

Business Development Fund Annual Report

April 1, 2002 – March 31, 2003

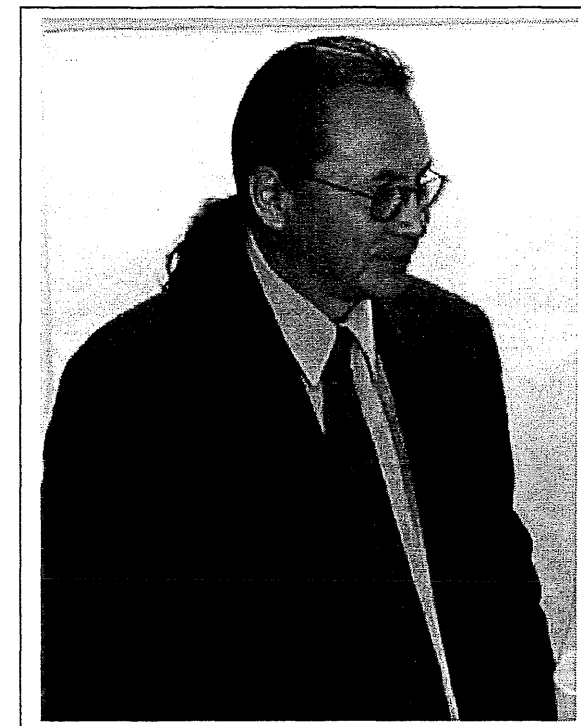
Introduction

This annual report provides an overview of the contributions made to Northwest Territories businesses in 2002/2003 under the Department of Resources, Wildlife and Economic Development, Business Development Fund.

The Business Development Fund (BDF) total program funding was \$1.3 million. The annual report is broken down into two parts. Part I refers to Schedules A to E and H, under which \$820,863 was provided in assistance and Part II refers to Schedule G under which \$478,566 was provided in assistance.

Purpose of Fund

The Business Development Fund (BDF) is a contribution fund aimed at stimulating employment and economic development throughout the NWT.



Honourable Jim Antoine

Program Description

The BDF is made up of these programs:

Planning and Other Development Cost (schedule A-1) assists businesses to meet pre-establishment or pre-expansion costs when there is a good possibility of increasing regional sales or displacing imported goods and services. This may include the cost of engineering or other pre-construction costs, feasibility studies, business plans and assisting with legal and regulatory costs.

Pilot or Demonstration Projects (schedule A-2) assists businesses to establish pilot or demonstration projects to determine/assess the applicability of new technology.

Business Creation or Expansion (schedule B-1) encourages the expansion and development of trade, services, renewable resources and manufacturing businesses through new business start ups or expansions. Assistance is primarily directed to expansion related capital costs.

Venture Capital (schedule B-2) assistance may be provided to businesses or individuals willing to invest in NWT owned businesses. Businesses and individuals eligible for venture capital assistance may be or may not be from the NWT.

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

Business Skills (schedule D) assists in short term management or business training where not available from other sources.

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

Community Initiatives (schedule G) assists with initiatives that build on local or regional economic development strategies, addresses impediments to economic growth, and promotes the development of a stable, diversified economy.

Young Entrepreneur (schedule H) assist young entrepreneurs aged 18 to 29 to take advantage of business opportunities in the Northwest Territories.

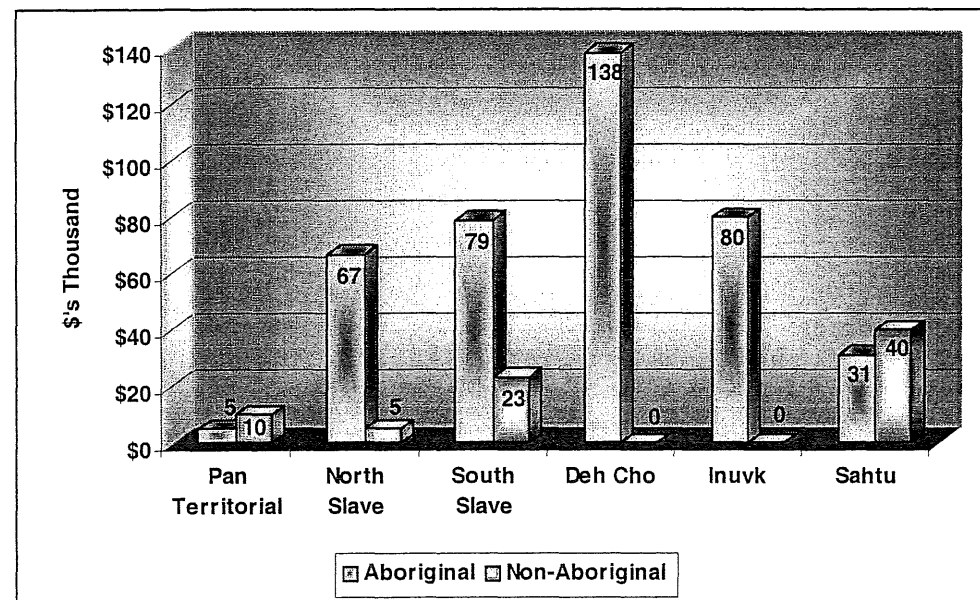
Distribution of CIP Contribution Approvals by Aboriginal and Non-Aboriginal Businesses

Table 4-A and Figure 5-A summarize the total value of assistance approved by each region, broken into Aboriginal and non-Aboriginal organization categories.

Table 4-A - Distribution of Contributions Approved.

Region	Aboriginal	Non-Aboriginal	Total Contribution Approved	Aboriginal Approvals as % of Total Contribution Approved
Pan Territorial	5,000	10,000	15,000	33%
North Slave	66,983	5,000	71,983	93%
South Slave	79,389	22,895	102,284	78%
Deh Cho	138,000	0	138,000	100%
Inuvik	80,042	0	80,042	100%
Sahtu	31,257	40,000	71,257	44%
Total	\$400,671	\$77,895	\$478,566	84%

Figure 5-A - Distribution of Contributions Approved.



Principles

The BDF is intended to fill the gaps in programs and services offered by other agencies. 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 BDF financial assistance.

Sustainability

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

Shared Risk

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

Economic Benefits

Job creation, increased exports and reduced imports are all factors which determine whether a project will receive support.

Communities in the North are divided into three groups for the purpose of this Fund. A business in a less developed community would be eligible to receive a larger proportion of the required funding in the form of a contribution than a business in a more developed community.

Definitions – Levels

Level 1: Communities are defined as having reasonable to good transportation linkages. Typically they have developed internal and external markets, they have a larger population base and per capita income, low unemployment, a stable business community and related infrastructure compared to level 2 and 3 communities.

Level 2: Communities are defined as having limited but potential markets, lower per capita incomes, higher unemployment, fewer businesses and less developed physical infrastructure than level 1 communities.

Level 3: Communities are defined as being isolated, having high levels of unemployment, limited transportation, limited business opportunities and economies linked to resource harvesting.

Program Summary

The objective of the Business Development Fund (BDF) is to help businesses create jobs and income for northerners.

To do this, the Department has developed a number of programs for small businesses. The Business Development Fund is a contribution program for businesses across the Northwest Territories. It has been in operation since 1991.

In 1996/1997 Schedule G, Community Initiative Program (CIP) was developed and added to the Business Development Fund. Where as the focus of Schedules A to E is on individual businesses, the CIP focus is on projects that benefit groups of businesses.

In 2002/2003 Schedule H, Young Entrepreneur was developed and added to the Business Development Fund. Schedule H focused on NWT residents aged 18 to 29 assisting our emerging youth into the sector of business.

Program Highlights

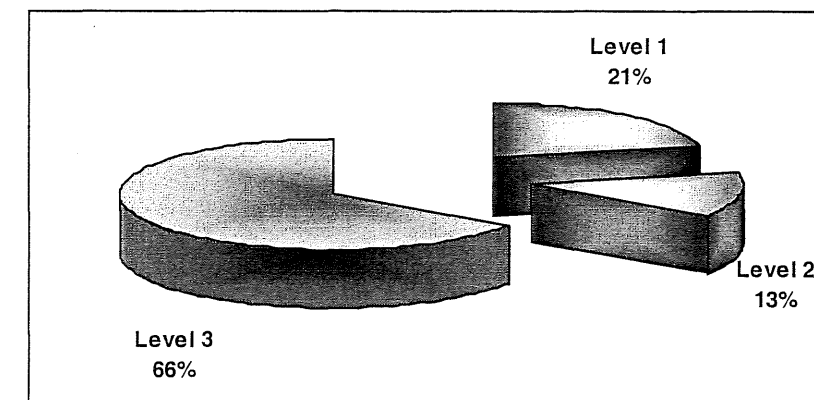
- Total program funding was \$1.3 million.
- Schedules A to E and H approved funding was \$820,863 and schedule G was \$478,566.
- The program received a total of 182 applications and 136 were approved. This amounts to a 75% approval rating.



CIP Assistance to Aboriginal Organizations

During 2002/2003 the Community Initiative Program assisted 44 organizations that have more than 50% Aboriginal ownership. Figure 4-A shows contribution assistance provided to Aboriginal organizations distributed by community level.

Figure 4-A - Distribution by Community Level to Aboriginal Organizations.



Total contribution assistance provided was \$400,671 or 84% of total CIP funds.

Table 2-A.1 - Distribution of CIP Funding by Community Levels / Population (NWT population figures – 2002 NWT Bureau of Statistics)

Level	# Approved	\$'S Approved	NWT Population	% Of NWT Population	% Of # Approved	% Of \$'s Approved
Level 1	15	123,922	27,338	66%	31%	26%
Level 2	6	92,257	3,992	10%	13%	19%
Level 3	27	262,387	9,879	24%	56%	55%
Total	48	\$478,566	41,209	100%	100%	100%

Figure 3-A – Value of CIP Contribution by Community Level / Population.

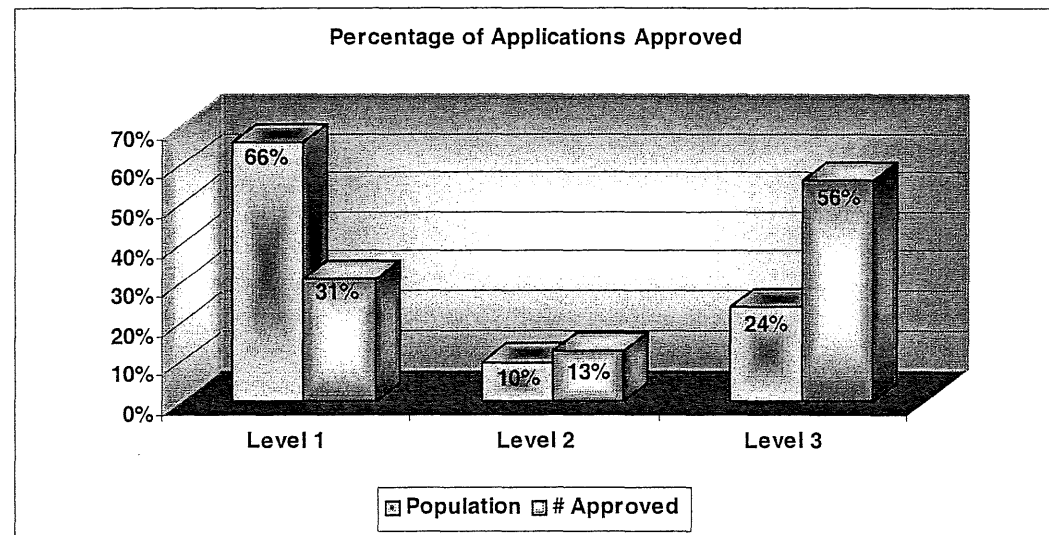
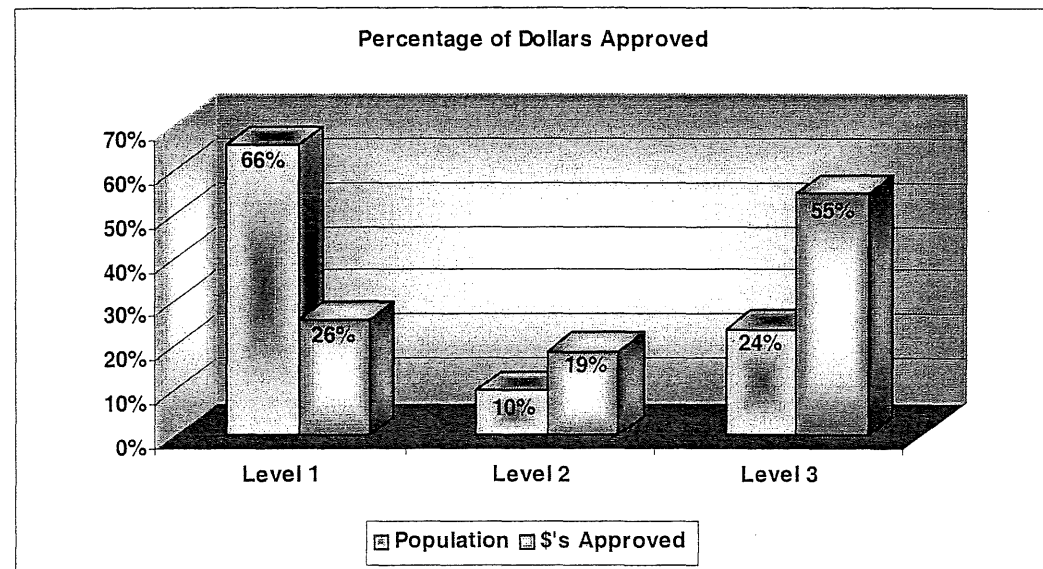


Figure 3-A.1 – Approved Number by Community Level / Population.



Part I

Fund Performance – Schedules A to E and H

Table 1 summarizes the program's major funding activity for the past four years for schedules A to E and H.

Table 1 - Contribution Funding Over Four Years

	Applicants	Approvals	Approval as a Percentage Of Total Applicants	Aboriginal Approvals	Aboriginal Approvals as a Percentage of Total Approvals
1999/2000	179	145	81%	100	69%
2000/2001	117	92	77%	67	72%
2001/2002	116	98	84%	64	65%
2002/2003	117	88	75%	65	74%
Totals	529	433	82%	296	68%

Funding Activity

This report summarizes contributions provided under Schedules A-E and H for the current fiscal year, 2002/2003. The following are some program highlights:

- The program received 117 applications. Eighty-eight were approved. This amounts to a 75% approval rating.
- \$1.9 million in assistance was requested and \$820,863 was approved or 43% of the total amount requested.
- The \$820,863 in contribution assistance levered an additional \$1.6 million in equity investment and \$2.3 million in other financing.
- The average amount of an approved contribution was \$9,328.
- Eight (8) contributions were approved at \$25,000.

Figure 1 Number of BDF Contributions by Amount.
(Average contribution amount was \$9,328)

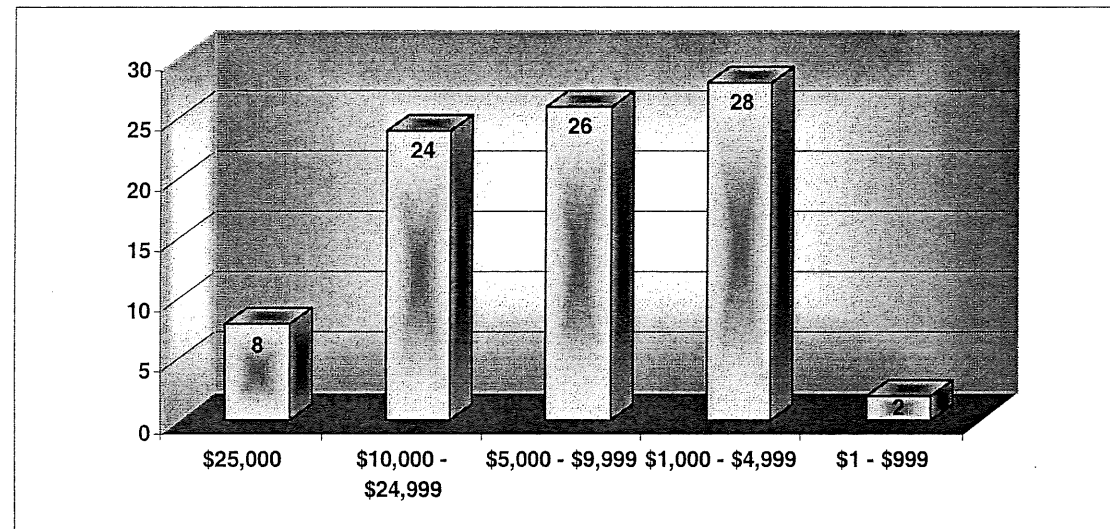


Figure 2 Values of Contributions by Region. (For the purposes of administration, the Department of Resources, Wildlife and Economic Development, allocates its contributions in five distinct regions. Pan-territorial contributions affect more than one region.)

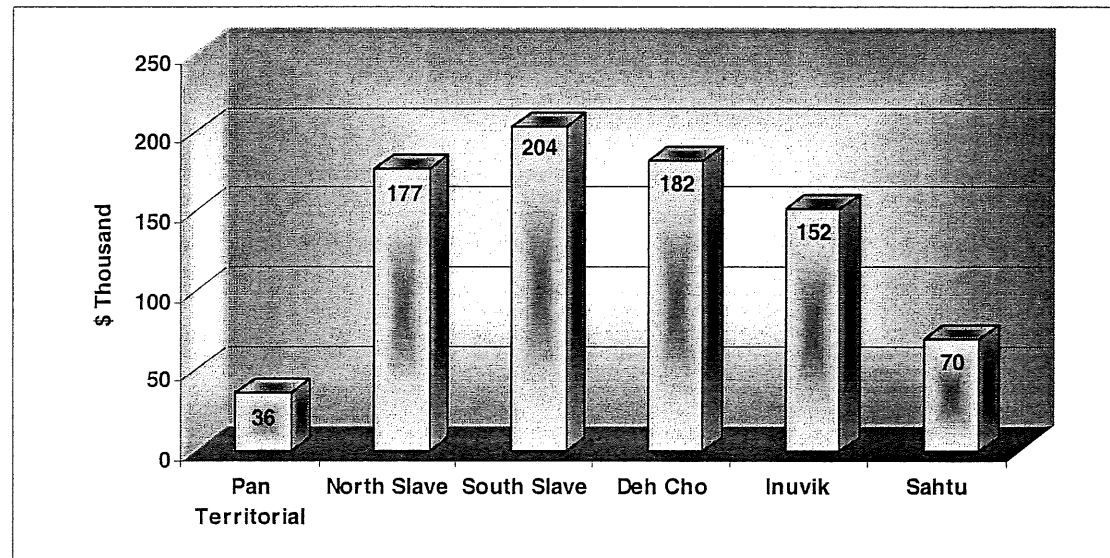
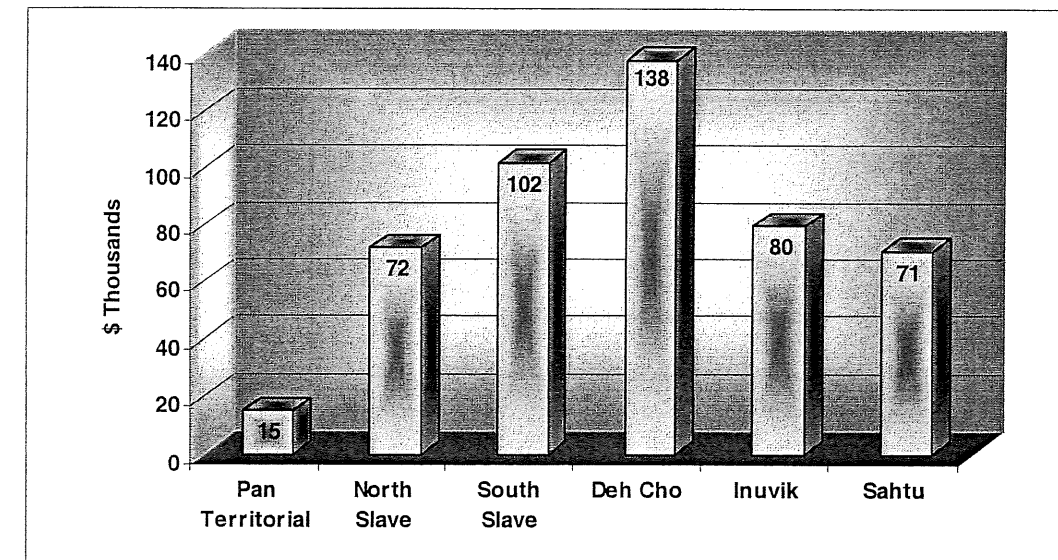


Figure 2-A Value of CIP Contributions by Region.

(For the purposes of administration, the Department of Resources, Wildlife and Economic Development, allocates its contributions in five distinct regions. Pan-territorial contributions affect more than one region.)



Funding by Community Levels

Table 2-A and Figure 3-A, shows contributions by Community Levels.

Table 2-A - Distribution of CIP Funding By Community Level.

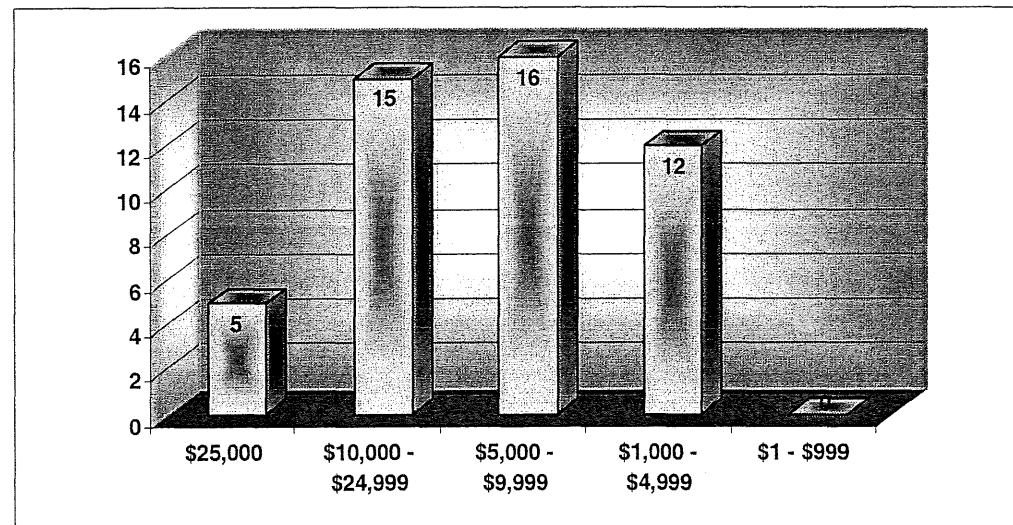
Level	# Approved	\$ Approved	Average \$ Approved	Cash Equity Invested	Non-Cash Equity Invested	Other Financing
Level 1	15	123,922	8,261	83,142	58,120	26,180
Level 2	6	92,257	15,376	4,200	1,340	16,000
Level 3	27	262,387	9,718	76,987	3,200	57,975
Total	48	\$478,566	\$9,970	\$164,329	\$62,660	\$100,155

Funding Activity

This report summarizes CIP Contributions for the fiscal year 2002/2003. The following are some program highlights:

- The program considered 65 applications and provided assistance to 48 applicants. This amounts to a 74% approval rate.
- \$681,482 in assistance was requested and \$478,566 was approved, (70% of the total amount requested).
- The \$478,566 in contribution assistance levered an additional \$226,989 in equity investment and \$100,155 in other financing.
- The average amount of an approved application was \$9,970.
- Five (5) contributions were approved at \$25,000.

Figure 1-A Number of CIP Contributions by Amount.
(Average contribution amount was \$9,970)



Impact on Community Levels

Communities in the north are divided into three levels. Level 1 communities have well developed community business infrastructure and air/road transportation links. Level 2 communities have business infrastructure and air/road transportation links. Level 3 communities have the least developed business infrastructure and air/road transportation links.

Table 2 - Community Levels

Level 1	Level 2	Level 3
Yellowknife	Fort Simpson	All Other Communities
Hay River	Norman Wells	
Inuvik	Rae Edzo	
Fort Smith		

Table 3 and Figure 3 (below), shows contributions by Community Levels.

Table 3 - Distribution of Schedule A to E and H Funding by Community Levels

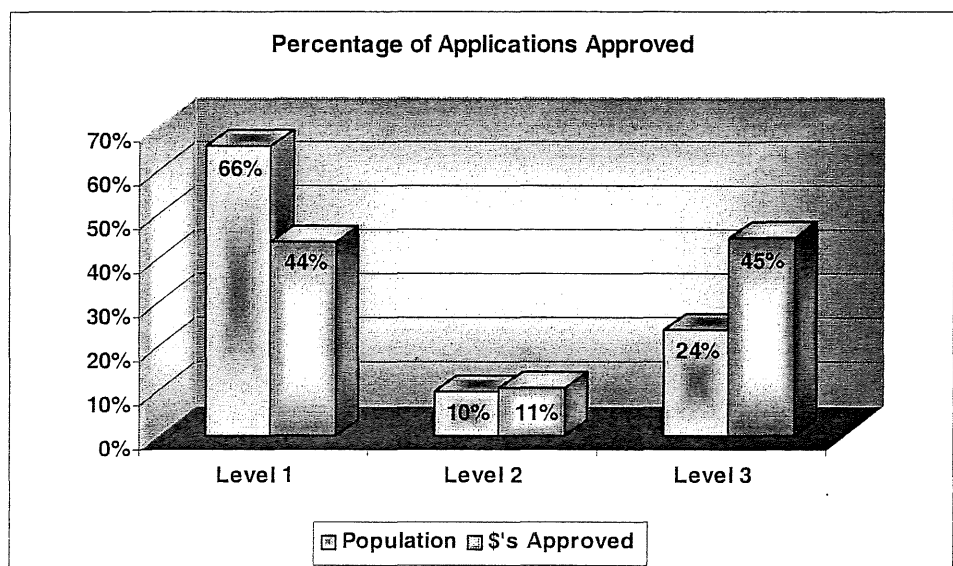
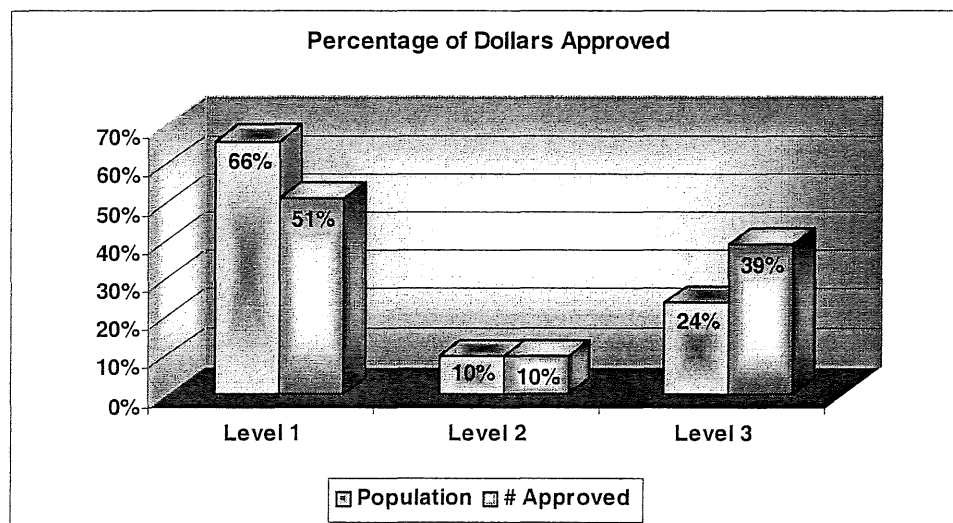
Level	# Approved	\$ Approved	Average \$ Approved	Cash Equity Invested	Non-Cash Equity Invested	Other Financing
Level 1	45	359,674	7,993	418,451	122,834	742,846
Level 2	9	92,720	10,302	37,319	0	30,000
Level 3	34	368,469	10,837	933,526	63,444	1,536,600
Total	88	\$820,863	9,328	\$1,389,296	\$186,278	\$2,309,446

Table 3.1 – Distribution of Schedule A to E Funding by Community Levels per Population

Level	# Approved	\$ Approved	NWT Population	% Of NWT Population	% Of # Approved	% Of \$'s Approved
Level 1	45	359,674	27,338	66%	51%	44%
Level 2	9	92,720	3,992	10%	10%	11%
Level 3	34	368,469	9,879	24%	39%	45%
Total	88	\$820,863	41,209	100%	100%	100%

* NWT population figures – 2002 NWT Bureau of Statistics

Figure 3 - Value of Contributions and Approved Number by Community Level / Population.



Part II

Community Initiatives Program – Schedule G

The Community Initiative Program (CIP) was developed to replace funding previously provided under the Canada NWT EDA program in fiscal year 1996/97.

The CIP is schedule G under the Business Development Fund.

The CIP is designed to work in partnership with other community development programs to build a stable economic base at the regional and community level. Through this program, funds will contribute to initiatives that build on local or regional economic development strategies, address impediments to economic growth and promote the development of a stable, diversified economy.

Through the CIP, the Department contributes funds directly to community and regionally based organizations to support community economic development projects. The policy supports a broad range of economic initiatives, from community planning and feasibility studies, to infrastructure development and skills training.

CIP Performance

Table 1-A summarizes the program's major funding activity for the past three years.

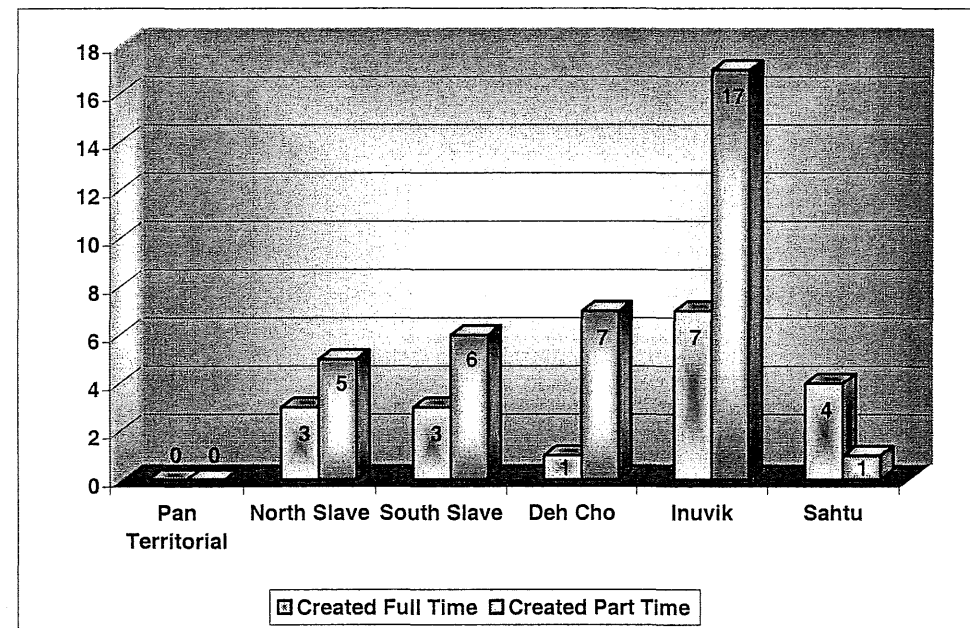
Table 1-A – Contribution Funding Over Three Years

	Applicants	Approvals	Approval as a Percentage Of Total Applicants	Aboriginal Approvals	Aboriginal Approvals as a Percentage of Total Approvals
1999/2000	101	89	88%	74	83%
2000/2001	77	66	85%	57	86%
2001/2002	64	56	88%	44	79%
2002/2003	65	48	74%	41	85%
Totals	307	259	84%	216	83%

**Business Creation or Expansion – Schedule B-1
Distribution of Jobs Created and Jobs Maintained by Region**

Approved Contributions under the Business Development Fund, Business Creation or Expansion, Schedule B-1 amounted to \$467,725 for 2002/2003. Based on client applications, 18 full-time jobs and 36 part-time jobs would be created. In addition, 16 full-time jobs and 11 part-time jobs were maintained. Figure 7 shows the number of jobs created by region.

Figure 7 – Number of Jobs Created by Region.



Schedule A-E and H, Contributions by Type of Business

The Department of Resources, Wildlife and Economic Development tracks contributions by the Standard Industrial Classification of Canada.

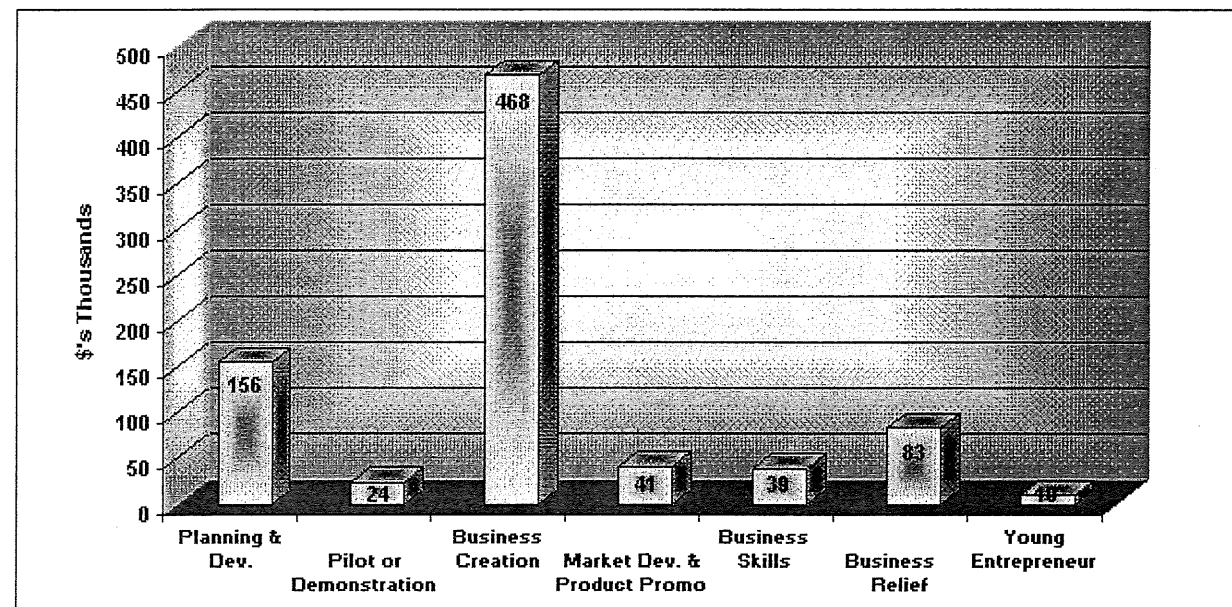
Table 4 - Value of Approved Contributions by Standard Industrial Classification

<u>Code</u>	<u>Division Name</u>	<u>Approved Amount</u>
A	Agricultural and Related Service Industries	\$22,352
B	Fishing and Trapping Industries	\$6,300
C	Logging and Forestry Industries	\$15,000
D	Mining (including Milling), Quarrying and Oil Well Industries	\$3,600
E	Manufacturing Industries	\$85,707
F	Construction Industries	\$56,215
G	Transportation and Storage Industries	\$69,072
H	Communication and other Utility Industries	\$10,000
I	Wholesale Trade Industries	\$0
J	Retail Trade Industries	\$79,618
K	Finance and Insurance Industries	\$25,000
L	Real Estate Operator and Insurance Agent Industries	\$38,368
M	Business Service Industries	\$193,493
N	Government Service Industries	\$32,120
O	Educational Service Industries	\$5,385
P	Health and Social Service Industries	\$0
Q	Accommodation, Food and Beverage Service Industries	\$157,820
R	Other Service Industries	\$20,813
Total		<u>\$820,863</u>

BDF Assistance (Schedule A-E and H) 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 develop new markets and products. These programs apply to all businesses in every sector of the economy.

Figure 4 – Value of Assistance Provided by Program

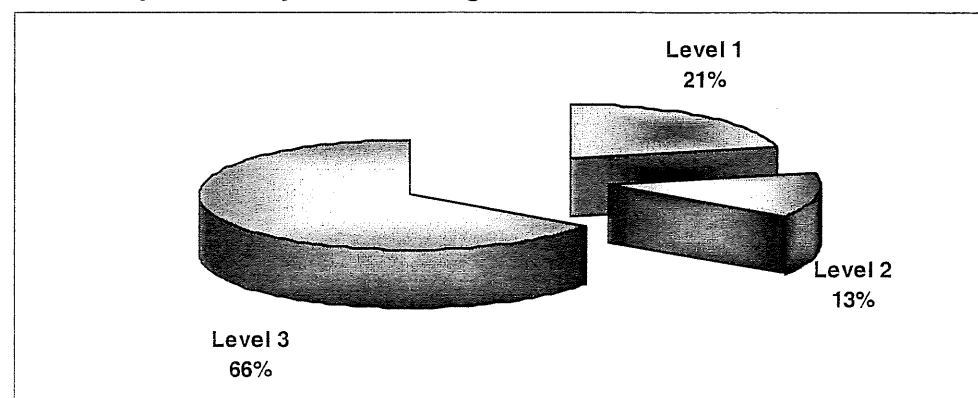


BDF Assistance (Schedule A-E and H) to Aboriginal Businesses

During 2002/2003 the Business Development Fund assisted 65 Aboriginal businesses. Aboriginal businesses are defined as those businesses having 50% or more Aboriginal ownership.

Figure 5 shows contribution assistance provided to Aboriginal businesses distributed by community level.

Figure 5 - Distribution by Community Level to Aboriginal Businesses.



Distribution of BDF Contribution Approvals by Aboriginal and Non-Aboriginal Businesses

These charts summarize the total value of assistance approved by each region, broken into Aboriginal and non-Aboriginal business categories.

Total contribution assistance provided to Aboriginal businesses was \$663,568 or 81% of total funds. The regional distribution of assistance to Aboriginal owned and controlled businesses is shown in Table 5 and Figure 6.

Table 5 - Distribution of Contributions Approved

Region	Aboriginal	Non-Aboriginal	Total Contribution	Aboriginal as a % of Total Contribution
Pan Territorial	20,000	16,050	36,050	55%
North Slave	101,102	75,697	176,799	57%
South Slave	158,418	46,048	204,466	77%
Deh Cho	162,900	19,500	182,400	89%
Inuvik	151,508	0	151,508	100%
Sahtu	69,640	0	69,640	100%
Total	\$663,568	\$157,295	\$820,863	81%

Figure 6 - Distribution of Contributions Approved.

