

**Government of the Northwest Territories  
Department of Resources, Wildlife and Economic Development**

**Policy Framework**

**GNWT Support to Diamond Manufacturing Industry**

**1. Policy Statement**

It is the policy of the Government of the Northwest Territories to facilitate the establishment of a diamond manufacturing industry in the NWT. To this end, the government will:

- endorse the production of diamonds in the NWT only when a portion of the rough diamonds will be made available for manufacturing in the NWT by Government of the Northwest Territories approved manufacturers;
- provide support to assist in the start-up of diamond manufacturers where there is potential for significant training, employment, business and investment opportunities for NWT residents;
- assist in the marketing of diamonds produced and manufactured in the NWT through such activities as certification of branded diamonds and other marketing strategies;
- monitor the production and manufacturing process to ensure that all diamonds produced and made available for manufacturing in the NWT are actually manufactured in the NWT and, if established, to support government certification of diamonds;
- actively support other diamond industry value added activities, such as jewelry manufacturing and tourism, through current programs and other programs as may be developed; and
- work with and encourage financial institutions to develop confidence in the NWT diamond manufacturing industry with a view to alleviating reliance on government loan guarantees.

**2. Principles**

- (1) Diversification of the NWT economy should create greater opportunities and economic prosperity for NWT residents.

- (2) The economic benefits available from the NWT's non-renewable resources should be maximized to provide value for NWT residents.
- (3) The level of support from the Government of the Northwest Territories should be related to the benefits and opportunities provided to NWT residents.
- (4) As diamond manufacturing firms should be self-sufficient in the long term, support in establishing firms should be limited to the short to medium terms.
- (5) Branded diamonds which have a certified NWT origin should have enhanced value and improved marketing potential.
- (6) Diamonds produced in the NWT and made available specifically for manufacturers in the NWT should be manufactured in the NWT.
- (7) The government should consider undertaking some activities, at least in the short term, that normally would be assumed by industry associations where those associations do not exist and where there may be advantages to NWT residents.

### **3. Definitions**

#### Approved NWT diamond manufacturer

A diamond manufacturer which has been approved by the Government of the Northwest Territories as eligible to receive financial and other government support and/or is authorized to manufacture NWT certified diamonds.

#### Diamond manufacturer

A company which processes rough diamonds including cutting and polishing.

#### Diamond producer

A diamond mine.

#### Diamond Review Committee

An internal Government of the Northwest Territories committee. The mandate of the Committee is to:

- (a) exchange information on diamond value added activities in the NWT;
- (b) facilitate a coordinated and consistent review of applications for support of diamond value added activities; and

- (c) provide advice and recommendations to deputy heads for the consideration of the Financial Management Board and Government of the Northwest Territories funding agencies.

#### **4. Scope**

This Policy Framework applies to diamond manufacturers in the NWT and to Government of the Northwest Territories departments and agencies involved in providing assistance and support to diamond manufacturing activities.

While the government is committed to supporting other diamond related value added activities which may be of economic value to NWT residents, such as jewelry manufacturing or tourism, the details of such support are beyond the scope of this Policy Framework.

#### **5. Authority and Accountability**

##### (1) Financial Management Board

The Financial Management Board has authority to:

- (a) designate diamond manufacturers in the NWT as “approved NWT diamond manufacturers” and to remove the designation; and
- (b) approve funding or other support to approved NWT diamond manufacturers.

##### (2) Ministers

Ministers are responsible for administering the provision of support to approved NWT diamond manufacturers as authorized by the Financial Management Board.

##### (3) Diamond Review Committee

The Diamond Review Committee:

- (a) reviews requests from diamond manufacturers for support or for designation as approved NWT diamond manufacturers. It may:
  - forward requests to the applicable deputy head(s), with a recommendation, for submission to the Financial Management Board;
  - reject obviously ineligible applications; or

- request additional information prior to making a recommendation.
- (b) assesses compliance of approved NWT diamond manufacturers with agreements and contracts. Where an approved NWT diamond manufacturer is in violation of an agreement or contract, it may request remedial action be taken and/or it may recommend that the Financial Management Board remove the “approved NWT diamond manufacturer” designation.

## **6. Support Available**

The following support is available to approved NWT diamond manufacturers:

### Financial assistance and training

Support is available through existing programs where relevant programs exist. (see Schedule A). This includes:

- Business Credit Corporation
- Business Development Fund
- NWT Development Corporation
- Occupational Training on the Job Program

### Loan guarantees

Loan guarantees may be made available to approved NWT diamond manufacturers. Canadian financial institutions are reluctant to provide working capital loans to diamond manufacturers as this is a new industry, in Canada, with which they have had no or little exposure (see Schedule B).

### Marketing

The Government of the Northwest Territories will establish a process to certify diamonds produced and manufactured in the NWT, with a view to eventually turning over the certification and monitoring for certification purposes to an appropriate self-supporting and self-regulating industry association. The Government of the Northwest Territories will support marketing of certified NWT diamonds.

### Other

Other specific requests for support will be considered on a case by case basis.

The support to diamond manufacturers is intended to assist in the start-up of diamond manufacturers. They should have the potential to become self-sufficient in the long term (five to six years).

## **7. Review**

Requests from diamond manufacturers for designation as approved NWT diamond manufacturers and for support, including support from existing programs, will be reviewed by the Diamond Review Committee.

## **8. Approval Authority**

The Financial Management Board is the sole authority for

- designating diamond manufacturers as “approved NWT diamond manufacturers”; and
- authorizing provision of support from the Government of the Northwest Territories to approved NWT diamond manufacturers.

## **9. Submission Requirements for Support**

In order to be considered for support, a diamond manufacturing firm must:

- submit an application form for the specific program under which support is being requested;
- prepare a business plan in accordance with the prescribed format (See Schedule C);
- provide such other information as may be required under specific programs (See Schedules A and B);
- sign a waiver authorizing criminal background checks; and
- upon approval of the support by the Financial Management Board, complete a contract with the department or agency.

### Eligibility criteria for support

To be considered for support, diamond manufacturers must clearly demonstrate that they satisfy the following criteria:

- (1) the firm must have the potential to be self-sufficient in the long term (five to six years);
- (2) the firm must have extensive knowledge of the diamond industry and previous manufacturing experience;

- (3) the firm must have a plan for and demonstrate a commitment to developing local expertise and knowledge in the diamond manufacturing industry; and
- (4) the firm must have a plan for and demonstrate a commitment to supporting the NWT economy through such measures as using NWT goods and services and employing NWT residents whenever possible.

#### Review criteria for support

Applications for support will be reviewed by the Diamond Review Committee. The review shall focus on, but not be limited to:

- (1) the firm's ability to distribute and market its finished product;
- (2) the experience and ability of the firm's management team;
- (3) the validity and reasonableness of the assumptions made within the business plan;
- (4) the completeness of the plan;
- (5) review of the proposal to determine if the applicant meets all of the application criteria of the specific program/agency they are applying to;
- (6) the completion of a Due Diligence check by the Diamond Review Committee using a standard reporting format and evaluation criteria;
- (7) an analysis of the extent to which the firm's proposal yields training and employment opportunities for NWT workers and business, investment opportunities for NWT residents, and other economic spin-offs in the NWT;
- (8) whether or not the firm is committed to hiring in accordance with the Affirmative Action Policy;
- (9) the magnitude and proportion of any capital and/or equity investments the firm is prepared to provide;
- (10) whether or not the firm is committed to establishing its management team in the NWT;
- (11) the degree to which the firm has attempted to obtain funding from other sources (eg, other government programs, collaborating with NWT businesses, alliances with aboriginal groups).

## **10. Submissions for Designation as an Approved Manufacturer**

Firms which wish to be designated as approved NWT diamond manufacturers but are not seeking funding or other support will be dealt with on a case by case basis.

## **11. Approval Process**

Applications under this Policy Framework will be reviewed by the Diamond Review Committee. The Committee may reject obviously ineligible applications or it may request that a firm provide additional information.

The Committee will prepare specific recommendations regarding approval, partial approval or rejection, which Committee members will provide to their respective deputy heads.

Deputy heads will forward the Committee's recommendations to their Ministers for submission to the Financial Management Board.

Final approval authority rests with the Financial Management Board.

## **12. Accountability Requirements**

Diamond manufacturers designated as approved NWT diamond manufacturers or receiving support under this Policy Framework shall cooperate in providing the required security and in ensuring that certain monitoring and reporting mechanisms are in place. These requirements include, but are not limited to:

- (1) where support is provided through existing programs, the monitoring and reporting requirements are set out in the individual program requirements.
- (2) In the case of loan guarantees, the security and reporting requirements are stipulated in the attached Schedule B.
- (3) The submission of a quantified annual report to the Government of the Northwest Territories detailing the extent to which the firm has:
  - Provided training opportunities for NWT workers;
  - Employed and retained NWT workers;
  - Supported NWT businesses;
  - Provided investment opportunities for NWT residents;
  - Created other economic spin-offs within the Northwest Territories; and
  - Achieved objectives, projections and goals included in the proposal to the Government of the Northwest Territories.
- (4) The signing of a monitoring agreement.

### **13. Monitoring Agreement**

Approved NWT diamond manufacturers will be asked to enter into a monitoring agreement with the Government of the Northwest Territories. The purpose of the agreement is to:

- provide a mechanism to prevent leakage of NWT produced diamond rough from being manufactured out side of the NWT, thereby maximizing the economic potential of NWT produced diamonds; and
- provide confidence in certification of branded diamonds.

The Diamond Review Committee shall review compliance with the monitoring agreement on a regular basis. Diamond manufacturers that enter into and comply with a monitoring agreement with the Government of the Northwest Territories will have status as an approved NWT diamond manufacturer and continuing access to diamond rough produced in the NWT as well as the enhanced value provided by government backed certification of branded diamonds.

### **14. Policy Review**

This Policy Framework will be subject to an annual review by the Diamond Review Committee.

### **15. Payment**

Any payments made under this Policy Framework are conditional on approval of funds in the Main Estimates by the Legislative Assembly, and there being sufficient unencumbered balance in the appropriate activities for the fiscal year for which the funds would be required.

### **16. Attachments**

- Schedule A - Summary of Existing Programs
- Schedule B - Loan Guarantees
- Schedule C - Business Plan Outline