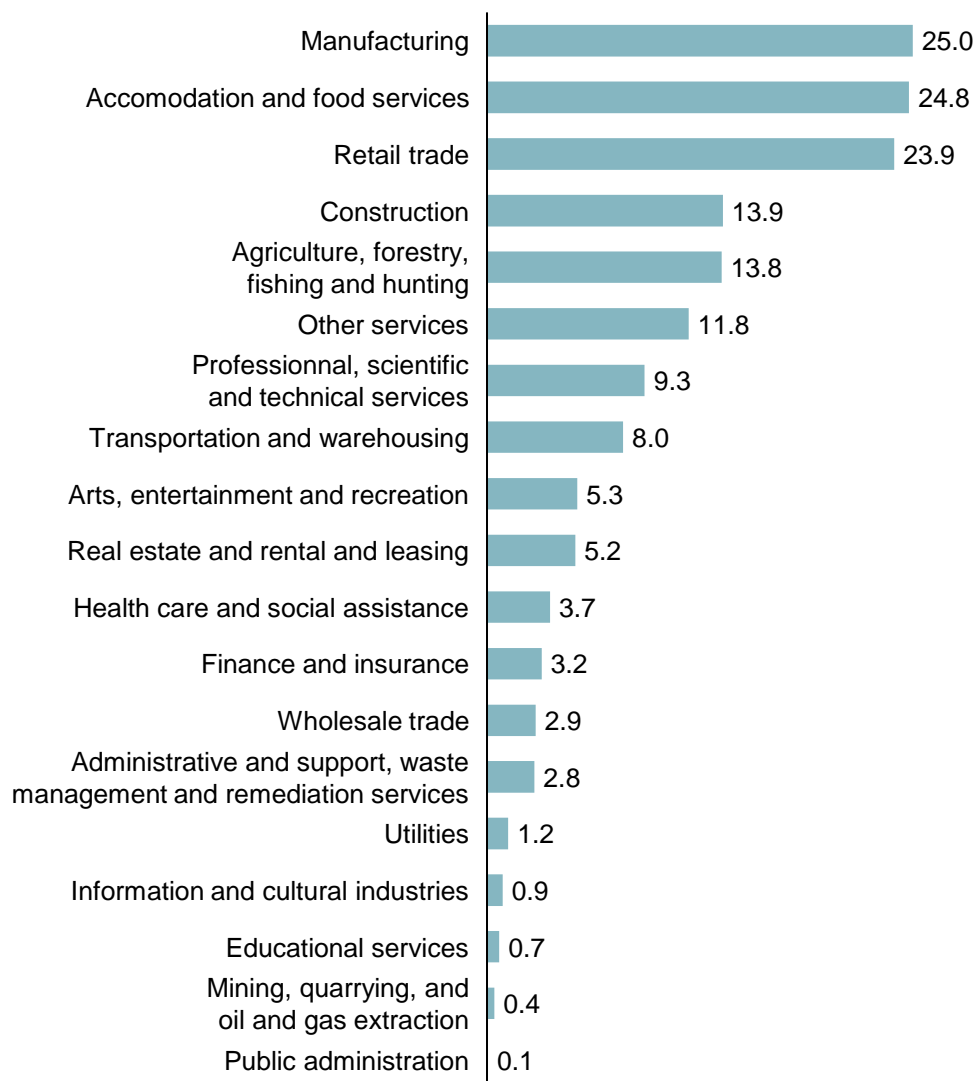
- The economic definition of capital is used
 - Loans whose intended effect is acquisition and succession, start-up, expansion and modernization have been considered, since these translate into subsequent capital investments
 - Loans whose intended effect is recovery have not been considered, as it is assumed that they do not induce investment in the economic sense of the term.
- Loans for which the sector was missing were assigned to a sector if it was easily identifiable
 - The amounts of loans for which the sector was not identifiable were redistributed among all sectors according to the proportion of loaned amounts.
- Since the data provided by the Réseau only include 48 of the 67 SADCs and CAEs, the total amount of loans by sector has been weighted to represent all 67 organizations, under the assumption that the 19 missing SADCs and CAEs are similar to the 48 SADCs for which data was available at the time this report was written
- No leverage effect has been considered.



**Capital expenditures totalling \$157 million
(2019-2023)**

Value of loans granted by SADCs and CAEs by sector of activity

Quebec, April 2019 to March 2023, in \$M



METHODOLOGY

Assistance offered by SADCs and CAEs contributes to a better survival rate for assisted businesses

For several years now, Canada Economic Development has commissioned Statistics Canada to produce a report evaluating the companies assisted by the Réseau in comparison with a control group, on a number of variables.

The third scenario is therefore based on the results of Statistics Canada reports on the impact of the Community Futures Program (CFP) on survival rates

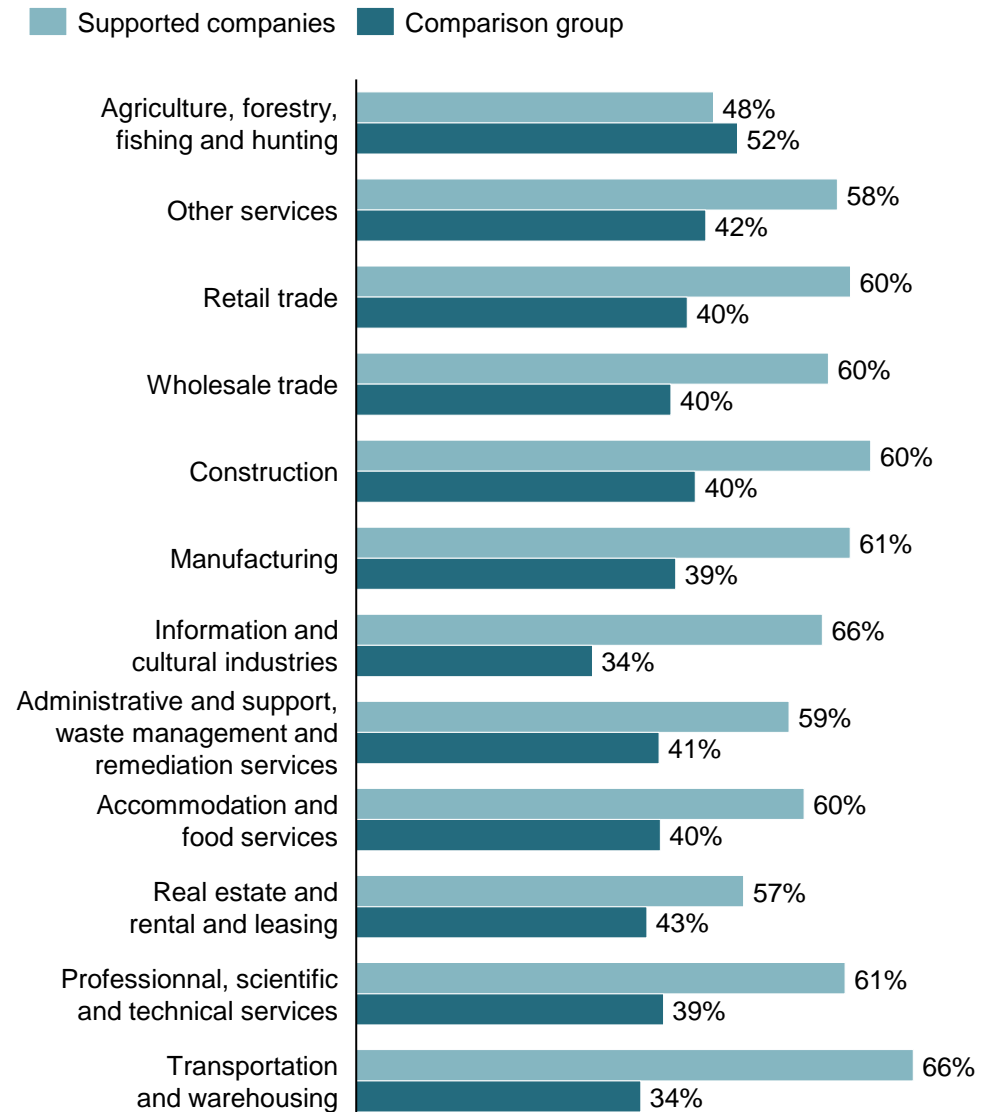
- The reports compare companies that benefit from the CFP with similar companies that do not, using various indicators, including the survival rate of companies after five years
- In order to interpret an average effect on the differential survival rate compared with the control group, several studies are considered so as to reduce the likelihood of including an impact that may only be anecdotal.

Statistics Canada presents 12 sectors for which it is possible to compare the survival rate of beneficiary and non-beneficiary companies

- Only the agriculture, forestry, fishing and hunting sector has a better survival rate for the comparison group.
- Other sectors show an average survival differential within 16% and 45% between CFP-supported companies and the comparison group.

Average business survival after five years, by sector

Quebec, 2018 to 2022, in



METHODOLOGY

An Impact on Survival That Avoids a Loss in Production for the Quebec Economy

Combining data from Statistics Canada reports with data provided by the Réseau makes it possible to estimate the impact of SADCs and CAEs on business survival

- The average value of survival differentials between beneficiary and non-beneficiary companies by sector is used as the effect of Réseau services on company survival
- The sum of revenues by sector for loan recipient companies, taken from data provided by the Réseau, is used to represent company output in each sector
- The impact on survival per sector is multiplied by the sales per sector, and it is estimated that the sum of these values constitutes the share of the companies' avoided production loss that is attributable to the Réseau's services.

The sum of production losses avoided by companies benefiting from SADC and CAE loans between 2019 and 2023 amounts to \$560 million.

- This means that the technical assistance and loans provided by SADCs and CAEs have enabled the supported companies to avoid production losses of \$560 million between 2019 and 2023.

Production losses avoided thanks to the impact of SADCs and CAEs on business survival

Quebec, selected sectors, 2019 to 2023, in \$M

Sectors	Production losses avoided (\$M)
Agriculture, forestry, fishing and hunting	-2.1
Other services (excluding public administration)	25.3
Retail trade	84.8
Wholesale trade	14.0
Construction	80.9
Manufacturing	207.7
Information and cultural industries	1.8
Administrative support, waste management and remediation services	11.1
Accommodation and food services	38.6
Real estate and rental and leasing	2.9
Professional, scientific and technical services	27.5
Transportation and warehousing	36.5



Avoided production losses of \$560 million through 63 sectors (2019-2023)

RESULTS

Positive Economic Impact for the Quebec Economy

Investments supported by SADCs and CAEs added \$185 million to Quebec's GDP

- GDP growth depends on increased economic activity, as well as household, government and corporate revenues
- Households benefit the most from revenue increases in this scenario, with an increase of \$128 million over the period.

It is also worth mentioning that the effect on price levels is essentially nil, while the impact on investment is positive

- Investments increased by \$41 million over the period, which will also have a positive impact on economic activity in future years
- Investment growth stems from the increased savings by economic agents (households, governments, businesses)
- Investment is one of the determinants of long-term economic growth.

Of all sectors of activity, it is the engineering works sector that has seen the strongest increase in value added, the growth in economic activity driving new investments

- The accommodation and food services and the retail trade sector are next in terms of impact on their sector's value added.
- This result is not unrelated to the nominal value of loans granted to these sectors.



\$185 million increase of real GDP



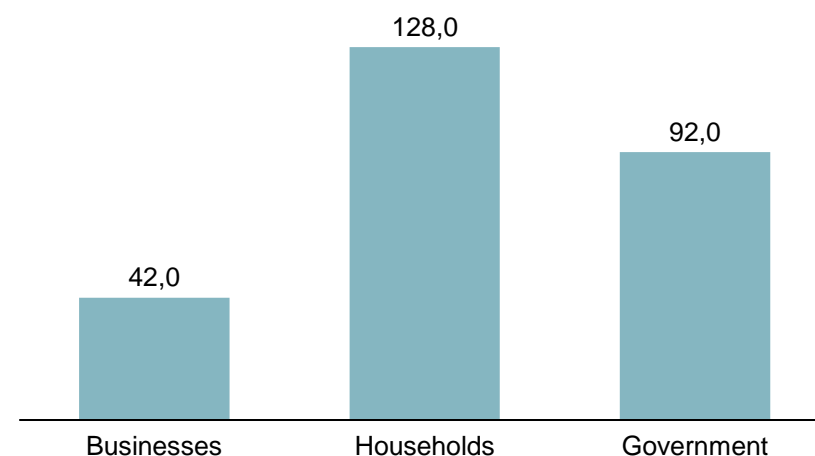
\$41 million increase in investment



Increased **well-being** in the economy

Impact on revenues

Quebec, 2019-2023, in \$M



RESULTS

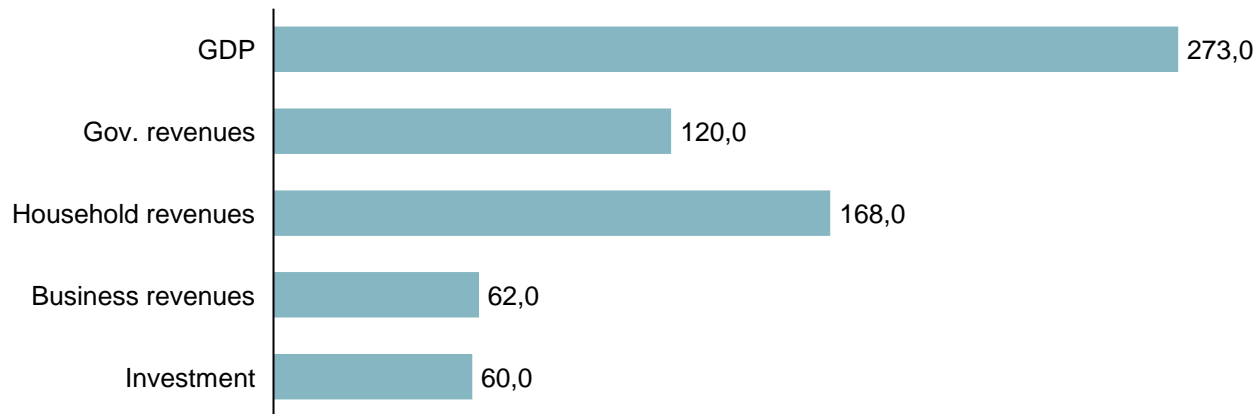
Increased Survival Equates to Economic Impacts

SADC and CAE interventions are correlated with better survival rates for assisted businesses than the control portfolio in almost all sectors of activity

- Using the survival rate differential by sector, the avoided loss of production is equivalent to a significant increase in GDP, which is higher than the economic impact directly attributable to loans
- As in the other scenarios, Quebec households come out on top, with an additional \$168 million in disposable income
- The government's revenue increase does not take into account the avoided cost of support measures that some households could have taken advantage of.

Impact on value-added growth by sector

Quebec, 2019-2023, in \$M



Increased survival has a positive impact of \$273 million on Quebec's GDP



SADC and CAE interventions are structuring for Quebec

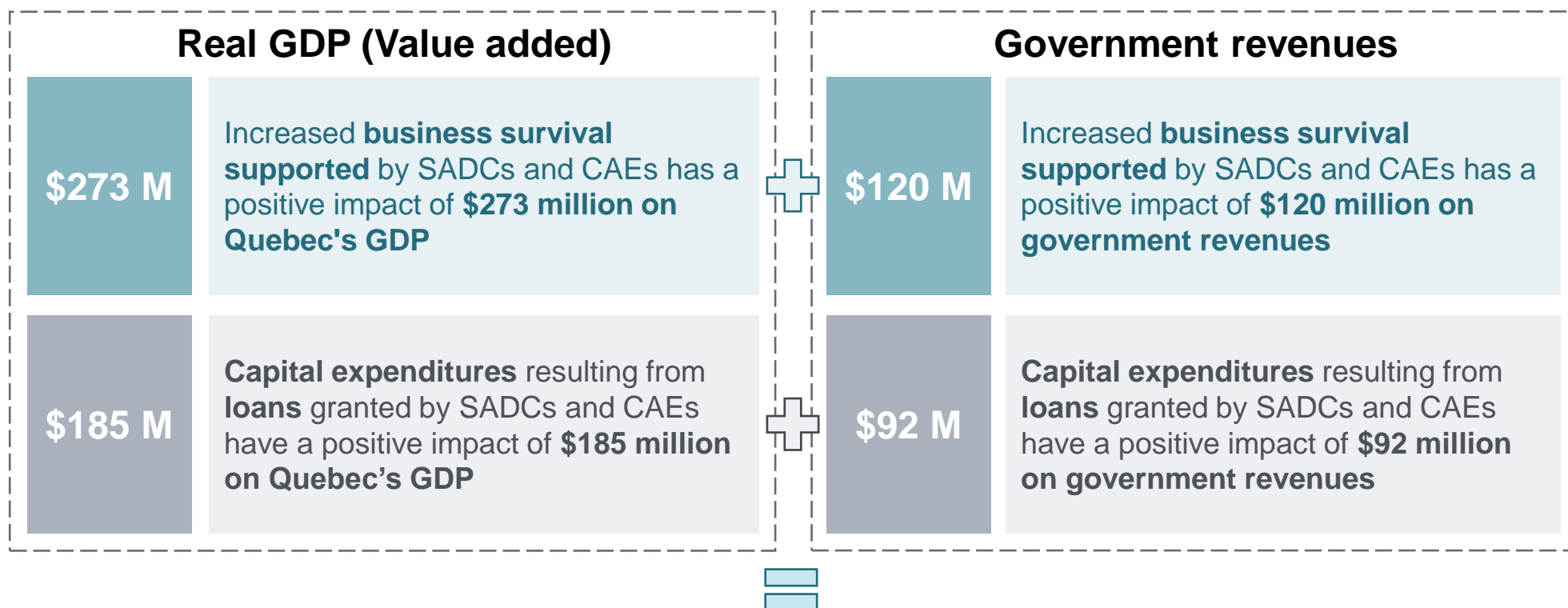
In total, SADCs and CAEs have created or supported more than \$450 million in GDP between 2019 and 2023 in Quebec.

The estimated economic impacts attributable to the activities of SADCs and CAEs are based on their diversified nature. For Quebec, the portrait reveals appreciable impacts for Quebec households, governments and businesses alike. By improving the survival rate of assisted businesses compared to a control group, the economic impact of SADCs and CAEs is more than doubled. This translates into economic benefits for Quebec as a whole, but for its regions as well.

	Scenario 1 Capital shock	Scenario 2 Survival	Total impact
Value added <i>In \$M</i>	185	273	458
Investments <i>In \$M</i>	41	60	101
Corporate income <i>In \$M</i>	42	62	104
Household income <i>In \$M</i>	128	168	296
Government revenues <i>In \$M</i>	92	120	212

SADC and CAE have significant economic and fiscal impacts

Without taking into account local economic development programs (MIL and DEL) as well as major business support programs (PAPETR, CDAP, RRRF) delivered by SADCs and CAEs between 2019 and 2023, **the total impact of SADCs and CAEs on Quebec's GDP amounts to \$458 million. Furthermore, it also added \$212 million in fiscal revenues during the same period.**



A substantial impact on the Quebec economy as well as the tax revenues for the governments involved

An illustration of the Economic Benefits for Quebec Regions

Measuring the impact on local development

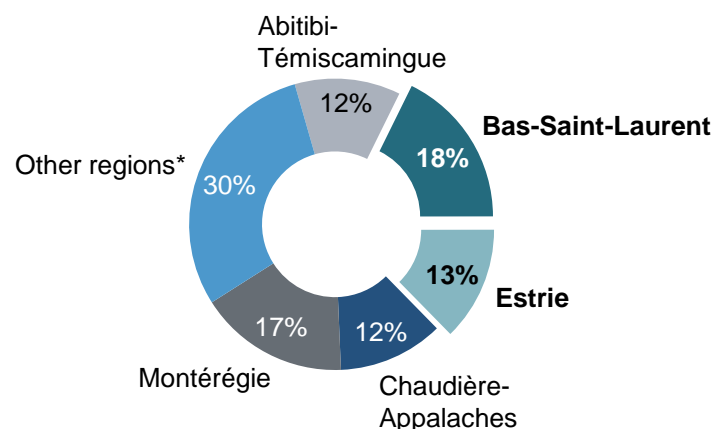
Modelling in two stages and two regions

The estimated contribution of SADCs and CAEs to regional economic activity will be illustrated using two separate models, thus capturing two impact mechanisms

- As in scenario 1, we measure the regional economic impact attributable to loans granted to businesses in the region
- Scenario 2 demonstrated that an increase in the survival rate could have a positive impact. For this reason, we also estimate the regional impact of an improved survival rate for assisted companies within a given region
- Regional economic benefits have been estimated for the **Bas-Saint-Laurent** and **Estrie** regions
 - Montérégie notwithstanding, these are the two regions with the largest share of loans
 - Montérégie was omitted because of its proximity to Montreal.

Breakdown of loans granted by region

Quebec, 2019 to 2023; in percent (%)

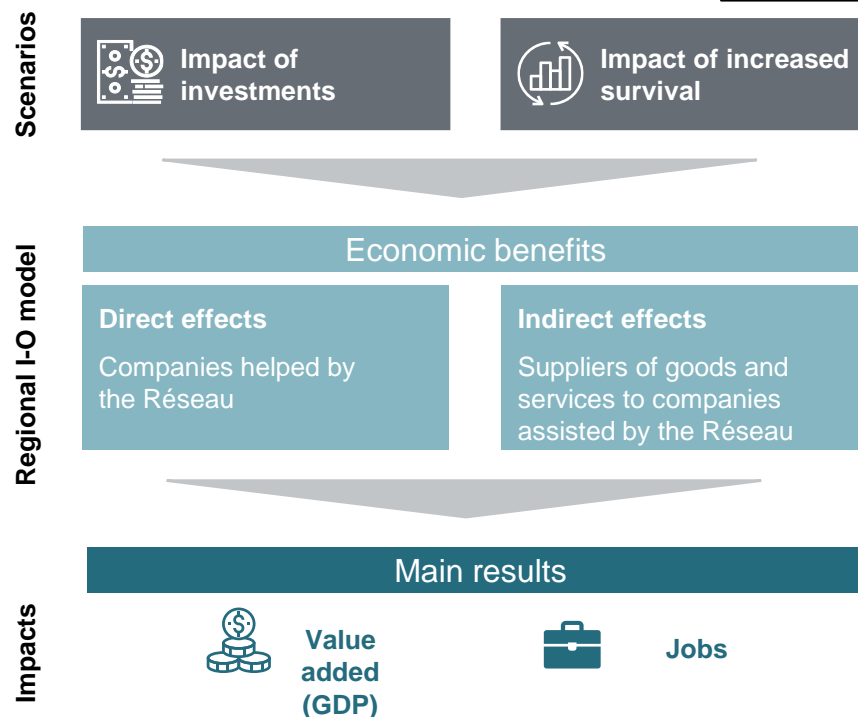


(*) Other regions: Capitale-Nationale, Côte-Nord, Gaspésie-Îles-de-la-Madeleine, Lanaudière, Nord-du-Québec, Outaouais, Saguenay-Lac-Saint-Jean
Sources: Réseau des SADC et CAE, Statistics Canada, Analysis by Avisa Consulting, 2023

Methodological framework for scenario 3

For illustration

AVISEO
MODÈLE
IRQ



The effect of increased survival rate by selected region



- \$88.5 million in production losses avoided in Bas-Saint-Laurent
- \$73.1 million in production losses avoided in Estrie

A Positive and Tangible Economic Impact for the Two Modelled Regions

The impact of business financing in Estrie and Bas-Saint-Laurent regions, as well as the impact of a better survival rate for assisted businesses, translates into substantial economic impacts for both regions. By extrapolation, the impact on all regions would therefore be considerable.

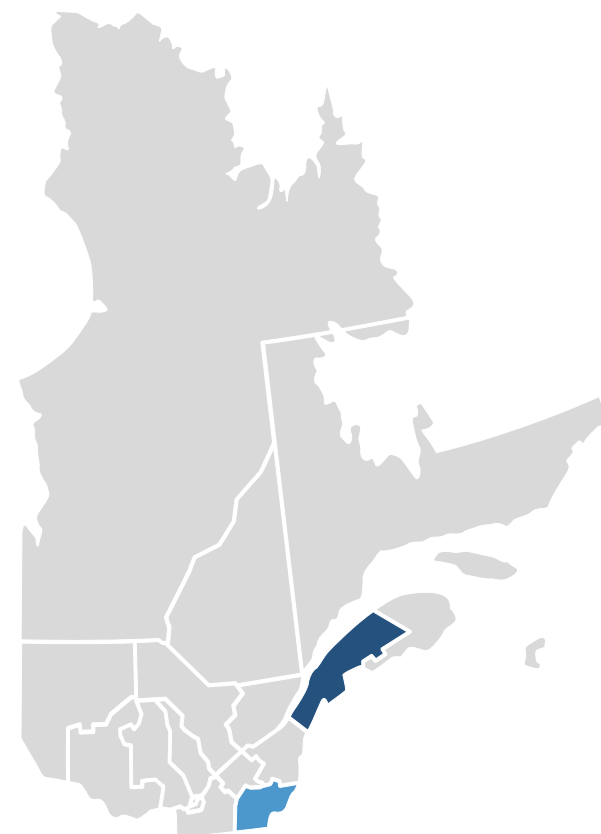
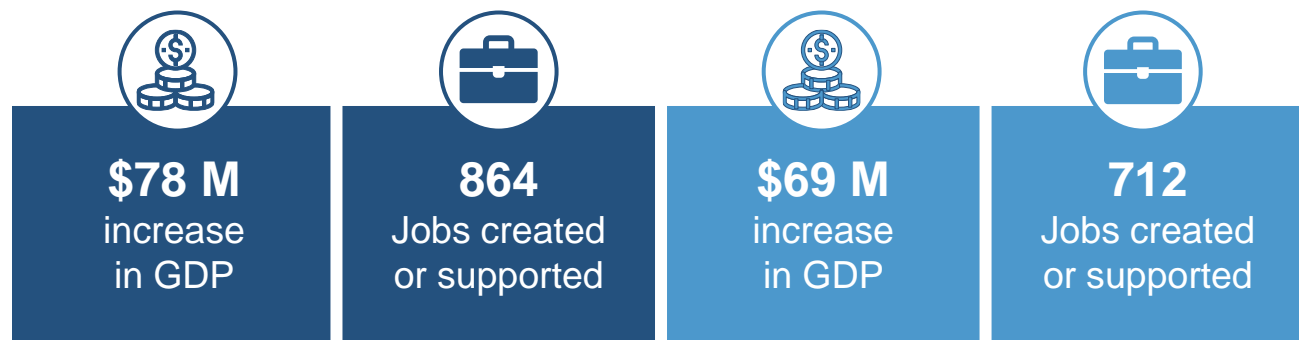
Impact on direct value added in identified regions

The impact of loans and a better survival rate for supported businesses helped preserve \$78 million in Bas-St-Laurent and \$69 million in Estrie

- Direct impacts amounted to \$59 million in Bas-St-Laurent and \$47 million in Estrie
- Indirect impacts amounted to \$19 million in Bas-St-Laurent and \$22 million in Estrie.

Impact on jobs in identified regions

In addition to adding value, the net effect of SADC and CAE intervention on employment was to help support 864 jobs in Bas-St-Laurent and 712 jobs in Estrie.





Structuring effects

Context and Objectives

Portrait of the SADC and CAE Network

Modelling and Economic Impact

Structuring Effects

Conclusion

Structuring effects are added to impacts

The measurement of economic impacts attributable to the activities of SADCs and CAEs was carried out without regard to potentially structuring impacts, which are more difficult to quantify.

In fact, several of the Réseau's programs are accompanied by complementary objectives and initiatives that can be structuring for certain clienteles.

The fields of expertise of SADCs and CAEs include support for :

- Female entrepreneurship
- Youth entrepreneurship and business succession
- Projects with aboriginal businesses and communities
- Revitalizing town centers and village cores
- The Virage vert
- Local tourism
- Innovation and integration of new technologies



Areas of Intervention in Line with Quebec's Ambitions

As efforts to limit the impact of climate change accelerate, companies will need to innovate and adapt their ways of doing business to remain competitive, all while respecting the environment. This is an additional challenge to which Quebec SMEs will be confronted.



Ecological transition for a sustainable economy



Entrepreneurial succession to ensure business transfer



Female entrepreneurship to create greater wealth

It is also expected that many family businesses will have to change hands over the next few years, not least because of the current age pyramid. Against this backdrop, it is important to develop a business environment that is conducive to entrepreneurship. At a time when there are still fewer women entrepreneurs than men, promoting female entrepreneurship can generate economic spinoffs and have structuring effects.



STRUCTURING IMPACTS

Improved Environmental Performance for Companies Benefiting From the Green Shift Program

Climate change requires SMEs to enhance their environmental performance to adapt to new sustainability challenges

- The new Virage vert program, launched in February 2022 in collaboration with CED, will strengthen business support for the sustainable economic development of regions.

With Virage vert, the Réseau demonstrates its decisive position in the ecological transition of SMEs

- In addition to contributing to the implementation of sustainable practices by participating companies, the Réseau's actions generate positive impacts for the communities in which it operates
- SADCs and CAEs are in direct contact with local entrepreneurs and citizens, and thus hold great potential for influencing behavioral changes aimed at improving environmental performance.

The projects set up under the Virage vert program cover various dimensions of sustainable development and demonstrate the breadth of the scope of action of SADCs and CAEs

- Sustainable business models and eco-design
- Optimizing residual resource waste management and energy efficiency and consumption
- Circular economy and industrial synergy
- Carbon footprint and GHG reduction.

The Virage vert program fills a real need to support Quebec SMEs in their ecological transition

37% of projects carried out involve companies that are new clients of a SADC or CAE. This acts as a complementary program to offers from ecosystem players.

The Virage vert program, an investment of \$9.5 million over three years

In the first year of its implementation, \$4.9 million was invested by SADCs and CAEs, 201 companies were assisted, and 120 sustainable community projects were completed.

The Virage vert program enables SADCs and CAEs to consider environmental issues in their actions to support local economic development

The Réseau's support enables SMEs to be better equipped to deal with the climate issues that are changing the business environment in which they evolve.

STRUCTURING IMPACTS

The Stratégie jeunesse program boosts regional economies

Set up in 1997, the Stratégie Jeunesse (SJ) program **supports entrepreneurs aged 39 and under** through concrete actions tailored to their needs

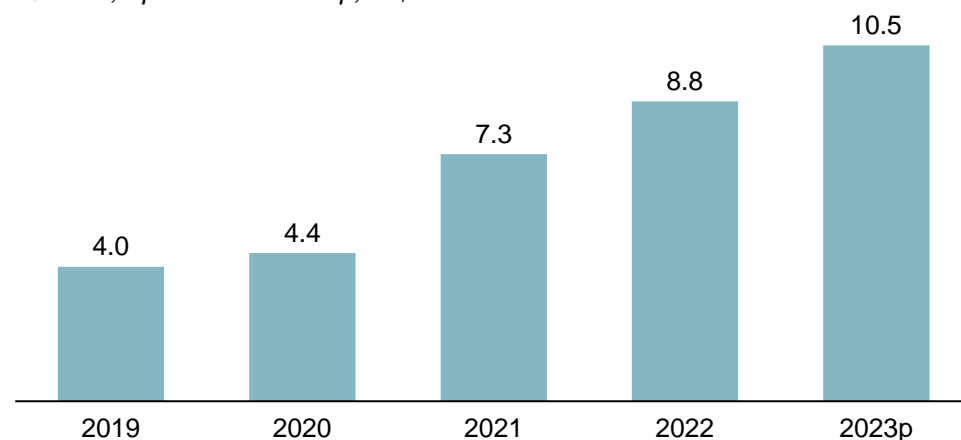
- Invest a total of \$165 million in young entrepreneurs' projects
- Create and maintain more than 44,000 jobs in the region
- Help nearly 13,000 young entrepreneurs start or acquire a business.

Between 2019 and 2023, the amounts of loans granted under the SJ program have grown

- The most popular lending sectors are retail trade, accommodation and food services, and construction.

Amounts of loans granted under the SJ program in 48 SADCs and CAEs

Quebec, April 2019 to 2023p, in \$M



By offering services designed for young entrepreneurs, the Réseau ensures the presence of a **new and dynamic generation of entrepreneurs** in the regions of Quebec

- The SJ program supports start-ups as well as acquisitions and takeovers of existing businesses
- In addition to financing, personalized follow-ups are offered to entrepreneurs for the duration of the loan
 - The assistance provided includes the integration of new technologies, and the hiring and retention of employees.

With the SJ program, the Réseau accelerates regional economic growth by stimulating innovation, supporting the emergence of new businesses, creating jobs and attracting investment to Quebec's regions.



The SJ program is an example of the Réseau's contribution to the vitality of Quebec's regions.

"15% of the young entrepreneurs we've supported with the Stratégie Jeunesse say they would probably have left their region if their business project had not come to fruition."

Réseau des SADC et CAE, 2023

STRUCTURING IMPACTS

Economic Development That Benefits Women Entrepreneurs

A disappearing performance gap

A Statistics Canada study found that performance gaps for women-owned businesses were insignificant for most performance measures

- Women, however, were more likely to work fewer hours, have less experience, be more risk-averse and face more financial constraints.

The Réseau des SADC et CAE is therefore particularly well-placed to contribute to the growth of women-owned businesses, not least because of the technical and strategic support it offers in addition to financial backing. There isn't just one type of entrepreneur, and **the flexipreneurship offered by SADCs and CAEs is part of a drive to recognize this diversity and value their contribution.**

Flexipreneurship is part of the solution

The Réseau develops a support and financing program for flexipreneurs¹

- Flexipreneurs are women entrepreneurs who, in addition to their business, have a part-time or full-time job, are studying, or are providing assistance to a loved one
- By paying special attention to flexipreneurs, SADCs and CAEs are doing more for women entrepreneurs who don't fit neatly into the traditional definition of an entrepreneur
- In line with the objectives of Women and Gender Equality Canada.

The support provided to flexipreneurs is tailored to their specific needs and demonstrates the ability of SADCs and CAEs to respond to constantly evolving issues

- Equipment diversification and strategic development
- Access to mentors and business management training.

Benefits of female business ownership



¹ The initiative is being developed in collaboration with the Shawinigan SADC.

+ Conclusion

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Substantial Impacts on the Quebec Economy

Whether through project financing, internal or external technical assistance, or the impact their interventions have on business survival, this study highlights the significant impact of the Réseau des SADC et CAE and its members on the Quebec economy. Contributing to the creation of nearly half a billion dollars over the period, this is an appreciable economic contribution, not least because it occurs mainly in the regions.

The increase in government revenue is substantial and reduces the cost of financing SADCs and CAEs. Similarly, the increase in disposable household income not only improves well-being in Quebec, it also indirectly reduces the cost of support measures that might otherwise have been necessary, were it not for the positive impact on the survival rate of businesses supported by SADCs and CAEs.

It is worth recalling that LED programs, as well as a number of business assistance programs (e.g. PAPETR, CDAP, RRRF), have not been taken into account in this impact estimate. There is no doubt that the Réseau des SADC et CAE is an effective way for the federal government to support SMEs in the various regions of Quebec.

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Equally Important Regional and Structuring Impacts

At a time when the cost of living is a major concern for many households, the opportunity to live and thrive in the regions at a lower cost than in the metropolis is a major contributor to our collective well-being.



Supporting businesses to accelerate the green transition



Help for young people to encourage the next generation of entrepreneurs in regions



Programs to accelerate the growth and start-up of women-owned businesses

This study estimated the contribution of SADCs and CAEs to the regional economy through financing and increased survival of assisted businesses, in two administrative regions of Quebec: Bas-Saint-Laurent and Estrie. Results show a considerable contribution to regional GDP and employment

- SADCs and CAEs helped create or support \$78 million in GDP in Bas-Saint-Laurent and 864 jobs, compared with \$69 million in GDP and 712 jobs in Estrie.

It's worth mentioning that while these are just two examples to illustrate the Réseau's regional economic impact, its overall regional impact is much higher.



With a relatively limited budget, the impact of SADCs and CAEs is considerable, suggesting that they would probably be able to achieve even more with an increased budget.



What can we learn from the study?

This study highlights the positive economic contribution of SADCs and CAEs to Quebec's economy in general, and to its regions also.

Our analysis shows that funding for SADCs and CAEs is not only justified but should be increased. The Réseau's priority areas of intervention, particularly with regard to the ecological transition, the next generation of entrepreneurs and women's entrepreneurship, make SADCs and CAEs a vehicle for wealth creation, both for the Quebec economy and for communities.

Its structuring impacts will have an economic impact not only today, but mostly in the future. A Quebec and Canada resolutely focused on the future can count on the Réseau des SADC et CAE to help them achieve their goals.



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