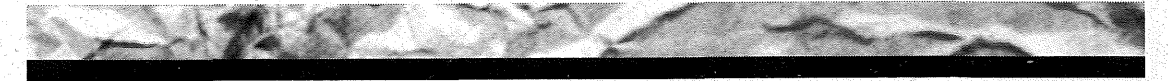


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# Business Development Fund

Annual Report

*April 1, 1993- March 31, 1994*



Northwest  
Territories Economic Development and Tourism





## Introduction

The Business Development Fund (the Fund) was established in 1991 as one of several initiatives undertaken by the Department of Economic Development and Tourism in response to the SCONE Report and the Government's Economic Strategy.

The intent was to consolidate various business related policies into one policy comprised of five programs designed to support business from concept to wind down.

## Priorities

During the first year the Department concentrated on developing client understanding of the programs, criteria and application procedures.

This past year focused on improving processing time through delegation of authority for some program components and ensuring consistent interpretation of the policy.

During the coming year amendments will be made to the policy to make it more responsive to client needs. Further administrative changes will result in improvement to the response times through further decentralized decision making and contribution processing.

## Purpose

The Business Development Fund was created to promote economic growth throughout the Northwest Territories through diversification of the economy and the development of small business. It is designed to acknowledge the differences in investment opportunity and capacity between the communities with access to larger markets and the smaller, more traditional communities.

## Principles

The Fund is intended to fill the gaps in programs and services offered by other agencies. Even though it was designed as a last resort source of assistance, there are several underlying principles which govern the decision making process.

### Need

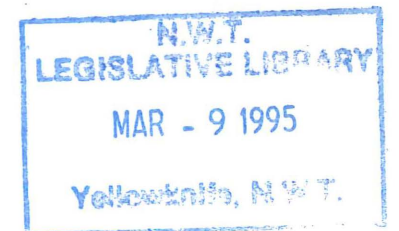
- all other sources of funding must be approached and the applicant must demonstrate that the project cannot economically proceed without our financial assistance.

### Sustainability

- generally, the project must demonstrate that there is long-term potential for viability.

### Shared Risk

- the program recognizes that most business opportunities bring with them varying degrees of risk. Through a BDF contribution, Economic Development and Tourism is willing to share the risk with the applicant.



## Economic Benefits

- job creation, increased exports, reduced imports are all factors which determine whether or not a project will receive support.

In recognition of the disparity between communities in accessing investment capital, markets, technical support, a skilled work force and other economic barriers and to ensure that the underlying principles were applied equitably throughout the Northwest Territories, communities were grouped according to size, proximity to markets and historical unemployment rates. These groupings were then used to establish variable contribution levels, and equity requirements weighted in favour of the more disadvantaged communities.

## Definitions – Groupings

**Group 1:** communities are defined as having reasonable to good transportation linkages, developed internal and external markets, larger population base and per capita income, low unemployment, stable business community and related infrastructure.

**Group 2:** communities are defined as having limited but potential markets, lower per capita incomes, higher unemployment, fewer businesses and inferior physical infrastructure.

**Group 3:** communities are defined as being isolated, having high levels of unemployment, limited transportation, limited business opportunities and whose economy is linked to resource harvesting.

## Program Description

**Opportunity Identification and Research** assists businesses to meet pre-establishment or pre-expansion costs. This may include the cost of planning, legal help, engineering advice, feasibility studies, pilot projects or new product testing.

**Business Creation, Expansion or Investment** encourages the expansion and development of trade, services, renewable and manufacturing businesses through new business starts or expansions. Assistance is primarily directed to expansion related capital costs.

**Market and Product Development** assists businesses to generate and increase sales of NWT products, goods and services into new markets or to develop new products for existing markets. Related costs include marketing and product development.

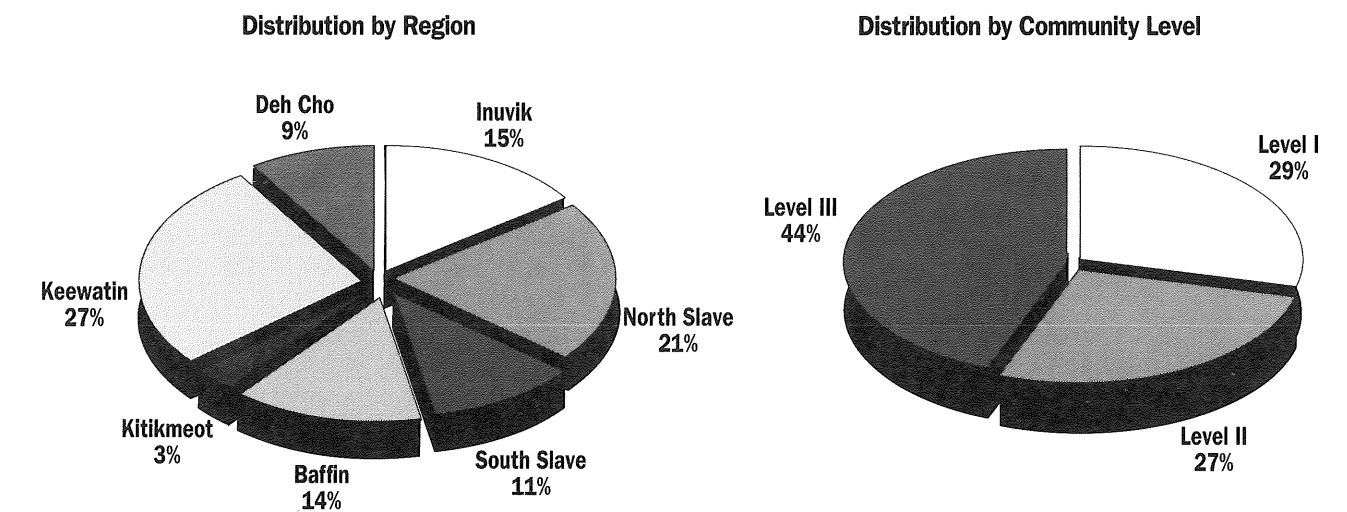
**Business Skills** assists in short term management or business training where not available from other sources.

**Business Relief** assists businesses in smaller or less developed communities in financial difficulty to identify problems and develop plans to overcome them.

## Assistance to Aboriginal Business

During 1993/94 the Business Development Fund assisted 141 businesses with more than 50% aboriginal ownership. Total contribution assistance provided to these businesses was \$1.7 million or 59% of total assistance. The regional distribution of assistance to aboriginal owned and controlled businesses is shown in Figure 6. The same illustration also shows contribution assistance provided to aboriginal businesses distributed by community group or level.

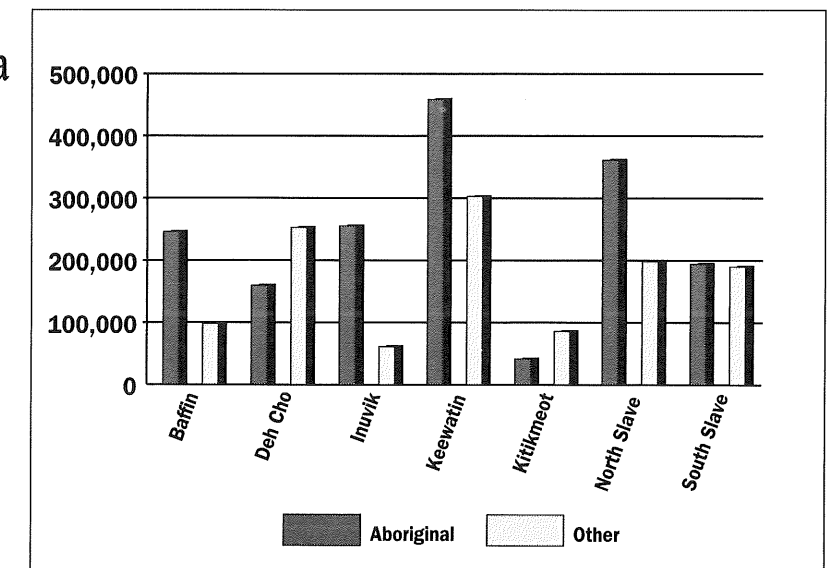
**Figure 6-** Distribution of Contribution Dollars to Aboriginal Businesses



## Aboriginal Business Approvals as a Percentage of Regional Approvals

The following chart summarizes the total value of assistance approved by each region, broken into aboriginal and non-aboriginal business shares. Aboriginal businesses are defined as those businesses having more than 50% aboriginal ownership.

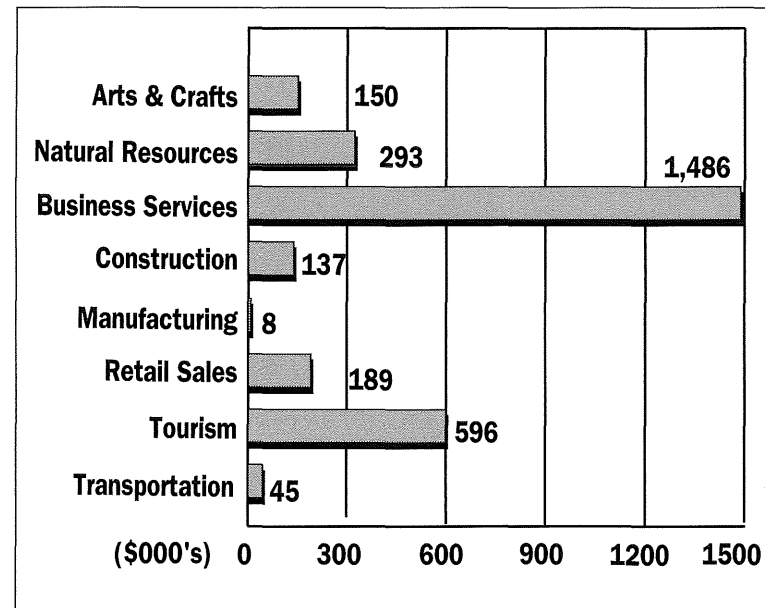
**Figure 7 -** Distribution of Aboriginal and Total Assistance By Region



## Contributions By Type of Business

Contribution Approvals can be grouped according to the type of business expansion or development being planned. In this table, eight business categories have been used. With the exception of *Tourism*, which is not considered a distinct industry coding, these categories are roughly based on the *Standard Industrial Code of Canada*.

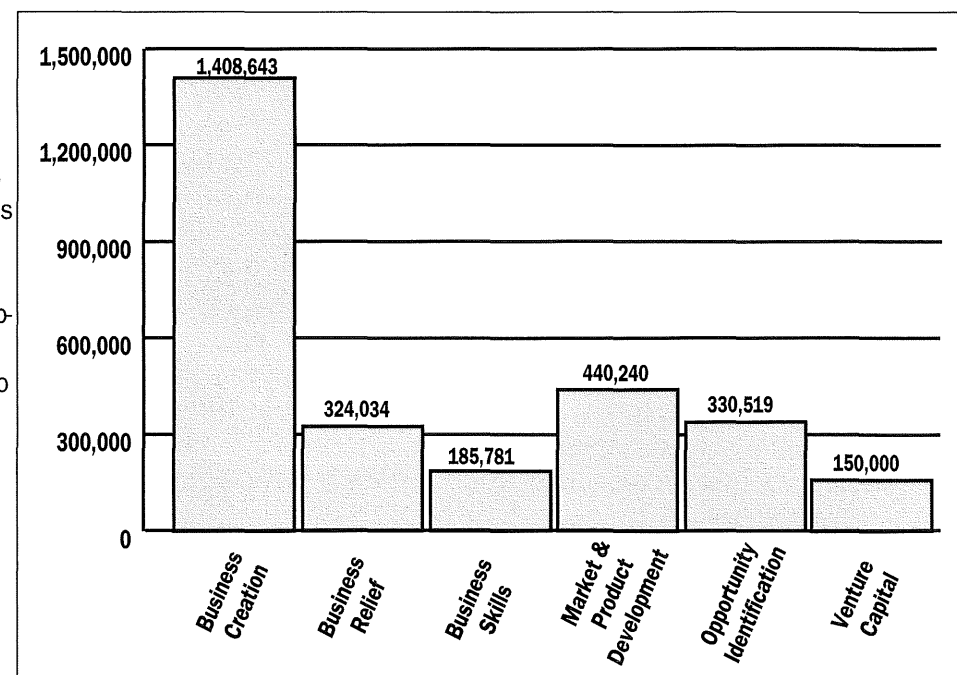
**Figure 4** - Value of Approved Contributions By Type of Business



## Assistance By Type Of Program

The Business Development Fund has been designed to assist businesses through the various stages of their development. Assistance is available to help plan a business start-up, develop business skills, secure investment and venture capital, and develop new markets and products. These programs apply to all businesses in every sector of the economy.

**Figure 5** - Assistance Provided by Program



## Fund Performance

The main task of the Department of Economic Development & Tourism is to help create jobs and income for northerners, by encouraging private business and community development across the Northwest Territories.

To do this, the department has developed a number of programs for small business. The Business Development Fund (BDF) of Economic Development & Tourism is a contribution program for businesses across the Northwest Territories. It has been in operation since 1991 and over this period has assisted 776 businesses. Table 1 summarizes the program's major funding activity for this period.

**Table 1** - Contribution Funding Over Three Years

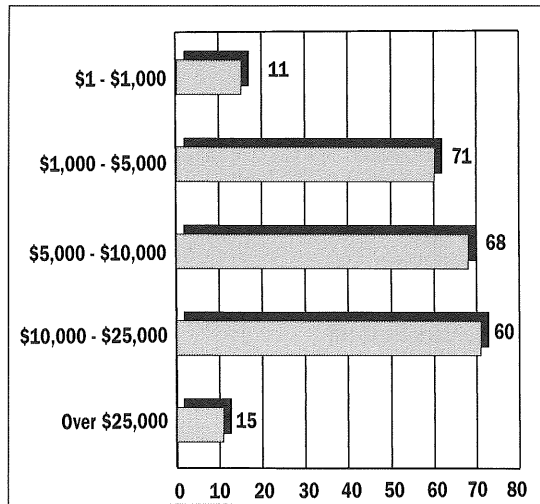
	Applicants	Approvals	Approval	Aboriginal Approvals	Aboriginal Approvals as a Percent of Total Approvals
1991/92	367	284	77%	173	61%
1992/93	351	267	76%	150	56%
1993/94	281	225	80%	141	63%
<b>Totals</b>	<b>999</b>	<b>776</b>	<b>78%</b>	<b>464</b>	<b>60%</b>

Note: Aboriginal includes businesses with more than 50% aboriginal ownership

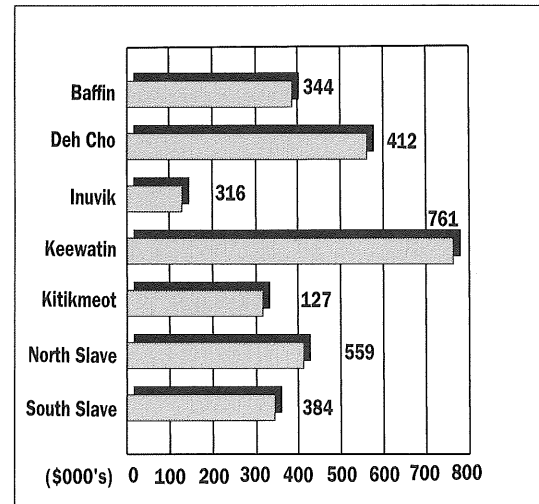
## Funding Activity

This report summarizes BDF's contributions over the current fiscal year 1993/94. The following are some program highlights:

- The program considered 281 applications for assistance and provided assistance to 225 businesses. This amounts to an 80% approval rating. As shown in Table 1 this is the highest application approval rating since the program started in 1991.
- \$4.2 million in assistance was requested and \$2.9 million in contributions were approved or 69% of total requests. This differs from the approval rate of applicants because not all approved applicants received requested contribution funding.
- The \$2.9 million in contribution assistance was levered an additional \$3.1 million in equity investment.
- The average size of approved applications was \$12,903.
- Ten (10) contributions exceeded \$50,000



**Figure 1** - Distribution of BDF Contributions by amount.  
(Note that only 15 contributions exceeded \$25,000)



**Figure 2** - Value of Contributions by Region.  
There are seven administrative districts in the NWT. The BDF contributions by region are highlighted.

## Impact on Community Groups

One objective of the Business Development Fund is to encourage increased development and investment in less developed communities. It does this largely by reducing the equity requirements for applicants in level II and level III communities.

During the 1993/94 fiscal year, the groupings of communities were revised to better reflect community economic conditions and capabilities. Tables and charts within this report reflect this revised grouping.

**Table 2 - Revised Community Groupings**

Level I	Level II	Level III
Yellowknife	Iqaluit	All Other Communities
Hay River	Fort Simpson	
Inuvik	Norman Wells	
Fort Smith	Rankin Inlet	
	Cambridge Bay	
	Rae Edzo	

As shown in Table 3 and Figure 3 (below), contributions are fairly evenly distributed among community groups. There were more applications from level III communities, but for smaller projects requiring less assistance. This type of distribution is not unusual since the relatively small markets of level III communities limit the size of investment which the community can support. Additional information on the impact of BDF funding at the community level is outlined in Table 3.

**Table 3 - Distribution of BDF Funding By Community Level**

Level	# Approved	\$ Approved	Equity Invested
Level I	68	872,164	1,077,424
Level II	68	986,786	1,523,114
Level III	89	1,044,267	544,516
<b>Total</b>	<b>225</b>	<b>2,903,217</b>	<b>3,145,054</b>

**Figure 3** - Value of Contributions & Approved Number by Community Level

