Business Development Fund

Annual Report

April 1, 1997 - March 31, 1998

BUSINESS DEVELOPMENT FUND ANNUAL REPORT

Northwest Territories Resources, Wildlife and Economic Development

Introduction

This annual report provides an overview of the contributions made to Northwest Territories businesses in 1997/98 under the Department of Resources, Wildlife and Economic Development, Business Development Fund.

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 Fund is intended to fill the gaps in programs and services offered by other agencies. Even though it is 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 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, Resources, Wildlife and Economic Development 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.

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 well-serviced community.

Definitions – Groupings

Level I – 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.

Level II – communities are defined as having limited but potential markets, lower per capita incomes, high unemployment, fewer businesses and inferior physical infrastructure.

Level III – 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

The main task of the Business Development Fund 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 (BDF) of Resources, Wildlife and Economic Development is a contribution program for businesses across the Northwest Territories. It has been in operation since 1991 and over this period approvals have increased by 16%. Table 1 summarizes the program's major funding activity for the past seven years.

Table 1 – Contribution Funding Over Seven Years

	Applicants	Approvals	Approval as a Percentage of Total Approvals	Aboriginal Approvals	Aboriginal Approvals as a Percentage of Total Approvals
1991/92	367	284	77%	173	61%
1992/93	351	267	76%	150	56%
1993/94	281	225	80%	141	63%
1994/95	298	250	84%	166	66%
1995/96	290	246	85%	179	73%
1996/97	348	298	88%	228	77%
1997/98	374	336	89%	251	75%
Totals	**2,309**	**1,906**	**83%**	**1,288**	**68%**

Funding Activity

This report summarizes BDF's Contributions for the current fiscal year of 1997/98. The following are some program highlights:

- The program considered 374 applications and provided assistance to 336 applicants. This amounts to an 89% approval rating.
- $5.2 million in assistance was requested and $4.8 million in contributions was approved or 92% of total requests.
- The $4.8 million in contribution assistance levered an additional $4.3 million in equity investment and $15.3 million in other financing.
- The average amount of an approved application was $14,153.
- Fourteen (14) contributions were approved over $50,000.

Figure 1 – Distribution of BDF Contributions by Amount

(Average contribution amount was $14,153)

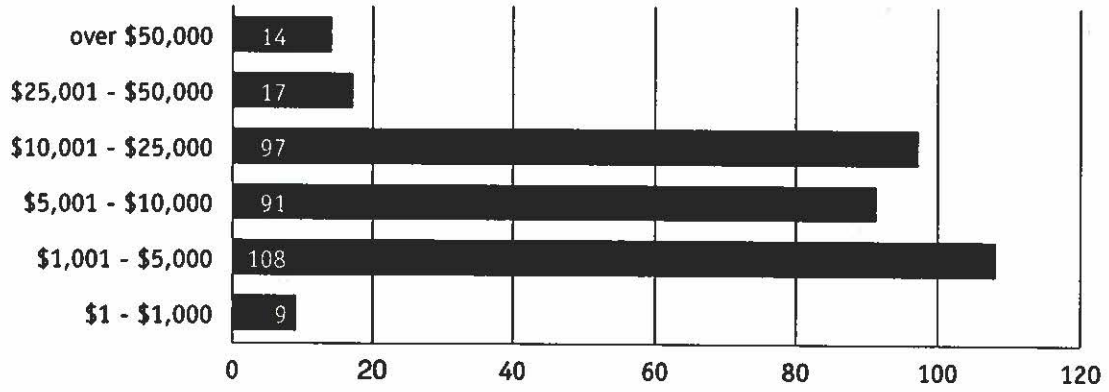
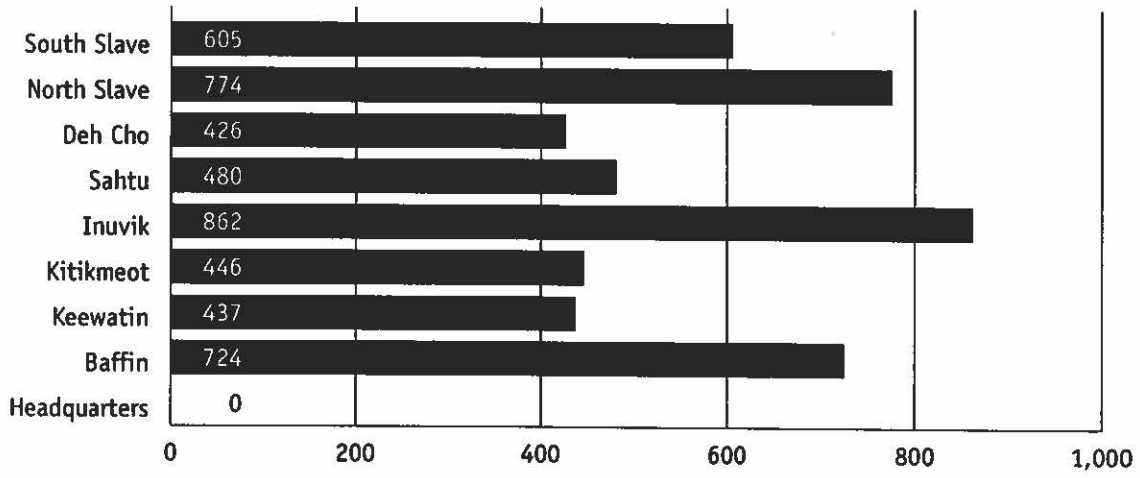


Figure 2 – Value of Contributions by Region

For the purposes of administration, the Department of Resources, Wildlife and Economic Development categorizes its contributions into nine distinct districts.



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 level of debt to an affordable level.

Table 2 – 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 distributed among community levels. This year there were more applications and approved dollars going to level III communities.

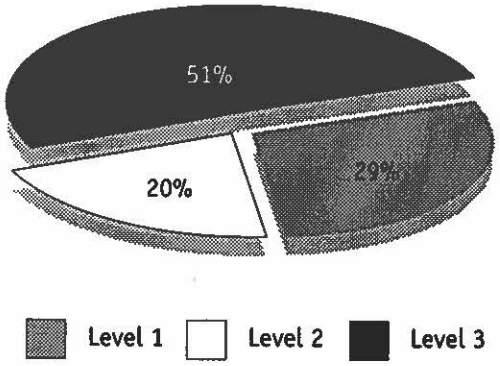
Additional information on the impact of BDF funding at the community level is outlined in Table 3.

Table 3 – Distribution of BDF Funding by Community Group

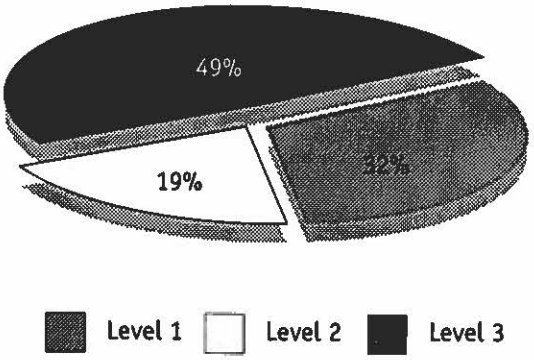
Level	Number Approved	$ Approved	Average $ Approved	$ Equity Invested	Average $ Equity Invested	$ Other Financing	Average $ Other Financing
Level I	98	1,502,294	15,330	1,857,251	18,952	7,841,633	80,017
Level II	66	916,770	13,890	749,830	11,361	1,331,230	20,170
Level III	172	2,336,264	13,583	1,675,355	9,740	6,112,425	35,537
Total	**336**	**$4,755,328**	**$14,153**	**$4,282,436**	**$12,754**	**$15,285,288**	**$45,492**

Figure 3 – Value of Contributions and Approved Number by Community Level

Percentage of Applicants Approved



Percentage of Dollars Approved



BDF Contributions by Type of Business

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

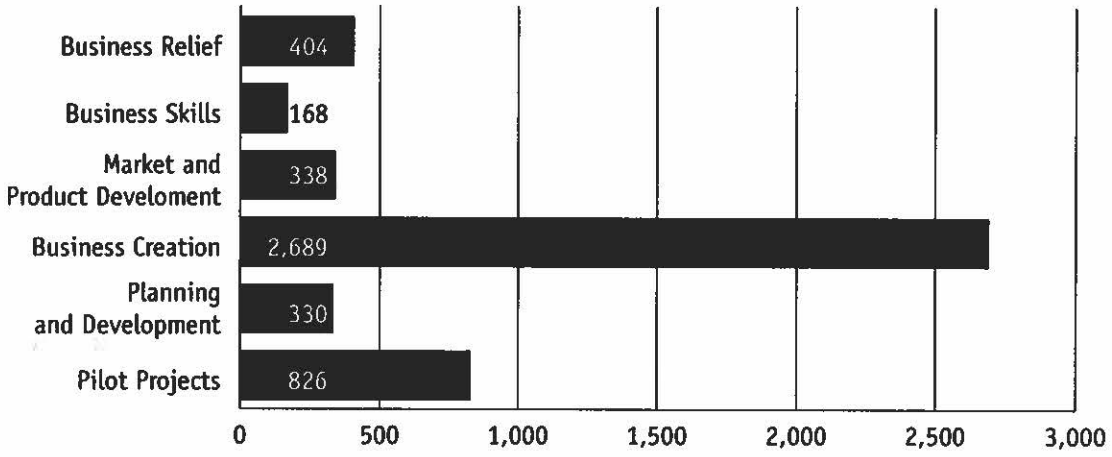
Table 4 – Value of Approved Contributions by Standard Industrial Code

Code	Division Name	Approved Amount
A	Agricultural and Related Service Industries	$142,784
B	Fishing and Trapping Industries	$215,419
C	Logging and Forestry Industries	$105,572
D	Mining (including Milling), Quarrying and Oil Well Industries	$275,000
E	Manufacturing Industries	$343,673
F	Construction Industries	$420,231
G	Transportation and Storage Industries	$242,816
H	Communication and other Utility Industries	$33,272
I	Wholesale Trade Industries	$64,648
J	Retail Trade Industries	$482,433
K	Finance and Insurance Industries	$53,370
L	Real Estate Operator and Insurance Agent Industries	$39,413
M	Business Service Industries	$606,173
N	Government Service Industries	$7,800
O	Educational Service Industries	$34,000
P	Health and Social Service Industries	$79,303
Q	Accommodation, Food and Beverage Service Industries	$885,627
R	Other Service Industries	$723,795
	Total	**$4,755,328**

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.

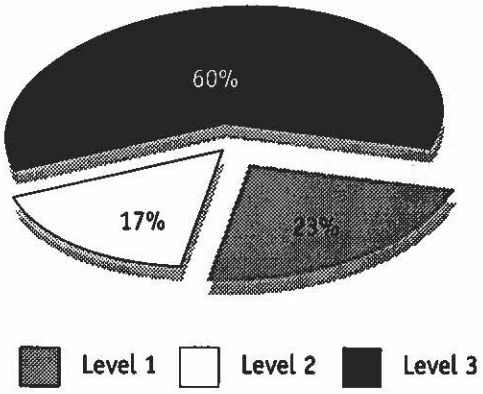
Figure 4 – Assistance Provided by Program in Dollars



BDF Assistance to Aboriginal Businesses

During 1997/98 the Business Development Fund assisted 251 businesses with more than 50% aboriginal ownership. Total contribution assistance provided to these businesses was $3.5 million or 70% of total funds. The regional distribution of assistance to aboriginal owned and controlled businesses is shown in Table 5 and Figure 6. Figure 5 shows contribution assistance provided to aboriginal businesses distributed by community group or level.

Figure 5 – Distribution by Community Level to Aboriginal Businesses



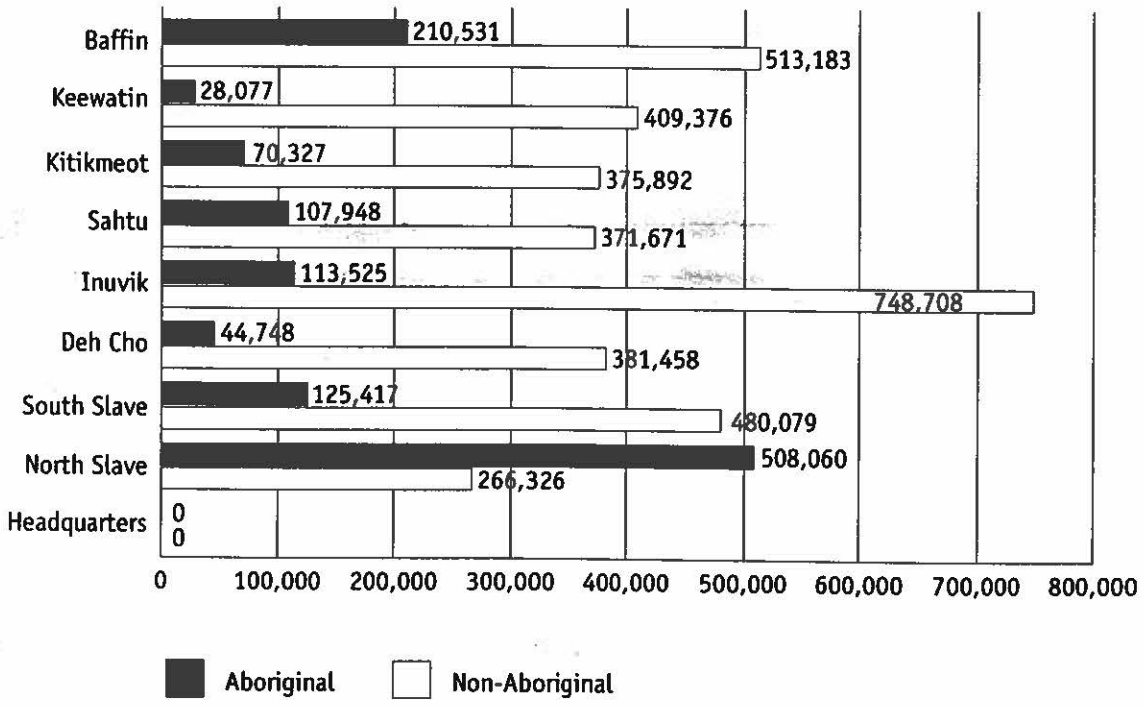
Distribution of BDF Contribution Approvals by Aboriginal and Non-Aboriginal Businesses

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.

Table 5 – Distribution of Contributions Approved

Region	Aboriginal	Non-Aboriginal	Total Contribution	Aboriginal as a % of Total Contribution
Headquarters	0	0	0	0
North Slave	266,328	508,060	774,388	34%
South Slave	480,079	125,417	605,496	79%
Deh Cho	381,458	44,748	426,206	90%
Inuvik	748,708	113,525	862,233	87%
Sahtu	371,671	107,948	479,619	77%
Kitikmeot	375,892	70,327	446,219	84%
Keewatin	409,376	28,077	437,453	94%
Baffin	513,183	210,531	723,714	71%
Total	**$3,546,695**	**$1,208,633**	**$4,755,328**	**75%**

Figure 6 – Distribution of Contribution Approved from Table 5



The Northern Employment Strategy Link – BDF

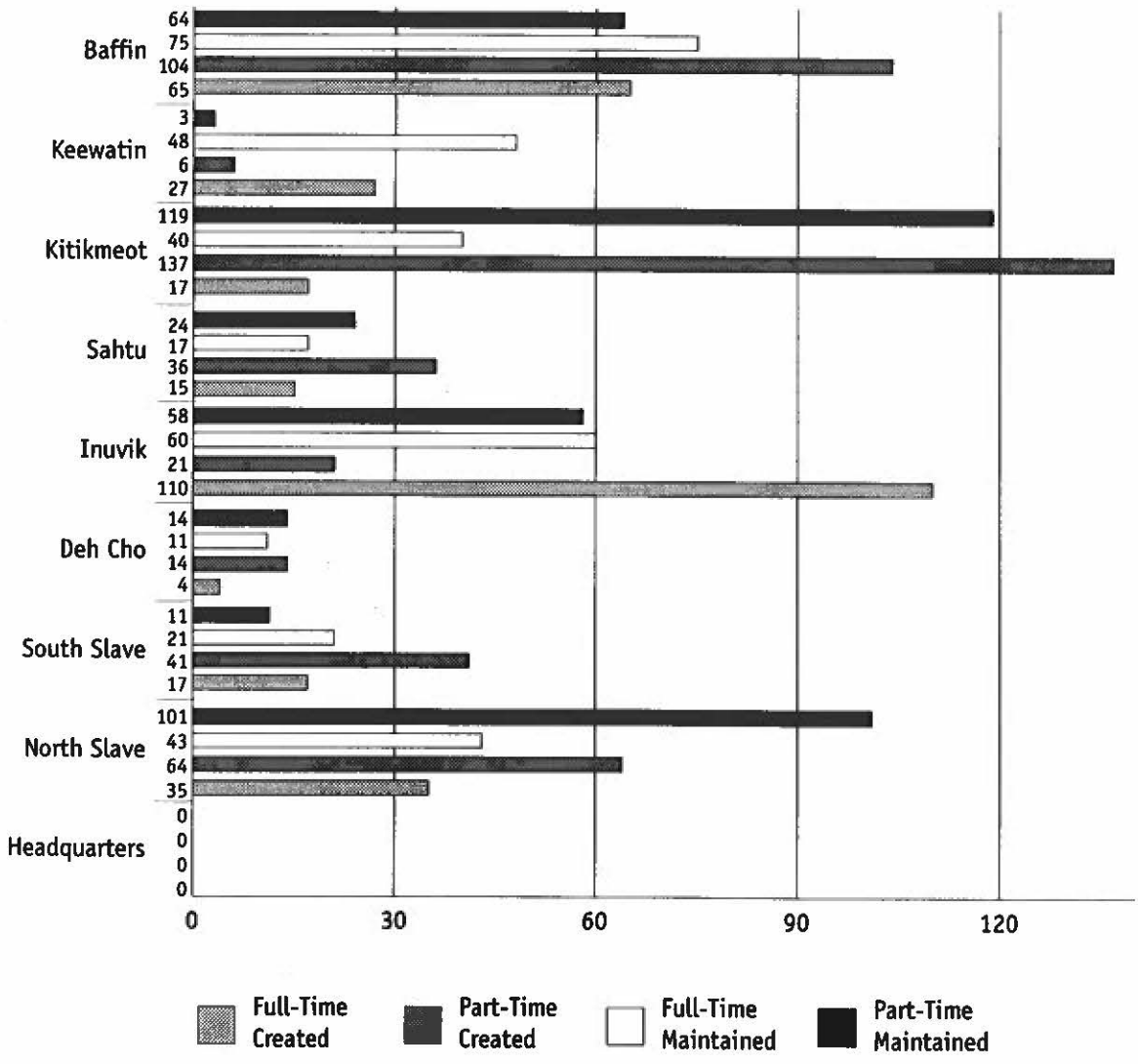
In March 1997, the Financial Management Board approved $16 million to support the development and implementation of a Northern Employment Strategy (NES), to stimulate job creation and economic growth. The $16 million was allocated to the Departments of Resources, Wildlife and Economic Development (RWED), Education, Culture and Employment (ECE) and the Financial Management Board Secretariat (FMBS).

The Department of RWED's Business Development Fund, schedules A through E was allocated $3 million.

Distribution of Jobs Created and Jobs Maintained by Region

The Business Development Fund approved $4,755,328 in contributions for fiscal period 97/98. As a result of the contribution program, a total of 290 full-time jobs and 422 part-time jobs were created. Also, there were 315 full-time jobs and 394 part-time jobs maintained. Figure 7 shows the number of jobs created and maintained by region.

Figure 7 – Number of Jobs Created and Maintained 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 (BDF). Whereas the focus of schedule A to E is with 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	Aboriginal Approvals	Aboriginal Approvals as a Percentage of Total Approvals
1996/97	132	123	93%	118	96%
1997/98	251	240	96%	224	95%
Totals	**383**	**363**	**95%**	**342**	**95%**

Funding Activity

This report summarizes CIP Contributions for the current fiscal year of 1997/98. The following are some program highlights:

- The program considered 251 applications and provided assistance to 240 applicants. This amounts to a 96% approval rating.
- $7.7 million in assistance was requested and $7.5 million in contributions was approved or 97% of total requests.
- The $7.5 million in contribution assistance levered an additional $2.8 million in equity investment and $5 million in other financing.
- The average amount of an approved application was $31,072.
- Thirty one (31) contributions were approved over $50,000.

Figure 1-A Distribution of CIP Contributions by Amount

(Average contribution amount was $31,072)

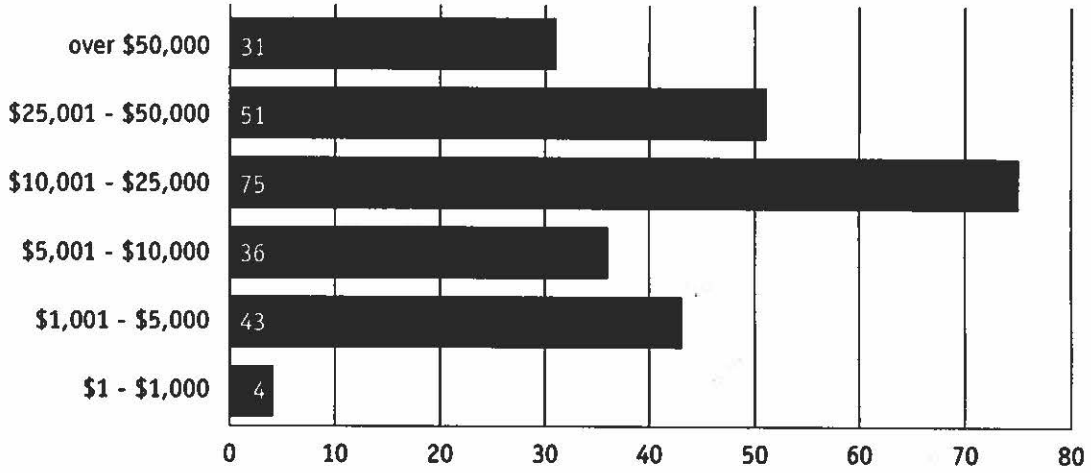
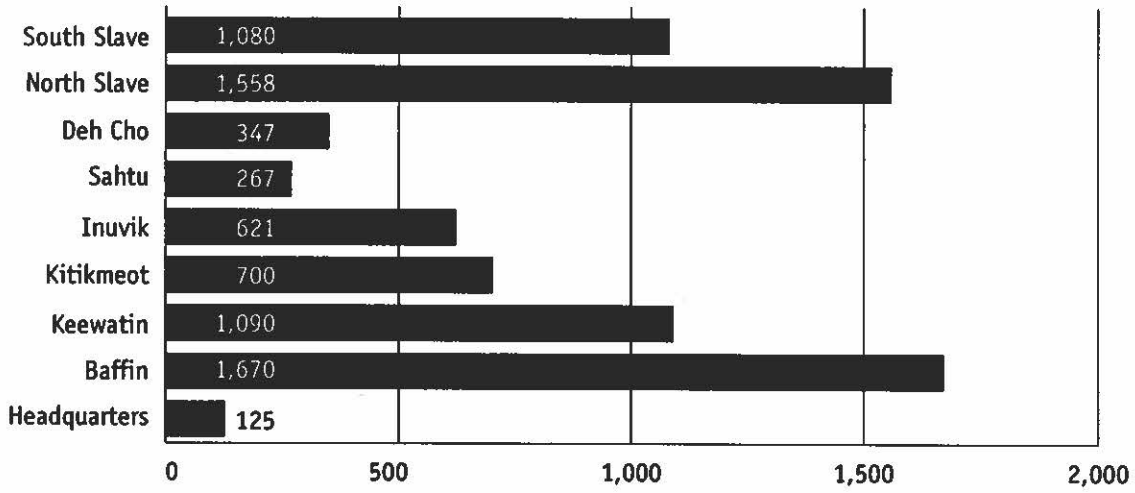


Figure 2-A Value of CIP Contributions by Region

For the purposes of administration, the Department of Resources, Wildlife and Economic Development categorizes its contributions into nine distinct districts.



Impact on Community Groups

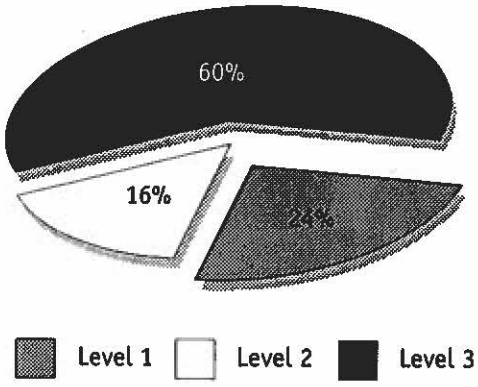
As shown in Table 2-A and Figure 3-A, contributions are distributed among community levels. This year there were more applications and approved dollars going to level III communities.

Table 2-A – Distribution of CIP Funding by Community Group

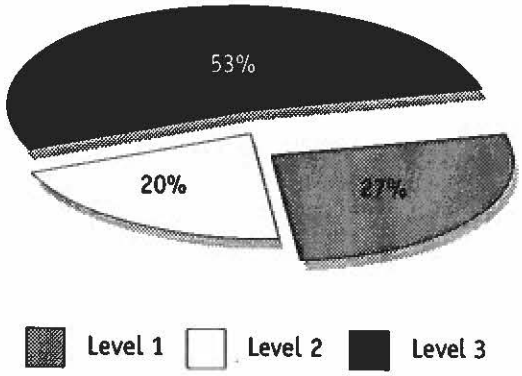
Level	# Approved	$ Approved	Average $ Approved	$ Equity Invested	Average $ Equity Invested	$ Other Financing	Average $ Other Financing
Level I	57	2,035,922	35,718	951,139	16,687	395,170	6,933
Level II	38	1,484,481	39,065	148,809	3,916	426,485	11,223
Level III	145	3,936,980	27,152	1,688,495	11,645	4,240,641	29,246
Total	**240**	**$7,457,383**	**$31,072**	**$2,788,443**	**$11,619**	**$5,062,296**	**$21,093**

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

Percentage of Applications Approved



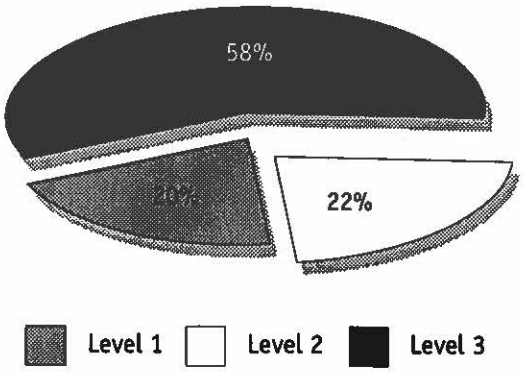
Percentage of Dollars Approved



CIP Assistance to Aboriginal Organizations

During 1997/98 the Community Initiative Program assisted 224 organizations with more than 50% aboriginal ownership. Total contribution assistance provided was $6.7 million or 93% of total funds. The regional distribution of assistance to aboriginal owned and controlled organizations is shown in Table 4-A and Figure 5-A. Figure 4-A shows contribution assistance provided to aboriginal organizations distributed by community group or level.

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



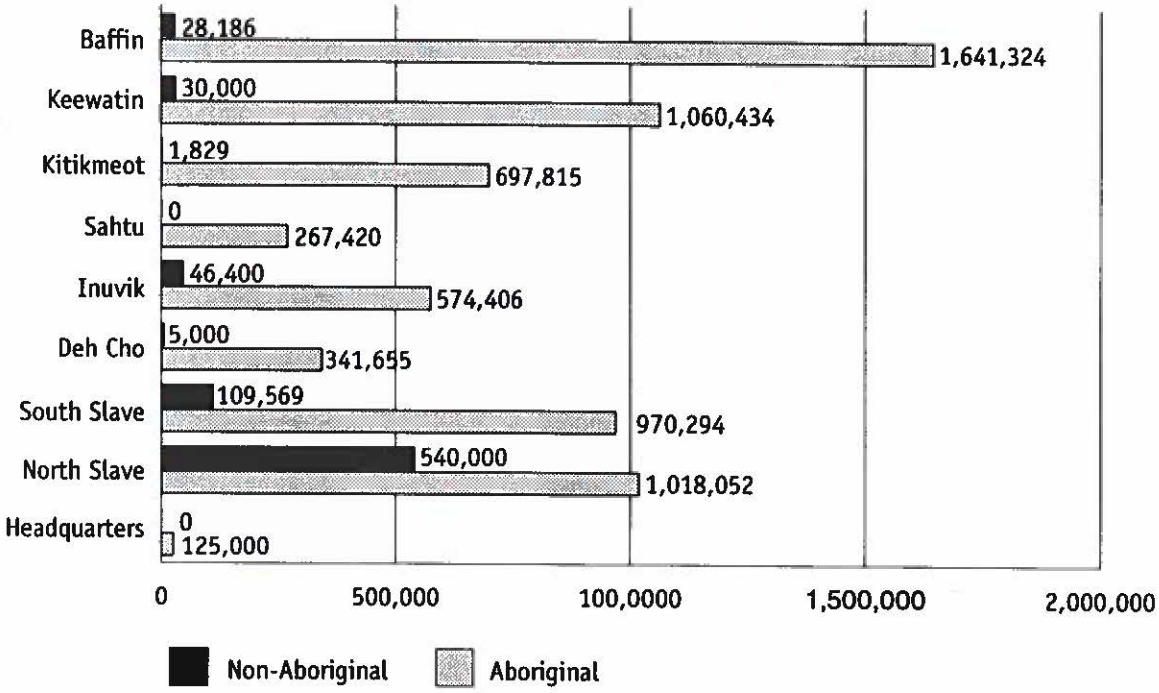
Distribution of CIP Contribution Approvals by Aboriginal and Non-Aboriginal Businesses

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

Table 4-A – Distribution of Contributions Approved

Region	Aboriginal	Non-Aboriginal	Total Contribution	Aboriginal as a % of Total Contribution
Headquarters	125,000	0	125,000	0%
North Slave	1,018,052	540,000	1,558,052	65%
South Slave	970,294	109,569	1,079,863	90%
Deh Cho	341,655	5,000	346,655	99%
Inuvik	574,406	46,400	620,806	93%
Sahtu	267,420	0	267,420	100%
Kitikmeot	697,815	1,829	699,644	100%
Keewatin	1,060,434	30,000	1,090,434	97%
Baffin	1,641,324	28,186	1,669,510	98%
Total	**$6,696,400**	**$760,984**	**$7,457,384**	**90%**

Figure 5-A – Distribution of Contributions Approved from Table 4-A



The Northern Employment Strategy Link – CIP

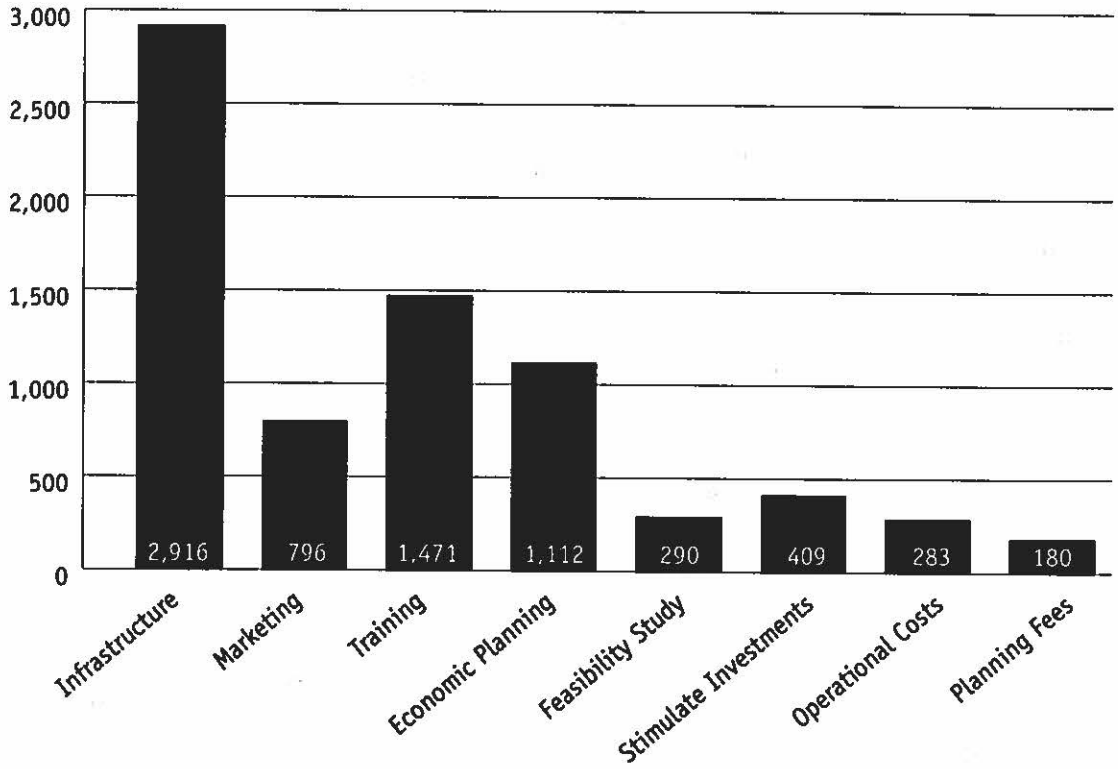
In March 1997 the Financial Management Board approved $16 million to support the development and implementation of a Northern Employment Strategy (NES), to stimulate job creation and economic growth. The $16 million was allocated to the Departments of Resources, Wildlife and Economic Development (RWED), Education, Culture and Employment (ECE) and the Financial Management Board Secretariat (FMBS).

The Department of RWED's Community Initiatives Program, was allocated $2 million.

CIP Activity

The CIP approved $7,457,383 in contributions for fiscal period 97/98. As a result of the contribution program a total of 240 organizations were assisted. The CIP supports organizations for further economic growth. Contributions approved provided 39% towards infrastructure, 20% to training, 15% to economic planning, 11% to marketing, 5% to stimulate investments, 4% to feasibility study, 4% to operational costs and 2% to planning.

Figure 6-A - Distribution of Contributions by Purpose.



The Business Development Fund contributes to the success of businesses.

The following are success stories featuring clients from the South Slave Region who have received funds from the BDF program. Future reports will feature a new region. To see your region's success stories, please submit them to your local Regional Superintendent no later than July for publication deadlines in September of each year.

South Slave Region Success

Kakisa Lake Store/Hotel Facility:

The Department provided funding assistance to Noda Enterprise Ltd., the economic arm of the Ka'a'gee Tu First Nations, to establish a community store and motel facility. Costs to construct the building were approximately $400,000. A local contractor utilizing local labour built the facility. The facility opened earlier this year and is currently operational. The store provided groceries and fuel to residents and tourists. The motel, which has four rooms, provides accommodations to travellers and government employees.

The benefits of the project include one full-time and one part-time employee. It also generates more cash flow within the community. Finally these services made available in the community of Kakisa enhance both the small business and tourism sectors of the NWT.

Lutsel K'e Guide Training Level II – Big Game Guiding:
The Department provided funding assistance to the Denesoline Corporation Ltd., the economic arm of the Lutsel K'e Dene Band, to hold an extensive training course in tourism guide training. The course was co-sponsored with the Department of ECE and Aurora College. Approximately 13 individuals from the community graduated from the course which was held at Artillery Lake just east of Lutsel K'e. Duration of the course was 28 days.

The Guide Training was deemed successful as several new skills were introduced to the participants including trophy measurement and scoring, firearm safety and handling, marksmanship training, photography, first aid/CPR, emergency training, camp set up, hygiene and regulations/restrictions. Besides training for seasonal guiding opportunities, this program has prepared several individuals for community development roles in renewable resources.

Deh Gah Got'ie Betterment Corporation Commercial Building:
The Department provided funding assistance to the Deh Gah Got'ie Betterment Corporation, the economic arm of the Fort Providence Dene Band and the Fort Providence Metis Nation. These funds are allocated to construct a commercial building, that will provide the community with office, retail lease space and light manufacturing. Costs to construct the building are budgeted at $475,000.00. The facility is to be built by utilizing local labour and by a local contractor owned by the Betterment Corporation, Deh Gah Enterprises Ltd. The facility is scheduled for opening in the fall of 1998. The building is being designed to house Dene Fur Clouds, another company owned by the Betterment Corporation in conjunction with Lishman Furs Ltd. and the NWT Development Corporation as well as the Betterment Corporation's head office. Dene Fur Clouds manufactures and retails knit fur garments. This building will also provide for the community lease space for retail and office purposes. Currently facilities are not available in Fort Providence thereby creating a significant barrier to new business start-ups.

The benefits of the project include construction employment, maintained employment (10 persons) and an operational knit fur garment manufacturing industry. It also provides facilities for existing businesses.