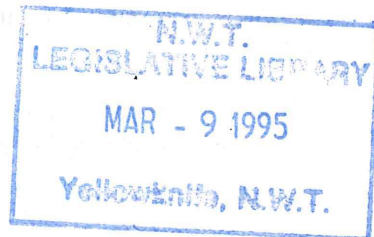




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STATUS REPORT

**PUBLIC ACCOUNTS COMMITTEE REPORT 16-12(6)
TOWARD AN ECONOMIC DEVELOPMENT STRATEGY**



**Department of Economic Development and Tourism
March 1, 1995**

COMMITTEE MOTION 76-12(6)

RECOMMENDATION 1

That the Government of the Northwest Territories, under the direction of the Executive, develop and implement a comprehensive economic development strategy which encompasses all government departments and agencies. The strategy should highlight major government initiatives such as income security reform and cover the period 1995 to 1999.

STATUS

The Department of Economic Development and Tourism was assigned responsibility to respond to this recommendation on December 19, 1994. The Department does not have the financial or manpower resources to undertake the development of the strategy during the current fiscal year. During fiscal year 1995 - 96 a task schedule will be developed and work undertaken.

In addition, upon the completion of regional plans, reported on under Recommendation 2, resources of all departments will be examined in determining how to best take advantage of or implement opportunities identified in the regional plans.

COMMITTEE MOTION 77-12(6)

RECOMMENDATION 2

That the Department of Economic Development and Tourism develop a territory-wide plan for long-term economic development.

That the plan should address division of the Northwest Territories in 1999.

STATUS

Regional planning initiatives are underway in all Regions in order to identify and develop opportunities for residents of the Northwest Territories. The plans are being built from the ground up rather than from the top down, at the regional and community level, to assure that the results and subsequent

actions are driven by community requirements.

The Kitikmeot, Keewatin and Baffin regional plans will be compiled into a plan that will be used as to allocate departmental funds in Nunavut.

In the Western Arctic, South Slave community consultations have been completed and initial opportunities have been identified. The North Slave Region is involved in several planning forums which will result in sector-specific plans related to mineral development. The Deh Cho planning document is completed. In the Inuvik Region, staff are working with communities to undertake initial opportunity identification. Deline will be used for an initial detailed community plan.

Community consultations are underway in all regions. Completion of the initial planning exercise is scheduled for March 31, 1995. Results will be compiled into a departmental reference document by community and by sector, as a guide to resource allocation.

COMMITTEE MOTION 78-12(6)

RECOMMENDATION 3

That the GNWT conduct a cost benefit analysis to compare the value for money achieved from small as opposed to large scale investments.

That the GNWT review and adjust its policies for issuing grants, loans, and contributions, as required, based on the results of the analysis.

STATUS

A statistical analysis of contributions made through the Business Development Fund during 1990/91 and 1991/2 is being conducted. Contributions are being analyzed by size, region and community level relative to jobs, sales, wage changes and other criteria over the period.

Initial analysis of BDF data will be completed by June 1995. The analysis will be expanded over the coming year to include data for the fiscal year 1993/4 in order to establish longer term cost/benefit trends. An action plan based on the findings will be implemented in 1995.

The NWT Development Corporation closely monitors the economic benefits resulting from its investments. This data is available. Due to its more specialized function much of the impact of the Corporation is achieved through larger scale, industry targeted, investments.

COMMITTEE MOTION 79-12(6)

RECOMMENDATION 4

That the Department of Economic Development and Tourism develop a comprehensive marketing strategy that focuses on the collection and distribution of reliable market information.

STATUS

• Tourism

A tourism marketing strategy was completed in 1994. In the course of preparing the strategy tourism operators and the regions were consulted to solicit their views as to the strategic direction of the NWT should take towards marketing its tourism industry and the kinds of programs that would be required to implement a new strategy.

The strategy looks into the future and has set aggressive targets for the growth of the principal tourism products. The mix of programs developed to implement the strategy are balanced between the type of tourism product demand forecast, the needs of tourism operators, and regional priorities.

With this new strategy, a framework has been put in place within which industry operators and the Department can work together in moving the industry forward to achieve identified market potential by the year 2000. It will give operators a solid

program basis around which they can plan and budget their own marketing plans over the next five years.

The strategy is fluid and will be modified as market forces change. Extensive tourism research has been being carried out:

- Survey of Japanese tourists.
- Exit survey of over 3500 tourists.
- "Diary Project" where over 600 tourists kept a detailed diary of their visit to the Northwest Territories.
- 1-800 conversion study.
- Northern tier states study.

These surveys and studies, together with future studies, will ensure that the strategy is "on-track" in regard to some of the key assumptions made such as the type of products that will drive new tourism demand, building a better understanding of the NWT's customer base and determining how/where to reach and convert that customer base into actual NWT visitors. Reliable market information will be distributed to the industry on an ongoing basis.

• Arts and Crafts

In order to improve producer incomes the Department, working with producers, wholesalers and retailers, is placing renewed emphasis on market development.

Producers usually sell their products through Northern Stores or the Co-op. The department is supportive of these traditional purchasers of arts and crafts but there are independent producers who would like to try selling their products themselves. To give these producers a better chance to get into and succeed in the market place the Department will provide market information.

For a number of years efforts to expand the market place concentrated off shore, in Europe and Japan. Market information indicates that the largest potential market is in North America. In order to expand sales of arts and crafts a coordinated effort to market products in the United States will be made by the Northwest Company, some Co-

ops, Cape Dorset Fine Arts and the Dene Cultural Institute. EDA funding will be utilized by the proponents.

- **Arctic Foods Marketing Strategy**

Proposals have been called for, and three (3) received, to research the supply and demand in the NWT for fish and wild meat products. A contractor has yet to be selected.

COMMITTEE MOTION 80-12(6)

RECOMMENDATION 5

That the Department of Economic Development and Tourism develop a comprehensive strategy to guide the development of parks and the tourism industry in the Northwest Territories. The strategy should be based on clear goals and objectives and accompanied by cost benefit analysis of various strategies considered.

STATUS

- **Parks**

Parks across Canada play a variety of roles. The Territorial Parks Act directs the program to be concerned with tourism, recreation, conservation, and historic interpretation. Tourism is the primary focus of the program and parks are key tools to improve public tourism infrastructure.

In an effort to deliver the mandate more efficiently the department is preparing its first comprehensive parks policy. This document has already been positively reviewed by many of the GNWT departments, by Parks Canada and by other Park agencies across Canada.

A discussion paper on the policy is being reviewed by Cabinet in advance of wide public consultation. It is anticipated that the discussion paper will be distributed in March and that following public input, the final Policy will be produced by September 1995.

Also underway, but following on the Policy, is a long term strategic plan for future park

establishment across the NWT. This strategy will be coordinated with other departments to map out priority sites for future park development. The strategy "systems plan" started with over two hundred and fifty sites of interest. These have been narrowed to under one hundred. Through on-going research and elimination the goal is to identify the top ten sites in time for the 1996/97 capital budget. Development in the capital plan will likely concentrate on three to five projects.

Input from community consultations and opportunities identified in the regional plans currently being developed will provide clear direction from the NWT population. In order to provide a solid base for strategic planning the Department has done and plans to engage in further detailed visitor research in order to determine markets, spending patterns and projections. This will be the basis for refining the existing cost-benefit analysis tools.

- **Tourism**

Opportunities identified in the current regional planning exercise combined with market research will determine the direction of the tourism industry in the Northwest Territories in the near term.

COMMITTEE MOTION 81-12(2)

RECOMMENDATION 6

That the GNWT develop a rational plan for the delivery of economic development financial assistance programs across the Northwest Territories.

STATUS

Regional plans currently being developed will become primary tools used to allocate resources across the NWT. The plans will identify opportunities and cost / benefit analysis will be used to establish priorities.

Ongoing evaluation of programs, like the BDF, and regional plans will be used to develop and / or amend programs to meet

the changing needs of the people of the Northwest Territories.

In terms of direct program delivery substantial changes have been made to the organizational structure of the Department in order to improve the delivery and accessibility of its financial assistance programs, as recommended in the 1993 Audit Report.

The primary thrust has been to delegate approval and expenditure authority to the point of program delivery - the regional level. Regional Superintendents now have approval/expenditure authority for the following:

- Business Development Fund - up to \$250,000
- Grants to Small Business - \$5,000
- EDA - up to \$200,000
- Business Credit Corporation - up to \$200,000

Accountability frameworks have been put in place to accompany the increased regional responsibilities outlined above.

Departmental staff have been instructed to review all applications in order to determine if there are potential sources of financing other than the limited resources in the Business Development Fund or the Grants to Small Business Program including commercial banks.

Staff from the Department, the BCC and the NWT Development Corporation meet on a regular basis to ensure that activities within each organization are complementary.

Staff also work with Federal agencies to maximize the impact of public spending on economic development initiatives.

The main organizational changes outlined have been in position for approximately one year. Indications are that they are having their desired effect in improving the delivery of the Department's programs.

Efforts will continue to be directed towards most efficient use of the new organizational structure in order to further improve program delivery.

COMMITTEE MOTION 82-12(6)

RECOMMENDATION 7

That the Department of Economic Development & Tourism examine ways to replace traditional non-repayable grants & contributions with repayable contributions.

STATUS

Contributions, particularly to smaller businesses, often comprise the major part of the equity with which a project is financed. Such equity can permit the use of borrowed funds to complete financing on repayment terms which are tailored to the earning power and operating needs of the business. For this reason, contribution funding is often a key element in the nurturing of the extremely small businesses common in the NWT. Repayable contributions are a form of secondary debt which restricts the ability of a company to finance normally in order to meet future needs and may be counter-productive.

A procedure is in place to identify situations where repayable contributions could be appropriate.

Departmental staff have been instructed to review all applications in order to determine if there are potential sources of financing other than the limited resources in the Business Development Fund or the Grants to Small Business Program including commercial banks.

This procedure has resulted in reduced use of contribution financing by businesses in more developed communities.

Where the repayment ability of a business is such that financing should be "bankable", a policy of attaching repayment terms to larger contributions is being applied. Any contributions in excess of \$100,000 will be

carefully scrutinized with the view to making them repayable.

Emphasis will continue to be placed on directing the limited amount of contribution funds available towards the smallest businesses, particularly those in less developed communities.

COMMITTEE MOTION 83-12(6)

RECOMMENDATION 8

That the Department conduct a comprehensive review of all conflict of interest guidelines currently in place and develop appropriate internal conflict of interest policies that are separate and distinct from those in place for all public servants.

STATUS

Attempts at developing conflict of interest guidelines for ED&T employees have halted based on advice from the Department of Justice which indicates that the collective agreement and Financial Administration Manual deal with conflict of interest for all employees. Given ED&T employees are part of those guidelines, additional guidelines are not necessary. Although conflict of interest guidelines are not required for employees the Department will look at the need for guidelines on the type of advice staff can give the business community and potential entrepreneurs.

COMMITTEE MOTION 84-12(6)

RECOMMENDATION 9

That Cabinet review its direction to transfer the parks program to the Department of Renewable Resources, and provide a report on this review and an implementation plan, if required, to the Legislative Assembly.

STATUS

Cabinet approved the Department of Economic Development and Tourism Establishment Policy on November 3, 1994. In approving the Establishment Policy the Executive Council rescinded a previous decision to transfer parks to the Department

of Renewable Resources. The responsibility for parks remains with the Department of Economic Development and Tourism as set out in that policy.

COMMITTEE MOTION 85-12(6)

RECOMMENDATION 10

That the Government and the Department of Economic Development and Tourism assess the feasibility of maintaining the Business Credit Corporation as a separate corporate entity. The review should consider bringing the loan function of the Business Credit Corporation back into the Department. The findings should be reported to the Legislative Assembly.

STATUS

Data has been collected and analysis is underway.

COMMITTEE MOTION 86-12(6)

RECOMMENDATION 11

That action be taken immediately to clarify the mandate and organization of the Business Credit Corporation and its relationship to the Department of Economic Development and Tourism.

STATUS

• **Mandate**

The objective of the Business Credit Corporation is to stimulate economic development and employment in the Northwest Territories, by making loans to business enterprises, guaranteeing loans made by financial institutions to business, and by providing bonds to resident business enterprises. It is responsible for making business development loans to Northern businesses where conventional lending institutions are not prepared to participate. Its role, therefore, is a blend of being a last resort lender and a developmental agency to provide financial support for higher risk entrepreneurial ventures.

• **Organization And Relationship To The Department**

In establishing the BCC as an agent Crown Corporation, the enabling legislation provides that the Board of Directors shall direct the business of the Corporation and may for this purpose exercise the powers and perform the duties of the Corporation. In doing so the Board shall act in accordance with written directions and policy guidelines issued or established by the Minister. Policy direction to the Board is provided by the Minister through a Ministerial Direction.

According to a Ministerial Direction dated January 10, 1994, the BCC shall only utilize the services of the Department as defined in an Agreement for Services (the "Agreement"), and will appoint the Deputy Minister and seven Regional Superintendents as lending officers (for purposes of the Act) with delegation of lending authority up to a maximum of \$200,000. This is in addition to lending authority conferred upon the Chairperson, Vice-Chairperson and the Chief Executive Officer for like amount.

The Agreement provides for supply of the following services to BCC by the Department:-

- regional lending services.
- program support services.
- policy and legislative services.
- legal counsel services.

Included in the Agreement is an Accountability Framework which outlines the roles and responsibilities of BCC and Department staff to ensure consistent application of BCC's operational procedures and credit policies.

COMMITTEE MOTION 87-12(6)

RECOMMENDATION 12

That the Department of Economic Development & Tourism identify client needs for follow-up services, and develop a comprehensive aftercare program that meets these needs and protects the investment of government money.

STATUS

Aftercare requirements are identified by:

- reviewing reports required of clients as a condition of receiving contributions. Regional assessments of the degree to which the business and / or investment could be at risk dictates the extent of the conditions and frequency of reporting required.
- client requests for service.
- staff identification of needs while working with business persons.

Aftercare needs are met by utilizing departmental staff and by arrangements in place with the organizations CESO and CASE. CESO is a national organization of retired executives providing business advice. CASE is a business counseling service of FBDB. Both provide advisory services on request.

The aftercare/remedial apparatus will be augmented by the utilization of itinerant EDOs proposed in the 1995 - 96 main estimates.

Notwithstanding the above, aftercare is recognized as an important area for improvement and a working group has been established to make recommendations to senior management.

COMMITTEE MOTION 88-12(6)

RECOMMENDATION 13

That the Department of Economic Development and Tourism, in consultation with the Department of Education, Culture and Employment, assess the AABED program to determine where it might be enhanced or improved. Further that, based on this assessment, the departments enhance the existing program or develop a new program to provide training for affirmative action candidates in economic development. The new or enhanced program should include an on-the-job training component.

STATUS:

The program is being revised to emphasize support to affirmative action employees who could benefit from training to improve in their current job and to provide promotion opportunities. The revised policy is scheduled for completion, for internal review, by March 31, 1995.

Committee Motion 89-12(6)

RECOMMENDATION 14

That the Department of Economic Development and Tourism establish a plan that provides an effective cross-cultural orientation and training program for newly-hired economic development officers.

That individual training plans within the performance review and planning process require cross-cultural awareness at least every fifth year.

That senior managers with the of Education, Culture and Employment provide a model for the economic development officers by each participating in a program of cross-cultural awareness.

STATUS:

The Department's Human Resource strategy is being developed to help address, in part, training needs for all staff. Specific initiatives such as cross-cultural training will be dealt with in the annual planning cycle proposed in the strategy. The initial plan will include this as a priority training area for new EDO's, to be carried forward from year to year. The strategy was approved on February 15 by the Senior Management Committee. Implementation will proceed over the next several months.

COMMITTEE MOTION 90-12(6)

RECOMMENDATION 15

That the Department of Economic Development and Tourism assess the effectiveness of visitors centres, explore alternative uses and develop a strategy to guide future development and modification to existing facilities and programs.

Further that this strategy be implemented before any additional capital funding is requested for visitors centres.

STATUS

In the last five years the Department has developed the core system of visitor centres needed to influence travel patterns across the NWT. While there are some centres being completed, there are no new visitor centres included in the capital plan.

Consistent with government policy the Department has made efforts to make the centres serve multiple uses and has found partners. The Western Arctic Visitor Centre in Inuvik involves contributions from Parks Canada and Yukon Parks. The Pond Inlet Centre which is primarily financed through the EDA, includes contributions from Parks Canada and the ECE Library Program. Responding to direction from the FMB, the Department of Education, Culture and Employment has also recently completed a Cabinet approved strategy to link the community museum programs to visitor centres whenever possible.

If in future an opportunity for a joint-use centre was identified, the department would consider these in the light of economic benefits and strategic plans.