

TABLED DOCUMENT NO. 55-14(3) Tabled on Nov 02 2000

Business Development Fund

Annual Report

April 1, 1999 – March 31, 2000



**Resources, Wildlife and
Economic Development**

investing in our future

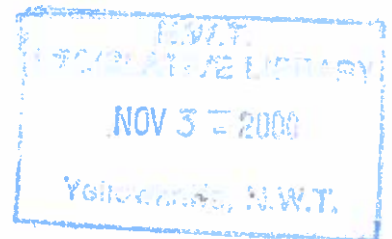
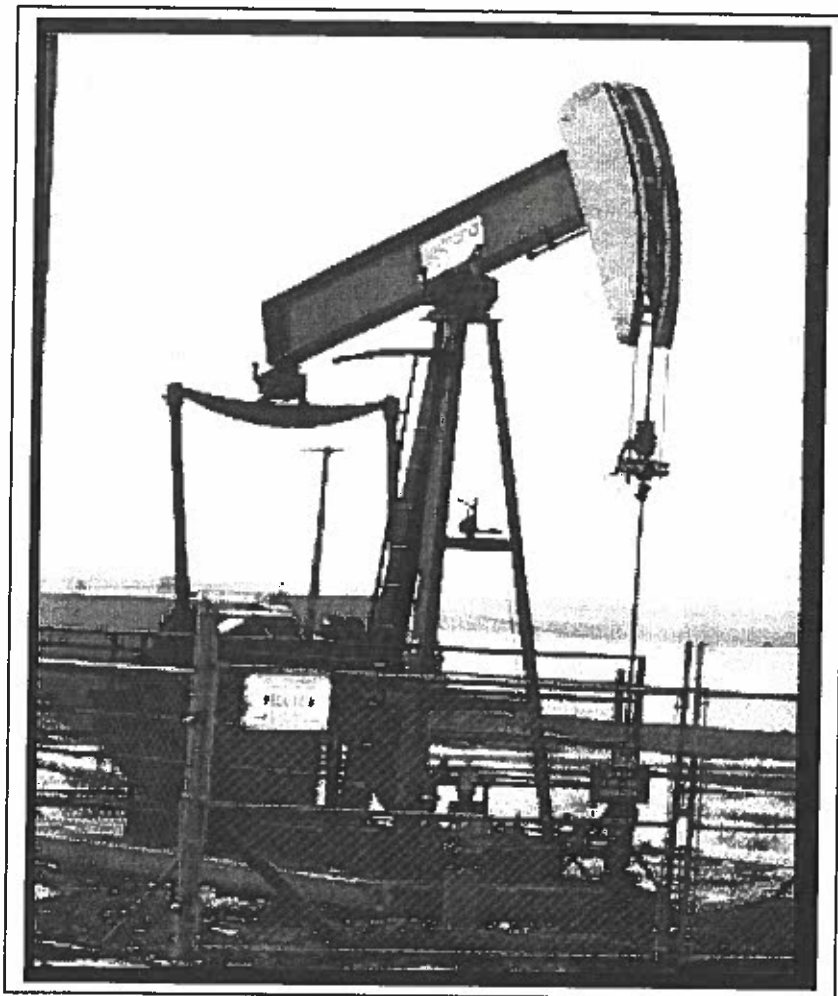
Introduction

This annual report provides an overview of the contributions made to Northwest Territories businesses in 1999/2000 under the Department of Resources, Wildlife and Economic Development, Business Development Fund.

Note: 1999/2000 is the first year since the division of the Northwest Territories. As a result, data and analysis presented for this fiscal period in this report does not cover the regions of Nunavut.

Purpose

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



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.

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. Contributions to any one project are tied to these groupings in order to sustain all communities and encourage development. 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 – Groupings/Levels

Group 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.

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

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

Fund Performance – Schedules A to E

A main task of the Department of Resources, Wildlife and Economic Development 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. Table 1 summarizes the program's major funding activity for the past two years.

Table 1 - Contribution Funding Over Two Years

	Applicants	Approvals	Approval as a Percentage Of Total Applicants	Aboriginal Approvals	Aboriginal Approvals as a Percentage of Total Approvals
1998/1999 *	210	177	84%	130	73%
1999/2000	179	145	81%	100	69%
Totals	389	322	83%	230	71%

* 1998/1999 figures are restated to exclude Nunavut

Funding Activity

This report summarizes Contributions provided under BDF for the current fiscal year, 1999/2000. The following are some program highlights:

- The program received 179 applications. One hundred and forty five were approved. This amounts to an 81% approval rating.
- \$2.7 million in assistance was requested and \$1.8 million was approved or 67% of the total amount requested.
- The \$1.8 million in contribution assistance levered an additional \$4 million in equity investment and \$12.7 million in other financing.
- The average amount of an approved contribution was \$13,027.
- Seven (7) contributions were approved at \$50,000 or more.

Figure 1 Number of BDF Contributions by Amount.
(Average contribution amount was \$13,027)

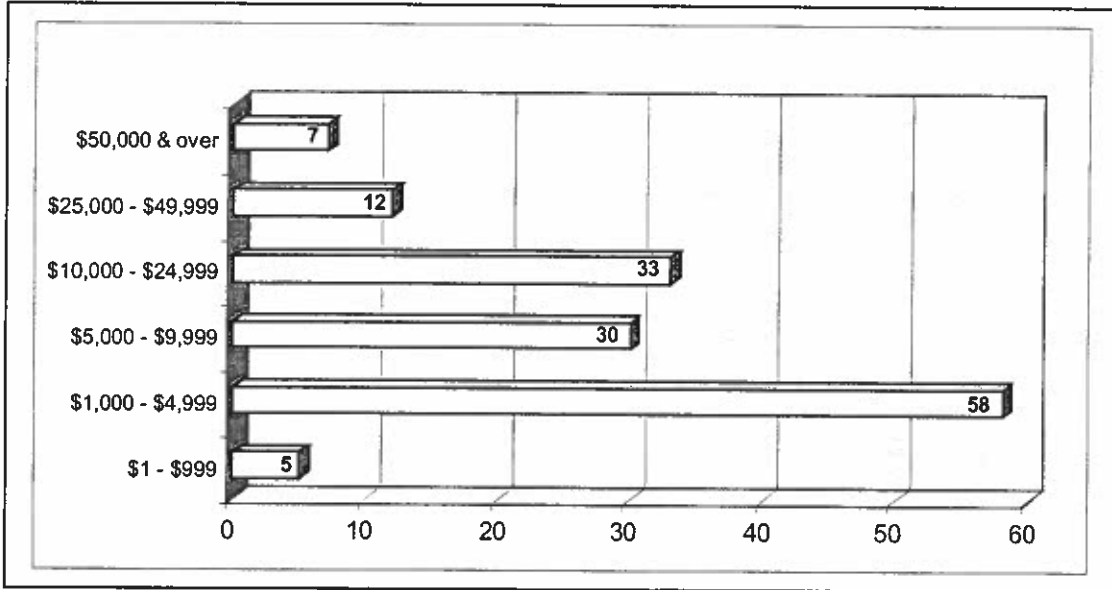
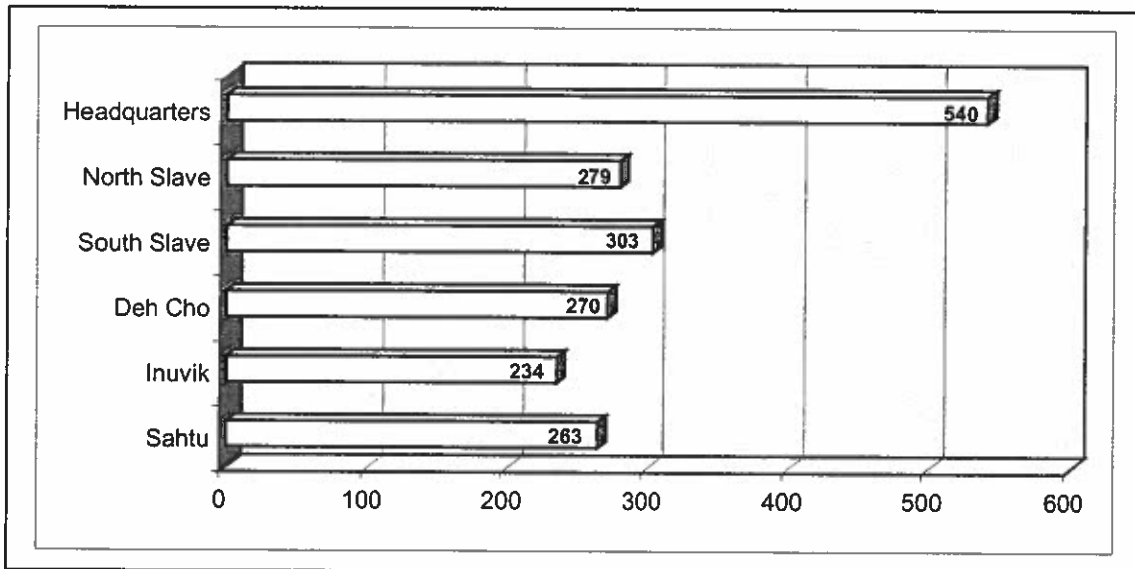


Figure 2 Values of Contributions by Region. (\$000) *(For the purposes of administration, the Department of Resources, Wildlife and Economic Development allocates its contributions in six distinct districts.)*



Impact on Community Levels

One objective of the Business Development Fund is to encourage increased development and investment in less developed communities. It does this by reducing the level of debt financing to an affordable level.

Table 2 - Community Levels

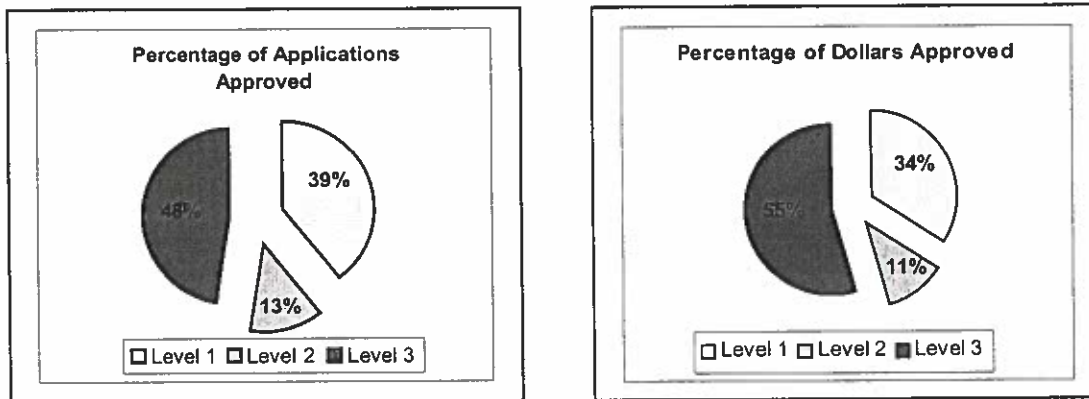
Level 1	Level 2	Level 3
Yellowknife	Fort Simpson	All Other Communities
Hay River	Norman Wells	
Inuvik	Rae Edzo	
Fort Smith		

As shown in Table 3 and Figure 3 (below), contributions are distributed among Community Levels. This year there were more applications and approved dollars going to Level 3 communities.

Table 3 - Distribution of BDF Funding by Community Levels

Level	# Approved	\$ Approved	Average \$ Approved	\$ Equity Invested	Average \$ Equity Invested	\$ Other Financing	Average \$ Other Financing
Level 1	57	647,275	11,356	948,584	16,074	2,076,932	62,937
Level 2	19	211,723	11,143	194,399	9,720	626,151	41,743
Level 3	69	1,029,981	14,927	2,835,624	44,307	10,012,003	278,111
Total	145	\$1,888,979	\$13,027	\$3,978,607	\$27,822	\$12,715,086	\$151,370

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



BDF Contributions by Type of Business

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

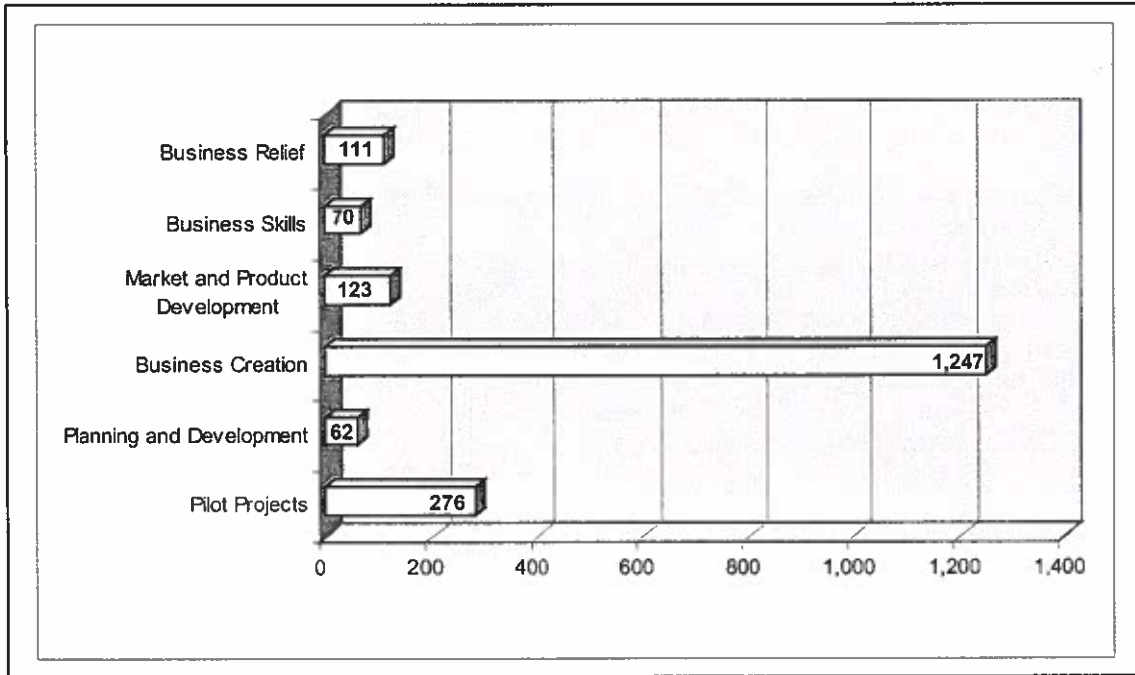
Table 4 - Value of Approved Contributions by Standard Industrial Classification

<u>Code</u>	<u>Division Name</u>	<u>Approved Amount</u>
A	Agricultural and Related Service Industries	\$31,456
B	Fishing and Trapping Industries	\$55,582
C	Logging and Forestry Industries	\$12,242
D	Mining (including Milling), Quarrying and Oil Well Industries	\$0
E	Manufacturing Industries	\$539,389
F	Construction Industries	\$212,194
G	Transportation and Storage Industries	\$132,633
H	Communication and other Utility Industries	\$0
I	Wholesale Trade Industries	\$0
J	Retail Trade Industries	\$153,652
K	Finance and Insurance Industries	\$6,900
L	Real Estate Operator and Insurance Agent Industries	\$9,261
M	Business Service Industries	\$459,088
N	Government Service Industries	\$3,796
O	Educational Service Industries	\$0
P	Health and Social Service Industries	\$30,000
Q	Accommodation, Food and Beverage Service Industries	\$66,849
R	Other Service Industries	\$175,938
	Total	<u>\$1,888,980</u>

BDF 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 develop new markets and products. These programs apply to all businesses in every sector of the economy.

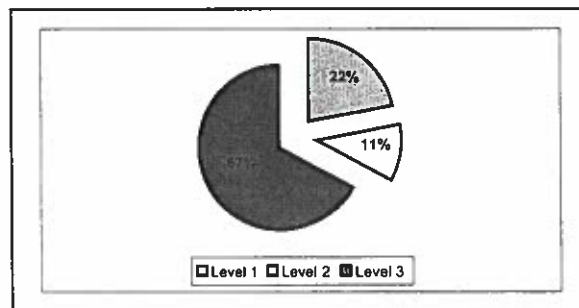
Figure 4 – Value of Assistance Provided by Program (\$000)



BDF Assistance to Aboriginal Businesses

During 1999/2000 the Business Development Fund assisted 100 businesses that have than 50% 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

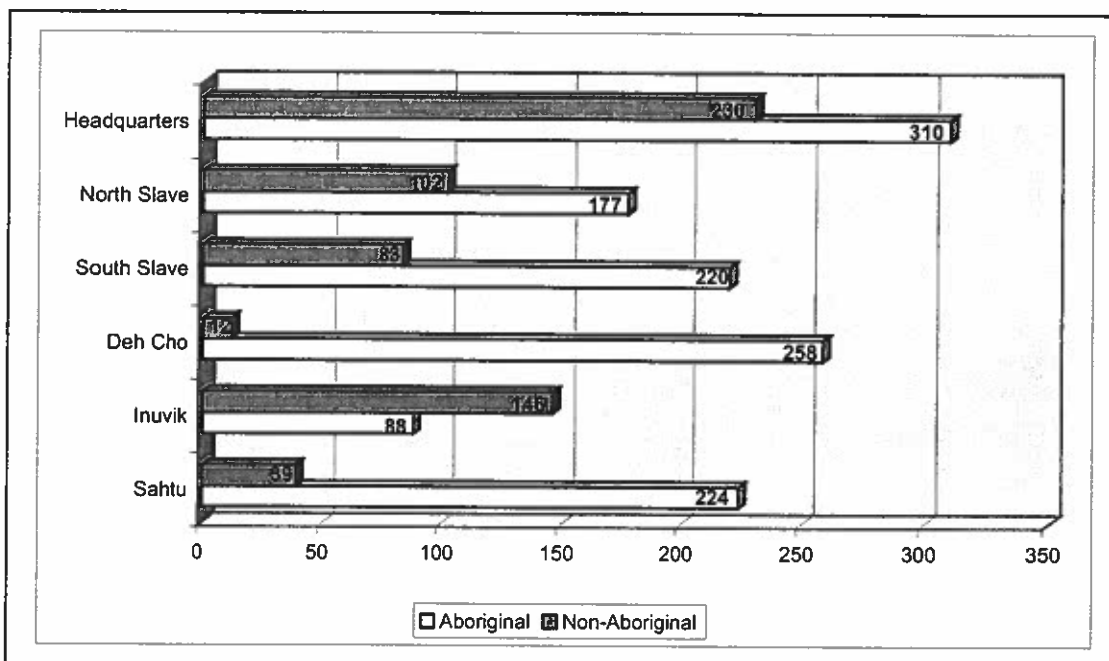
These charts summarize the total value of assistance approved by each region, broken into Aboriginal and non-Aboriginal business categories. Aboriginal businesses are defined as those businesses having 50% or more Aboriginal ownership.

Total contribution assistance provided to Aboriginal businesses was \$1.3 million or 68% 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
Headquarters	310,000	230,000	540,000	57%
North Slave	176,989	101,986	278,975	63%
South Slave	219,919	82,930	302,849	73%
Deh Cho	257,610	12,000	269,610	96%
Inuvik	88,134	146,253	234,387	38%
Sahtu	224,308	38,850	263,158	85%
Total	\$1,276,960	\$612,019	\$1,888,979	68%

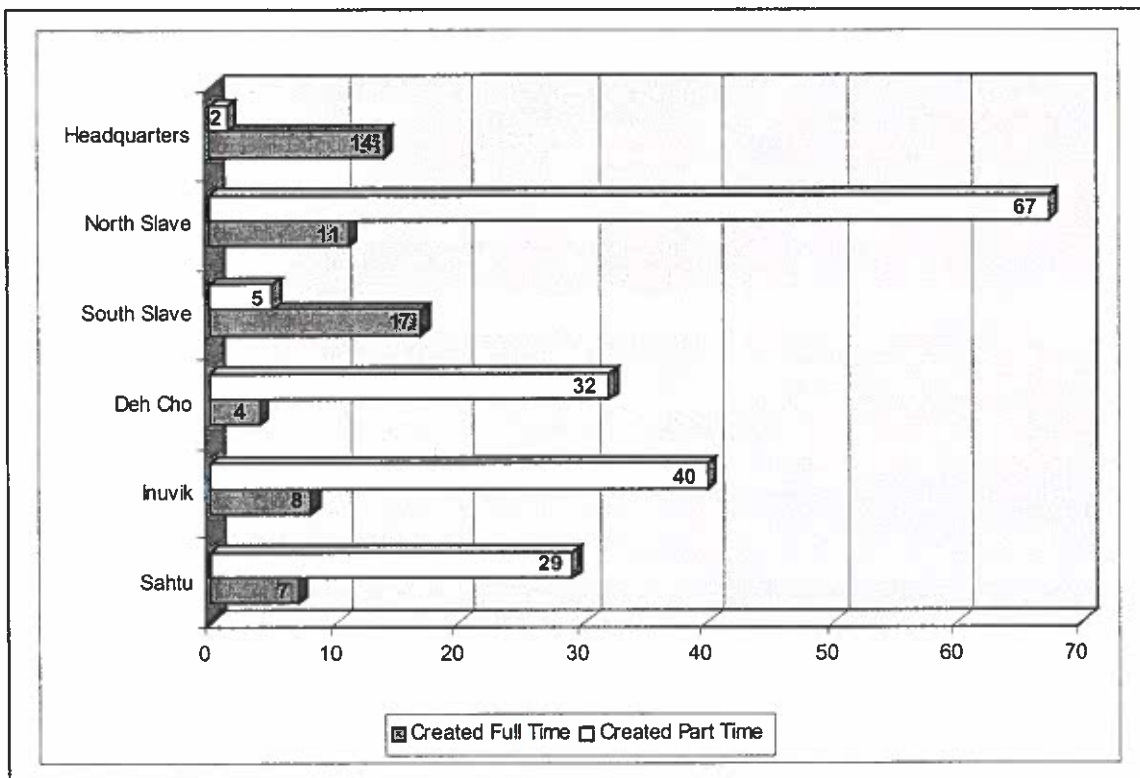
Figure 6 - Distribution of Contributions Approved (\$000).



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 \$1,246,736 for 1999/2000. Based on information provided in client applications, 61 full-time jobs and 175 part-time jobs were created. In addition, 160 full-time jobs and 248 part-time jobs maintained. Figure 7 shows the number of jobs created by region.

Figure 7 – Number of Jobs Created by Region.



Appendix A

Community Initiatives Program

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. Where as the focus of schedules A to E is on individual businesses, the CIP focus is on projects that benefit groups of businesses.

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 two years.

Table 1-A – Contribution Funding Over Two Years

	Applicants	Approvals	Approval as a Percentage Of Total Applicants	Aboriginal Approvals	Aboriginal Approvals as a Percentage of Total Approvals
1998/1999*	139	123	88%	96	78%
1999/2000	101	89	88%	74	83%
Totals	240	212	88%	170	80%

* 1998/1999 figures are restated to exclude Nunavut

Funding Activity

This report summarizes CIP Contributions for the current fiscal year 1999/2000. The following are some program highlights:

- The program considered 101 applications and provided assistance to 89 applicants. This amounts to an 88% approval rate.
- \$2.9 million in assistance was requested and \$2.2 million was approved or 76% of the total amount requested.
- The \$2.2 million in contribution assistance levered an additional \$1 million in equity investment and \$638 thousand in other financing.
- The average amount of an approved application was \$24,857.
- Seven (7) contributions were approved at \$50,000 or more.

Figure 1-A Number of CIP Contributions by Amount.
(Average contribution amount was \$24,857)

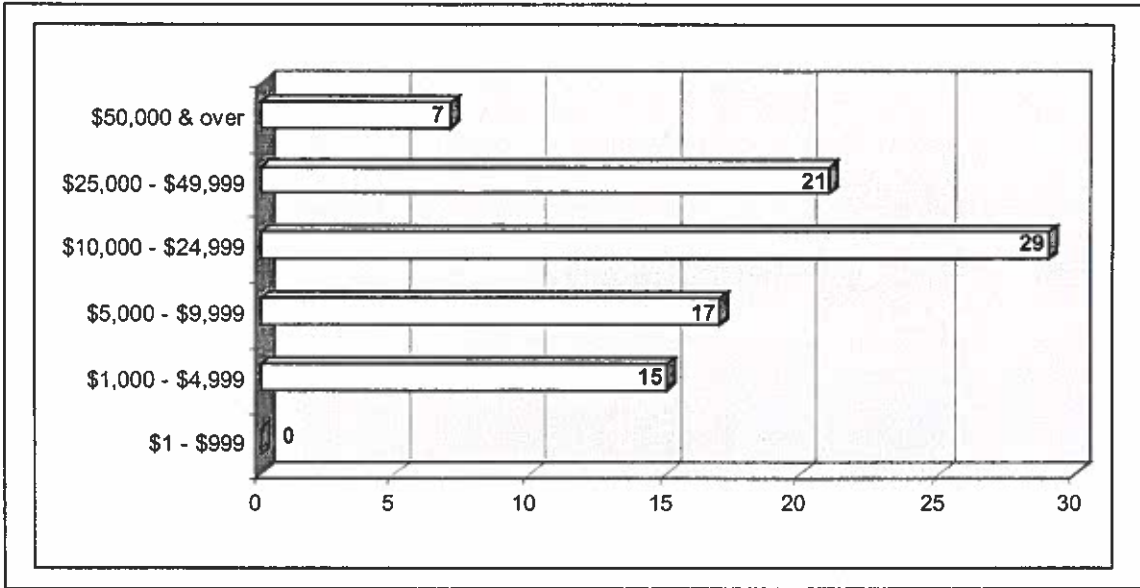
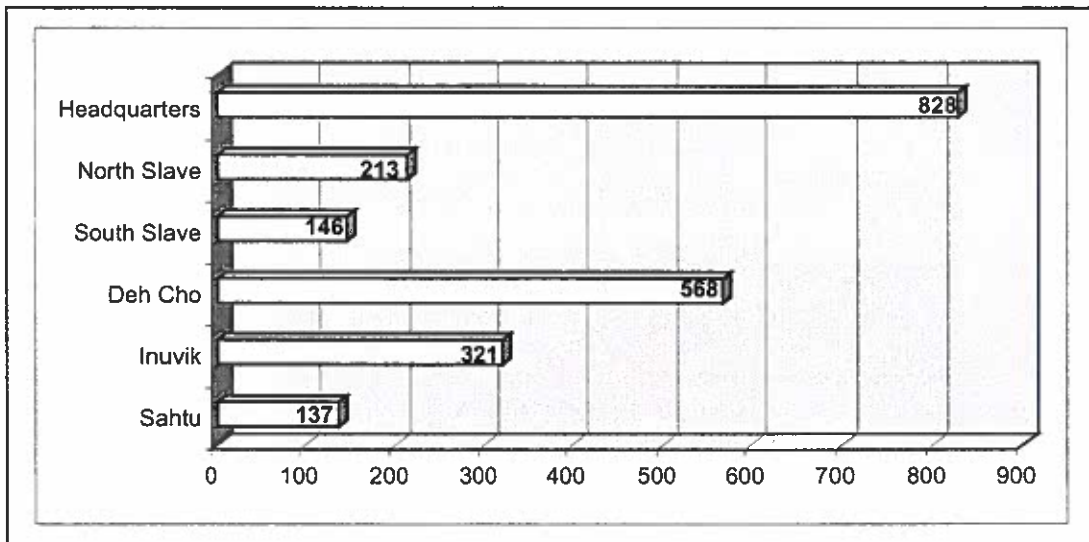


Figure 2-A Value of CIP Contributions by Region (\$000).
 For the purposes of administration, the Department of Resources, Wildlife and Economic Development allocates its contributions to six regions.



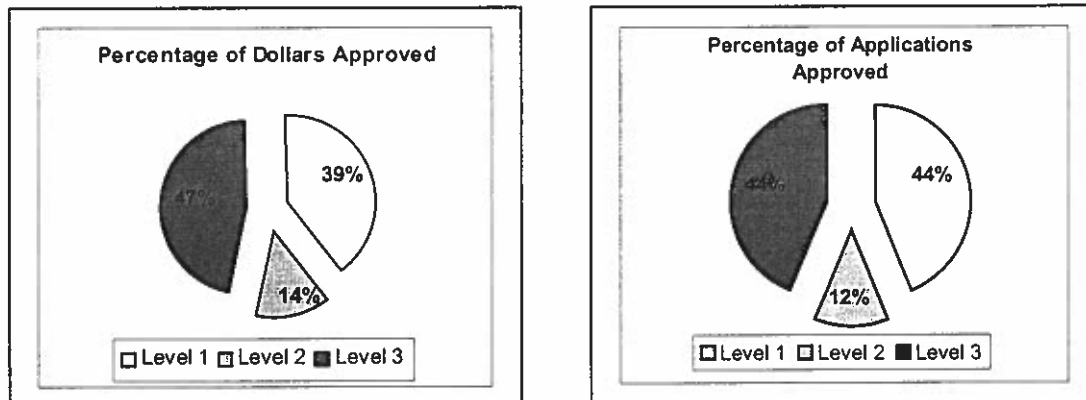
Impact on Community Levels

As shown in Table 2-A and Figure 3-A, contributions are distributed among community levels. This year there were more applications and approved dollars going to Level 3 communities.

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

Level	# Approved	\$ Approved	Average \$ Approved	\$ Equity Invested	Average \$ Equity Invested	\$ Other Financing	Average \$ Other Financing
Level 1	39	869,638	22,298	230,560	10,024	308,024	19,252
Level 2	11	305,188	27,744	24,863	4,973	152,426	152,426
Level 3	39	1,037,429	26,601	794,100	28,361	178,086	19,787
Total	89	\$2,212,255	\$24,857	\$1,049,523	\$18,741	\$638,536	\$24,559

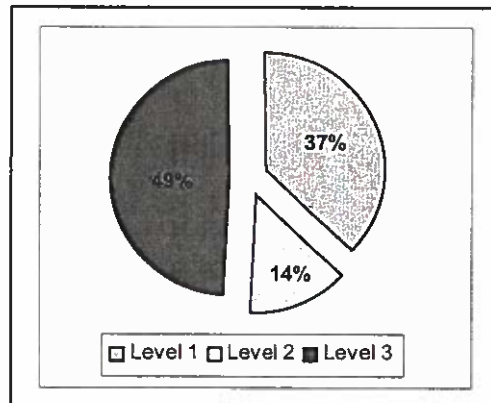
Figure 3-A - Value of CIP Contributions and Approved Number by Community Level.



CIP Assistance to Aboriginal Organizations

During 1999/2000 the Community Initiative Program assisted 74 Aboriginal 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 \$2.1 million or 95% of total CIP funds.

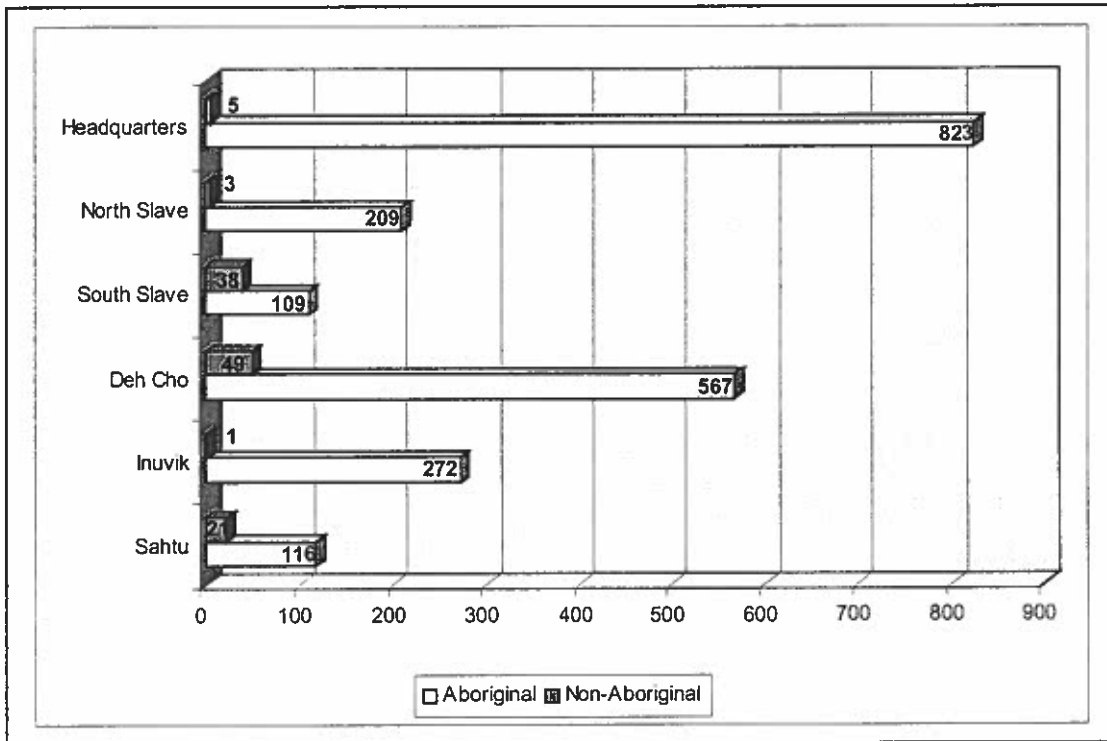
Distribution of CIP Contribution Approvals by Aboriginal and Non-Aboriginal Businesses

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
Headquarters	822,555	5,000	827,555	99%
North Slave	209,448	3,256	212,704	98%
South Slave	108,748	37,731	146,479	74%
Deh Cho	566,721	48,895	615,616	92%
Inuvik	272,004	1,188	273,192	99%
Sahtu	116,209	20,500	136,709	85%
Total	\$2,095,685	\$161,570	\$2,212,255	95%

Figure 5-A - Distribution of Contributions Approved (\$000).



1999/2000 Featured Projects

Through the Business Development Fund, the department of Resources, Wildlife and Economic Development assists with a wide spectrum of businesses from a micro-business that is just getting started to major projects that all could have a profound positive impact on employment and economic activity in the Northwest Territories.

The following are just a few examples to illustrate the variety of projects that the BDF can support.

Diamond Industry

Diamonds are now the NWT's most significant export accounting for nearly half of all current exports. There is also an increasing demand for cutting and polishing facilities in the NWT.

Deton'Cho Diamonds Inc. is a cutting and polishing facility that is being established in the community of Ndilo. It is the second facility in the North Slave region that the GNWT has assisted through the Business Development Fund.

The construction of a \$1.8 million facility has been completed in the community of Ndilo. The grand opening of the diamond cutting and polishing business will be September 22, 2000. Once the manufacturing business is in full production, Deton'Cho Diamonds Inc. will employ 32 full time diamond cutters and managers.

Oil and Gas Industry

Exploration for natural gas is on the rise and talks of a Mackenzie Valley pipeline is ongoing. As the oil and gas industry increases production, the demand for service businesses in the South Slave and Deh Cho regions also increases.

Beaver Enterprises is an oil and gas service business from Fort Liard. Through the BDF Program, assistance was provided for the transportation of NWT residents to Fort Liard to work in the oil and gas sector. According to Les Herring, Financial Comptroller for Beaver Enterprises, the main business arm of the Acho Dene Band, the establishment of a bus route linking Fort Liard with other NWT communities provided a valuable service for Northern workers, Beaver Enterprises and the community in general.

Regularly scheduled bus service between Fort Liard, the current hub of oil and gas activity, and other NWT communities, provides a low cost alternative to air and ground vehicle charters. Prior to this, Beaver Enterprises could more easily and cost effectively transport workers to and from British Columbia and Alberta. While initial passenger use was low to begin with, usage picked up towards the end of the 1999/2000 drilling season. Riders averaged approximately four per week. Without the subsidy the company would have been unable to test weekly bus service between Hay River and Fort Liard.

It is anticipated that the bussing company will be able to provide weekly service with no subsidies provided by Beaver Enterprises for the coming oil and gas exploration season.

EDUCATION SERVICES

Insufficient knowledge of financial management is a common problem faced by many entrepreneurs.

Western Arctic Business Development Services (WABDS) is a community futures organization in Inuvik. Through the assistance of the BDF program WABDS was able to partner with the Canadian Imperial Bank of Commerce, which facilitated the "Aboriginal Business Seminar Program".

Participation in the seminar provides the business owner with a better understanding of accounting and bookkeeping, formulation and creation of business plans, an understanding of the skills necessary to be successful in business, guidance in the securing of financing and impacts of cash flow on day to day operation. In short, the seminar is an overview in basic business financial management.

Participation is not limited to small business owners, however they are the target audience. The participation of individuals who hold relevant positions in local Aboriginal governments and organizations, or any individual who feels that they would benefit from participation is also encouraged.

The Third Annual Seminar took place in Inuvik from October 7-9, 1999. There were 18 participants from private businesses, Aboriginal organizations, Aboriginal development corporations, and government.

Evaluations were handed out to all participants and all ratings were good to excellent. As well, many individuals in the field of economic development in this region have either taken the course in some form, or sat in on this session. Many of them have extensive education in financial management. All described it in terms from "great" and "useful", to "a good refresher course in the practical aspect" of small business finance.

The success of these seminars has led Western Arctic Business Development Services, in conjunction with the Department of Resources, Wildlife, and Economic Development, to look at sponsoring the seminar on a yearly basis. Due to the enthusiastic reviews given by the previous participants, and the ensuing "word of mouth" advertising, it is expected that the next session will be filled to capacity.

Arts & Crafts Industry

Arts and Crafts have a historically significant role in the subsistence and culture of Aboriginal and non-Aboriginal peoples of the NWT. The value of the industry in the NWT is about \$4 million to producers. Arts and crafts activities involve 15~25 percent of the NWT working age population, and it is an important source of income in smaller communities. Annual sales of the industry are three times that of forestry or the fishery.

The Great Northern Arts Festival Society staged the 11th Anniversary of their annual Arts Festival and Artist's Professional Development Workshops in Inuvik between July 16th and July 29th, 1999. The BDF program has been committed for marketing support of the festival for the past several years.

The objectives of this annual 10-day festival in Inuvik are two fold. The first is the promotion of northern art and artists through extensive exhibits of artwork both brought by artists and produced on-site. The exhibits include; drawings, paintings, prints, sculpture, tapestries, dolls, jewelry, photography, ceramics, computer design, tufting and traditional crafts. This was also a very key festival as it was the first one held after the division of Northwest Territories.

The second component of this event is directed at the attending artist's professional development. Through formal workshops and informal networking, the artists in attendance are able to further their education and training in the development of their artistic, technical, entrepreneurial and marketing skills. The workshop component of this event provides a structured learning opportunity and informal networking, whereby artists come together to share ideas and experiences and to use training materials designed to further develop their skills under the guidance of working professionals.

The fact that each year the festival draws a core of approximately 50 volunteers is probably the best indication of the widespread community support enjoyed by the festival. In addition, the number of government agencies, corporations, foundations, Aboriginal organizations and local businesses who provide sponsorship through cash contributions, reduced rates and in-kind support is a further indication of the Great Northern Arts Festival's broad based community support.

Over its ten year history the Great Northern Arts Festival has grown to become arguably the most important assembly for northern artists and certainly the major annual tourism and cultural event in Inuvik. As such, it has become a vital and diverse part of an otherwise shrinking regional economy. The GNAF and the artists it supports are truly an emerging economic opportunity for the community, region and the entire Northwest Territories.

