



Introduction

This annual report provides an overview of the contributions made to Northwest Territories businesses in 1994/95 under the Department of Economic Development and Tourism's, 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 Costs 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 assists businesses to establish pilot or demonstration projects to determine the applicability of new technology.

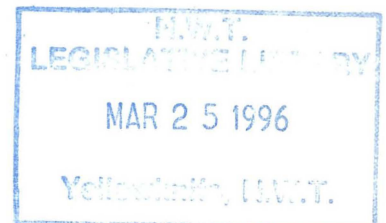
Business Creation or Expansion encourages the expansion and development of trade, services, renewable resource and manufacturing businesses through new business start-ups or expansions. Assistance is primarily directed to expansion related capital costs.

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

Market and Product Development 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 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.





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 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 are 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 economies linked to resource harvesting.

Fund Performance

The main task of the Department of Economic Development and Tourism 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 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 1,074 businesses. Table 1 summarizes the program's major funding activity for the past three years.

Table 1 - Contribution Funding Over Three Years

	Applicants	Approvals	Approval as a Percentage	Aboriginal Approvals	Aboriginal Approvals as a Percentage of Total Approvals
1992/93	351	267	76%	150	56%
1993/94	281	225	80%	141	63%
1994/95	298	250	84%	166	66%
Totals	930	742	80%	457	62%

Funding Activity

This report summarizes BDF's contributions over the current fiscal year 1994/95. The following are some program highlights:

- The program considered 298 applications and provided assistance to 250 applicants. This amounts to an 84% approval rating.
- \$4.3 million in assistance was requested and \$3.1 million in contributions was approved or 72% of total requests. This differs from the approval rate of applicants because not all approved applicants received requested contribution funding.
- The \$3.1 million in contribution assistance levered an additional \$3.2 million in equity investment.
- The average amount of an approved application was \$12,706.
- Eight (8) contributions exceeded \$50,000

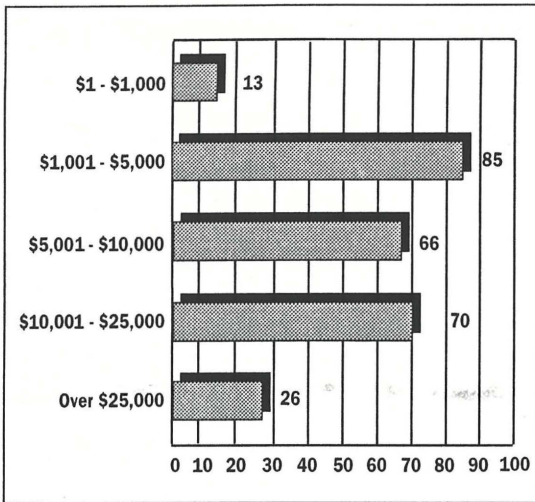


Figure 1 - Distribution of BDF Contributions by amount.
(Average contribution amount was \$12,706.)

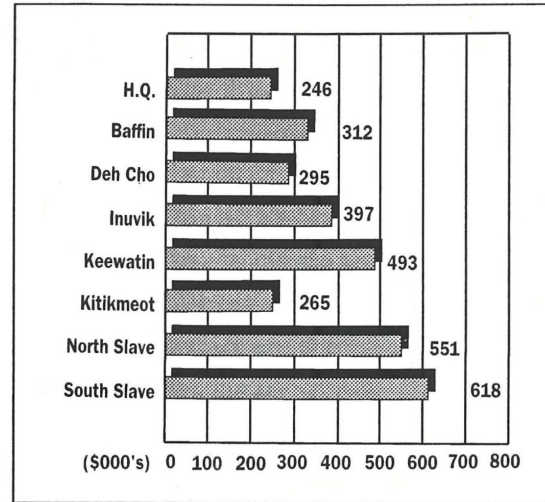


Figure 2 - Value of Contributions by Region.
For the purposes of administration, the Department of Economic Development and Tourism categorizes its contributions into eight distinct districts.

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 equity requirements for applicants in levels II and 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	

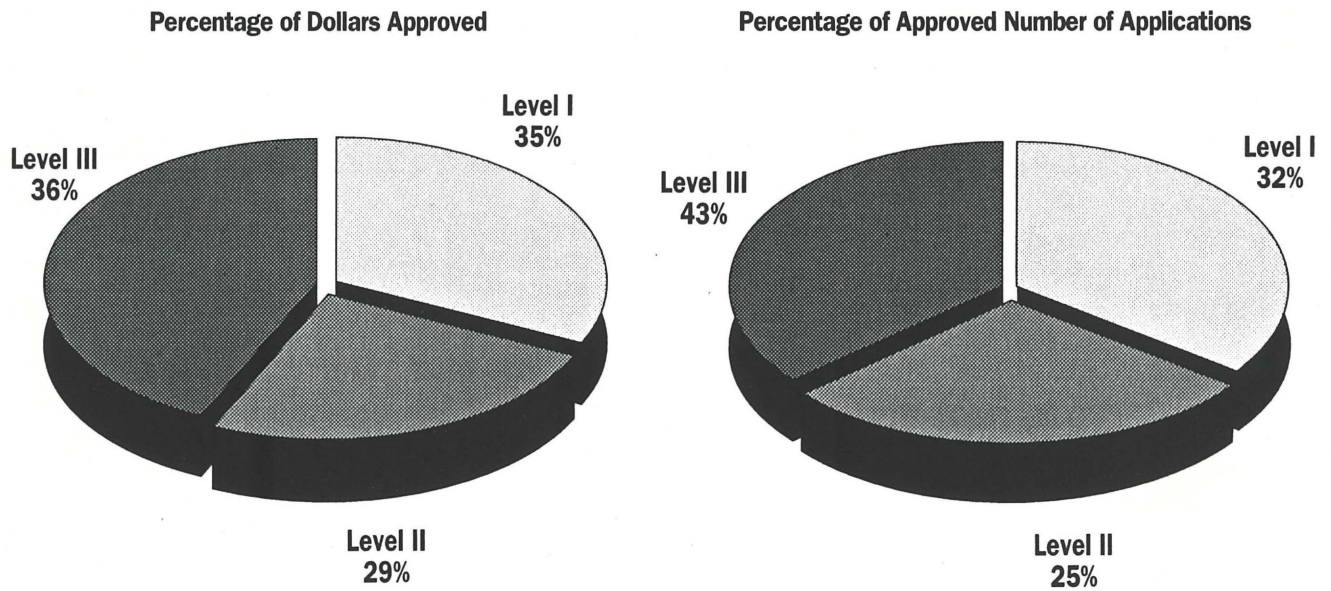
As shown in Table 3 and Figure 3 (below), contributions are distributed evenly among community groups. There were more applications and approved dollars going to level III communities.

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 Level

Level	# Approved	\$ Approved	\$ Equity Invested
Level I	81	1,115,765	1,736,409
Level II	63	908,752	732,293
Level III	106	1,151,946	705,966
Total	250	3,176,463	3,174,668

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



Contributions By Type of Business

In 1994 the Department of Economic Development and Tourism installed a new electronic system which allows for more effective tracking of contributions. While this system is still being refined, Figure 4 gives an example of the kind of reporting which can be provided electronically. In this case, the breakdown is provided by using the *Standard Industrial Code of Canada*.

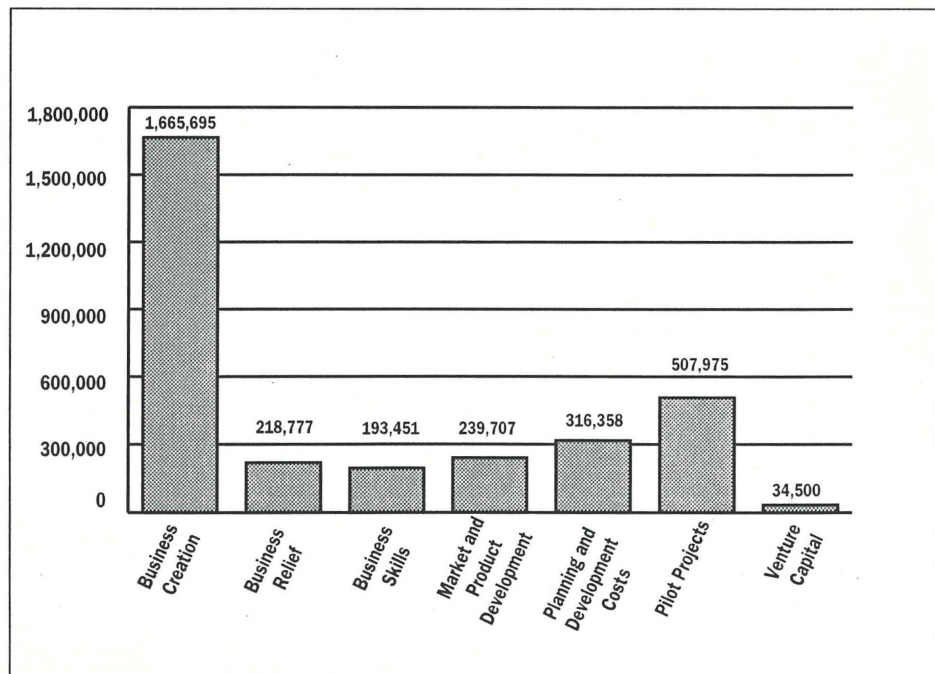
Figure 4 - Value of Approved Contributions by using the Standard Industrial Code

Standard Industrial Code	
(\$000's)	
Agriculture	.50
Fishing and Trapping	.196
Logging and Forestry	.35
Manufacturing	.128
Construction	.385
Transportation	.191
Communication	.68
Wholesale Trade	.22
Retail Trade	.450
Finance and Insurance	.172
Real Estate Operator	.37
Business Services	.376
Government Services	.9
Education	.25
Health	.2
Accommodation	.782
Other	.248
Total	3,176

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.

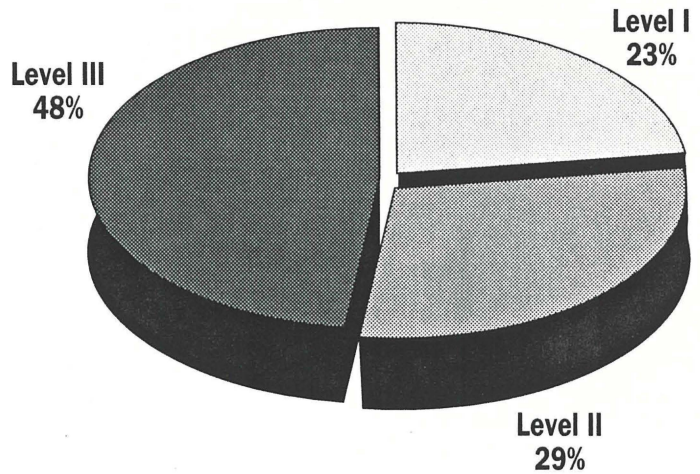
Figure 5 - Assistance Provided by Program



Assistance to Aboriginal Businesses

During 1994/95 the Business Development Fund assisted 166 businesses with more than 50% aboriginal ownership. Total contribution assistance provided to these businesses was \$2.2 million or 72% of total assistance. The regional distribution of assistance to aboriginal owned and controlled businesses is shown in Figure 7a and b. Figure 6 shows contribution assistance provided to aboriginal businesses distributed by community group or level.

Figure 6- Distribution by Community Level



Distribution of 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 more than 50% aboriginal ownership.

Figure 7 a- Distribution of Contribution Approvals

Region	Aboriginal	Non-Aboriginal	Total Contributions	Aboriginal as a % of Total Contributions
Headquarters	156,577	89,000	245,577	64%
Baffin	249,557	62,441	311,998	80%
Deh Cho	190,132	105,334	295,466	64%
Inuvik	341,196	55,621	396,817	86%
Keewatin	456,507	36,592	493,099	93%
Kitikmeot	226,345	38,291	264,636	86%
North Slave	271,208	279,712	550,920	49%
South Slave	393,113	224,837	617,950	64%
Total	2,284,635	891,828	3,176,463	72%

Figure 7 b- Distribution of Contribution Approvals from Figure 7a.

