

POLICY

INDUSTRY, TOURISM AND INVESTMENT

ITI-01

BUSINESS DEVELOPMENT FUND

POLICY STATEMENT

The Department of Industry, Tourism and Investment will encourage economic development and diversification through assistance to businesses. To this end the Department, through this and other programs, will share the financial risk so that good ideas can be turned into successful businesses and existing businesses can fully realize their potential.

PRINCIPLES

In developing and applying this Policy the Department shall take into consideration the following principles:

1. The private sector is the preferred option for developing the Northwest Territories' economy.
2. The private sector should expect their applications to be dealt with promptly and with a minimum of paperwork.
3. Government support is an acceptable and sometimes necessary means of stimulating and developing the economy.
4. Public investment must build upon available resources and use technology and scale appropriate to the skills and traditions of residents.
5. Development must be fostered in ways, which are acceptable to community values.
6. Government must provide training towards a skilled labour force able to access current and future employment opportunities.
7. The Department will attempt to balance environmental and developmental concerns by promoting economic initiatives, which maintain ecological processes, ecological diversity, and harvest renewable resources at sustainable levels.
8. Government supported economic development should result in increased employment of northern residents.

Minister of Industry, Tourism and Investment

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SCOPE

All Northwest Territories businesses as defined in this policy or individuals applying for financial assistance from the Department of Industry, Tourism and Investment.

DEFINITIONS

1. Audit

Means the examination and verification of records and reporting thereon. A Level 1 audit comprises a financial statement certified by a professional auditor in public practice. A Level 2 Audit comprises a financial statement certified by a professional auditor employed by the Government of the Northwest Territories. A Level 3 Audit comprises a review of financial statements by an independent person.

2. Equity

Means cash, land or any asset with unencumbered residual value contributed to the venture by the owner(s) or shareholder(s).

3. Level 1 Communities

The most developed communities within the Northwest Territories. Typically these communities have well developed community business infrastructure and air/road transportation links.

4. Level 2 Communities

Typically these communities have business infrastructure and air/road transportation links.

5. Level 3 Communities

Typically these communities have the least developed business infrastructure and air/road transportation links.

6. Economic Benefit

Employment and income creation shall be the primary criteria used in assessing the economic benefit of any proposed project.

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7. Market Disruption

Defined as a situation where the expansion or establishment of a business will have a substantial negative impact on the sales or market of another business.

8. Minister

Means the Minister of Industry, Tourism and Investment.

9. Northwest Territories Business

For the purposes of this policy a "Northwest Territories Business" is defined as a business, which complies with the legal requirements to carry on business in the Northwest Territories, and is either:

- (a) a corporation registered and in good standing under the *Northwest Territories Companies Act*; or
- (b) co-operative association in good standing under the *Co-operative Associations Act*; or,
- (c) a partnership or sole proprietorship duly registered and in good standing with a Northwest Territories municipality or the Department of Justice, Legal Registries Division and a holder of a valid Northwest Territories municipal business license.

10. Non-Northwest Territories Business

For the purposes of this policy a "Non-Northwest Territories Business" is defined as any business which complies with the legal requirements to carry on business in any jurisdiction of Canada except the Northwest Territories and is either:

- (a) a corporation registered and in good standing; or
- (b) a co-operative association registered and in good standing; or
- (c) a partnership or sole proprietorship registered and in good standing.

11. Person Year

A job where the employee receives at least \$10,000 per year in the case of arts and crafts or renewable resource harvesting businesses, or 40 weeks of employment in the case of all other businesses.

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12. Sweat Equity

Means the documented value of labour that the applicant brings to the business based on the prevailing labour rate where the borrower is located.

PROVISIONS

1. Accountability and Authority

(a) Minister, Industry, Tourism and Investment

(i) Financial Limits

Under this Policy the maximum assistance the Minister may approve to any one client in any fiscal year is \$250,000. Financial assistance will be limited to:

- \$20,000 for feasibility and/or other specified development costs; and \$25,000 for pilot or demonstration projects under Schedule A;

- \$25,000 for capital investments under Schedule B;

- \$10,000 per year to a maximum of \$30,000 over 3 years for marketing and product development under Schedule C;

- \$20,000 for developing business skills and management assistance as outlined in Schedule D;

- \$25,000 for business relief, under Schedule E;

- \$25,000 for community initiative, under Schedule G;

- \$2,500 for the production of traditional Art and Fine Craft products for sale, under Schedule I.

(ii) Establish Priorities

The Minister may target contribution funding to activities identified in Schedules A through I, and within each activity may designate certain sectors of the economy as a priority.

(iii) Authority to Delegate

The Minister may, through a letter of instruction, delegate authority to approve contributions to the Deputy Minister of Industry, Tourism and Investment.

(iv) Assign Community Levels

The Minister may review the levels of communities and, depending upon the results of this review, may issue instructions regarding the appropriate regrouping of a community or communities.

(v) Annual Report

The Minister will table annually in the Legislative Assembly, a summary report of contributions, detailing the amount of each contribution, the type of investment or project being supported, the name of the business, the business address, and the name or names of its principal shareholders or investors with more than a 20% interest. A listing of community levels in effect, noting any changes made during that year, will also be attached.

(b) Deputy Minister, Industry, Tourism and Investment

(i) The Deputy Minister of Industry, Tourism and Investment may approve contributions up to the limits authorized by the Minister. The Deputy Minister may, through a letter of instruction, delegate authority to approve contributions to the Assistant Deputy Ministers and Regional Superintendents of Industry, Tourism and Investment.

(ii) The Deputy Minister of Industry, Tourism and Investment will rule on appeals by either denying the appeal or requesting that the application be reconsidered. The Deputy Minister may, through a letter of instruction, delegate authority to rule on appeals to the Assistant Deputy Ministers.

2. Eligibility

(a) Applicants

All Northwest Territories businesses as defined in this policy are eligible for assistance.

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(b) Eligible Activities

Any business proposal which demonstrates net benefit to the community, which outweighs any potential market disruption, replaces imports or generates exports may be considered. Assistance may be provided for:

(i) Industry Development

One time assistance may be provided under Part 1 for costs associated with planning, engineering, and other developmental costs; and, under Part 2, for pilot or demonstration projects. (See Schedule A)

(ii) Business Creation, Expansion or Investment

Assistance may be provided under Part 1 for the acquisition or development of capital assets, and startup working capital. (See Schedule B) Assistance may be provided under Part 2 to both resident and nonresident investors to make minority investments in Level II or III communities or in priority sectors. (See Schedule B)

(iii) Market and Product Development

Assistance may be provided for new market or product development designed to increase sales of Northwest Territories products, to promote the Northwest Territories as a travel destination, to participate in trade shows and to develop or maintain contacts in the Northwest Territories and export markets. Assistance may also be provided for the marketing of existing tourism, arts and crafts and renewable resource products. (See Schedule C)

(iv) Business Management

Assistance may be provided to increase business skills and capabilities. (See Schedule D)

(v) Business Relief

Assistance may be provided to:

- identify problems;
- develop a recovery or restructuring plan;

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- provide emergency relief;
- assist with the cost of "winding down" a business which has a minimal net worth and cannot meet its financial obligations and which could hurt other businesses and employment opportunities if allowed to fail in a disorderly manner.

Once the problem has been identified the business may apply under one of the other Schedules of this Policy or under another program for additional assistance. (See Schedule E)

(c) Exception

Contributions will not be provided if a financial analysis indicates that the proposed business venture has a reasonable expectation of increased future earnings without assistance.

3. General Conditions

- (a) The meeting of eligibility criteria for this Policy, in and of itself, does not guarantee subsequent approval of financial support. Financial assistance will be provided to those projects providing the greatest economic benefit to the Northwest Territories.
- (b) Contributions will only be provided to the extent of offsetting the capital deficiency brought about by the increased costs of operating in a remote location, or where the applicant can demonstrate a need for additional capital to allow the business an opportunity to achieve viability.
- (c) All recipients of contribution assistance must agree to public disclosure and to allowing agents of the Government of the Northwest Territories access to the project site or premises, to inspect all books and other financial statements, and to obtain any other information necessary to evaluating the success of the project.
- (d) Applicants who fail to meet their commitments, as outlined in the Contribution Agreement, will be required to repay contribution assistance.
- (e) Applicants for assistance who are eligible for federal or federal/Northwest Territories assistance may be required to provide proof of refusal from these programs.

4. Excluded Costs

Contributions will not be provided to assist with the acquisition or purchase of:

- (a) assets previously acquired by the applicant, shareholder or partner in the project, or by an associated business;
- (b) the applicants internal costs not directly related to the project, and non-arms length transactions, including payments made to shareholders or members of their immediate family; or businesses related by common effective control;
- (c) raw land for speculative purposes; or
- (d) assets previously purchased with the assistance of the Government of the Northwest Territories or the Government of Canada, in which case the amount of the previous contribution will be deducted from the fair market value of the asset to arrive at the eligible cost of the asset.

5. Contribution Agreement

A Contribution Agreement is a legal and binding commitment by the recipient to undertake a specific project within a defined time frame. General terms and conditions for a contribution shall be specified within a Contribution Agreement. Specific terms and conditions will vary according to the nature of the contribution and the project or activity being supported and will be attached as Schedule A to the Contribution Agreement.

6. Equity Requirements

- (a) For a project to be considered, applicants must normally contribute the following minimum equity which may include sweat equity:
 - (i) 20% in Level 1 communities, (or as per attached schedule)
 - (ii) 10% in Level 2 communities, (or as per attached schedule) and
 - (iii) 5% in Level 3 communities. (or as per attached schedule)

For projects located between Northwest Territories communities or benefiting more than one community, the minimum equity will be determined using a weighted average of the above rates based on employment and purchasing benefits in those communities.

Remaining project financing may be made up through debt or equity investments. Eligible contribution financing is outlined in the attached Schedules A through H, and varies according to the community and activity being proposed.

- (b) Sweat equity should not normally exceed 50% of the total equity requirements as defined in 6(a) above. The Regional Superintendent may make exceptions where it does not undermine project viability.

7. Payment

- (a) Any payments made under this Policy or Directive is 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.
- (b) Payment will be provided when:
 - (i) the applicant has accepted the terms and conditions for a contribution as detailed in the Contribution Agreement;
 - (ii) the required equity is in place (for "sweat equity", a commitment that the work will be performed);
 - (iii) the availability of additional financing necessary to completing the project has been confirmed; and
 - (iv) necessary approval by regulatory, municipal and other authorities has been confirmed. This may include meeting health and safety standards, environmental standards, acquiring land use approval, support from community or regional councils, or any other approvals deemed necessary for the project to proceed.

8. Contracting Procedures

Whenever possible the project or activity shall use Northwest Territories goods, services and construction. The Contribution Agreement will specify that the Business Incentive Policy of the Government of the Northwest Territories applies to all goods, service and construction contracts associated with the project as called for in that Policy.

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9. Funding Priorities

Contribution funding is limited. In evaluating project proposals, the Minister may:

- (a) give priority to:
 - (i) Balanced Development- Increased employment in Level II or III Communities;
 - (ii) Import Replacement - projects which displace imports, including those encouraging residents to travel or vacation within the Northwest Territories; and
 - (iii) Export Enhancement - projects which expand exports including increased tourist expenditures by non-resident travelers;
- (b) consider the project's contribution to regional development goals and objectives.

10. Confidentiality

Except as outlined below in 10(a), (b), (c) and (d), all information provided by the applicant shall be kept confidential unless the applicant agrees in writing to its release.

- (a) Contributions will be conditional upon the applicant agreeing that the details of the contribution, as outlined in paragraph 1(b)(v), will be made available to the public at the discretion of the Minister.
- (b) Where market disruption may be a factor, those provisions outlined in Appendix 1 will apply. This means that the Minister may advertise the proposed contribution and/or solicit interventions from competing businesses.
- (c) For planning and demonstration projects, as outlined in Schedule A, Part 2, applicants must agree to provide all project information and that this information can be made public at the discretion of the Minister 12 months from the date of the Contribution Agreement.
- (d) The Minister may, at his or her discretion, publish job creation, income, expenditure and other benefits statistics in aggregate form where, in the opinion of the Minister, publishing such information will not harm a recipient of financial assistance under this Policy.

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11. Appeals

In the event that an applicant is not satisfied with the decision of the approving authority regarding the amount, if any, of contribution assistance because:

- (a) new information which materially affects the applicant's demonstrated need, viability or proposed benefits becomes known to the applicant between the date the completed and signed application is forwarded to the approving authority and the date the approving authority reviews the application; or
- (b) the applicant has cause to believe that the provisions of this Policy and Directive were not fairly and adequately applied;

Then the applicant may appeal to the Deputy Minister of Industry, Tourism and Investment. Appeals must be in writing and received by the Deputy Minister no later than thirty days following the date that the applicant has received notification of the approving authority's decision. Reasons other than (a) or (b) above will not be considered grounds for appeal.

12. Application

Application forms may be obtained from any local office of the Department of Industry, Tourism and Investment.

13. Notification

Applicants will be informed in writing whether approval of the application has been granted and what eligible costs have been approved.

14. Prerogative of the Minister

Nothing in this Directive shall in any way be construed to limit the prerogative of the Minister to make decisions or to take actions, respecting business grants, contributions, or any other form of business assistance, either direct or indirect, outside the provisions of this Directive.

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Schedules

| | |
|---|--------------------|
| Contributions for Planning and Other Development Costs | Schedule A, Part 1 |
| Contributions for Pilot or Demonstration Projects | Schedule A, Part 2 |
| Contributions for Business Creation or Expansion | Schedule B, Part 1 |
| Removed | Schedule B, Part 2 |
| Contributions for Market Development and Product Promotion | Schedule C |
| Contributions for Business Skills | Schedule D |
| Contributions for Business Relief | Schedule E |
| Removed | Schedule F |
| Contributions for Community Initiative Program | Schedule G |
| Removed | Schedule H |
| Contributions for Traditional Arts and Fine Crafts – Raw Material | Schedule I |

Appendix

| | |
|-------------------|------------|
| Market Disruption | Appendix 1 |
| Community Levels | Appendix 2 |

Schedule A

PART 1: CONTRIBUTIONS FOR PLANNING AND OTHER DEVELOPMENTAL COSTS

Purpose

Before a business can be established or expanded, expenditures may be required. This program is designed to assist businesses to meet pre-establishment or pre-expansion costs when there is a good possibility of increasing regional sales or displacing imported goods or services. Examples of expenses, which may be eligible, include:

- (a) engineering or other preconstruction costs associated with a major expansion, if these costs are necessary to determining whether it is possible to expand or not;
- (b) feasibility studies;
- (c) business plans;
- (d) assisting with legal and regulatory costs.

Eligibility

All Northwest Territories businesses.

Review

Applications for assistance will be reviewed by the Regional Superintendent of Industry, Tourism and Investment.

Supporting Data

Applicants must submit a completed and signed application form. Applicants will normally be expected to provide the following:

- (a) a development or research plan which outlines the scope of the study, planning activity or research; and,
- (b) identification of outside services to be used in the study, including consulting fees, printing, translation, freight, legal and other contracts.

Applicants must submit additional information, if requested, appropriate to the nature and amount of the requested assistance.

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Accountability Requirements

A Level 3 Audit will be required.

Financial Assistance

Applicants may receive funding for eligible studies up to a maximum of 75% of eligible costs. Total assistance for any project shall not exceed \$20,000.

Eligible accommodation and subsistence costs will be limited to the per diem allowance approved from time to time for Government of the Northwest Territories employees on duty travel.

Payment

Specific payment terms and conditions will be contained in the Contribution Agreement.

In the event that eligible costs are less than that set out in the Contribution Agreement, the excess contribution calculated on a prorated basis, if any, will be deemed a surplus repayable to the Department of Industry, Tourism and Investment.

Term

This is an ongoing program.

Schedule A

PART 2: CONTRIBUTIONS FOR PILOT OR DEMONSTRATION PROJECTS

Purpose

In some cases, the preparation of a feasibility study or business plan may be insufficient to determine a project's worth or viability, particularly where the use of new technology is being considered. This program is designed to assist businesses to establish pilot or demonstration projects to test the application of new technology in current or planned business ventures.

Eligibility

All Northwest Territories businesses undertaking projects where future business opportunities may result from the successful introduction of a new technology or process.

Businesses, which have received financial assistance under Part 1 of this Schedule, may also be eligible for assistance under Part 2 for the same project in the same fiscal year.

Review

Applications for assistance will be reviewed by the Regional Superintendent of Industry, Tourism and Investment.

Supporting Data

Applicants must submit a completed and signed application form. Applicants will normally be expected to provide the following:

- (a) a development plan which outlines the scope and intent of the pilot or demonstration project, including a detailed budget, schedule, cost quotations, and any supporting engineering or other technical documentation deemed appropriate; and,
- (b) identification of outside services to be used in the project, including consulting fees, printing, translation, freight, legal and other contracts. Applicants must submit additional information, if requested, appropriate to the nature and amount of the requested assistance.

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Accountability Requirements

A Level 3 Audit will be required for contributions to \$25,000. A Level 1 Audit will be required for contributions in excess of \$25,000.

Financial Assistance

Applicants may receive funding for eligible projects up to a maximum of:

- (a) 80% of eligible costs for Level 1 communities,
- (b) 90% of eligible costs for Level 2 communities, and
- (c) 95% of eligible costs for Level 3 communities.

Examples of eligible costs include:

- purchases of equipment and materials;
- leasing of equipment and/or facilities;
- contracted costs of technical support people.

Total assistance for any project shall not exceed \$25,000.

Payment

Specific payment terms and conditions will be contained in the Contribution Agreement.

In the event that eligible costs are less than that set out in the Contribution Agreement, the excess contribution calculated on a prorated basis, if any, will be deemed a surplus repayable to the Department of Industry, Tourism and Investment.

Term

This is an ongoing program.

Schedule B

PART 1: CONTRIBUTIONS FOR BUSINESS CREATION OR EXPANSION

Purpose

This program is designed to encourage the establishment and expansion of Northwest Territories businesses in cases where there is a demonstrable northern benefit.

Eligibility

All Northwest Territories businesses.

Review

Applications for assistance will normally be reviewed by the Regional Superintendent of Industry, Tourism and Investment.

Supporting Data

Applicants must submit a completed and signed application form. Applicants will normally be expected to provide the following:

- (a) a plan which outlines the scope and intent of the project, including a detailed budget, schedule, cost quotations, and any supporting documentation deemed appropriate; and,
- (b) identification of outside services to be used in the project, including consulting fees, printing, translation, freight, legal and other contracts.

In addition, for requests in excess of \$25,000, applicants will be expected to provide the following:

- (a) historical financial statements (if available); and,
- (b) a business plan, which includes three-year pro forma financial statements.

Applicants must submit additional information, if requested, appropriate to the nature and amount of the requested assistance.

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Accountability Requirements

A Level 3 Audit will be required for contributions to \$25,000. A Level 1 Audit will be required for contributions in excess of \$25,000.

Financial Assistance

Total assistance for any project will be limited to \$25,000 per person year, unless exceptional income and employment benefits are proposed and with the Minister's concurrence, to a maximum of \$100,000.

In addition, contributions towards eligible costs shall normally not exceed:

- (a) 30% for Level 1 communities;
- (b) 50% for Level 2 communities; and
- (c) 70% for Level 3 communities;

unless exceptional income and employment benefits are proposed, and with the Minister's concurrence.

Eligible costs are limited to startup working capital and those items, which may be capitalized on a company's or projects financial statements. Examples include:

- (a) buildings and land associated with the project;
- (b) equipment;
- (c) leasehold improvements; and
- (d) site development costs.

The following activities are not eligible for contribution assistance:

- (a) purchasing an existing business or facilities where no expansion or additional employment creation is planned;
- (b) refinancing of assets purchased prior to the application or approval of the contribution, unless this restriction is waived by the approving authority;
- (c) expenditures of a recurring nature; and
- (d) activities, which are market disruptive.

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Payment

Specific payment terms and conditions will be contained in the Contribution Agreement.

In the event that eligible costs are less than that set out in the Contribution Agreement, the excess contribution calculated on a prorated basis, if any, will be deemed a surplus repayable to the Department of Industry, Tourism and Investment.

Term

This is an ongoing program.

Schedule C

CONTRIBUTIONS FOR MARKET DEVELOPMENT AND PRODUCT PROMOTION

Purpose

The Market Development and Product Promotion Program are designed to assist businesses to generate sales of Northwest Territories products in new markets or develop markets for new products. The Program may also assist in the marketing of existing tourism, arts and crafts, and renewable resource products.

Eligibility

Northwest Territories businesses.

Review

Applications for assistance will be reviewed by the Regional Superintendent of Industry, Tourism and Investment.

Supporting Data

Applicants must submit a completed and signed application form. Applicants will normally be expected to provide a three year marketing plan which shows how the proposed project will assist the applicant to penetrate a new market or market a product.

Applicants must submit additional information, if requested, appropriate to the nature and amount of the requested assistance.

Accountability Requirements

A Level 3 Audit will be required.

Financial Assistance

Applicants may normally receive funding for projects up to a maximum of:

- (a) 30% of eligible costs for Level 1 communities, and
- (b) 70% of eligible costs for Level 2 and 3 communities.

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- (c) unless exceptional income and employment benefits are proposed, and with the Minister's concurrence. Total assistance for any project shall not exceed \$10,000 per year to a maximum of \$30,000 over three years.

Assistance is available for but not limited to:

- (a) undertaking a marketing campaign;
- (b) on-going merchandising programs, such as industry tagging and product demonstrations;
- (c) professional marketing fees;
- (d) creation of promotional material such as catalogues, displays, brochures, sales kits
- (e) costs related to booth space and transportation of product samples;
- (f) design and development of new packaging;
- (g) consumer evaluation and test marketing; and
- (h) encouraging and preparing for incoming trade missions, familiarization tours and participation in export market exploration.

Assistance to trade show participants will be limited to the eligible costs for a maximum of two people, the duration of the show, plus one day to set up and dismantle displays and two additional days for travel.

Contributions for trade show participation are limited to the per diem allowance approved from time to time for Government of the Northwest Territories employees on duty travel.

Payment

Specific payment terms and conditions will be contained in the Contribution Agreement.

In the event that eligible costs are less than that set out in the Contribution Agreement, the excess contribution calculated on a prorated basis, if any, will be deemed a surplus repayable to the Department of Industry, Tourism and Investment.

Term

This is an ongoing program.

Schedule D

CONTRIBUTIONS FOR BUSINESS SKILLS

Purpose

This program is designed to assist businesses acquire professional or trained assistance to:

- (a) undertake short-term training in specific business skills, which may include but are not limited to bookkeeping, tax law, contracting, bidding inventory control, and receivables control;
- (b) acquire short term professional managerial support during periods of expansion or restructuring, or meet the needs of extra-ordinary projects;
- (c) develop training plans.

Eligibility

Northwest Territories businesses.

Review

Applications for assistance will be reviewed by the Regional Superintendent of Industry, Tourism and Investment.

Supporting Data

Applicants must submit a completed and signed application form. Applicants will normally be expected to provide a short description of the proposed training course, including benefits, a detailed budget, schedule, a listing of the proposed trainees, and resumes of the trainer(s) or other professionals being hired.

Applicants must submit additional information, if requested, appropriate to the nature and amount of the requested assistance.

Accountability Requirements

A Level 3 Audit will be required.

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Financial Assistance

Total contribution assistance is limited to \$20,000 per year up to a maximum of \$60,000 for any one business.

Contribution assistance towards eligible costs shall normally be limited to:

- (a) 30% for Level 1 communities, and
- (b) 70% for Level 2 and Level 3 communities.
- (c) unless exceptional income and employment benefits are proposed, and with the Minister's concurrence.

Payment

Specific payment terms and conditions will be contained in the Contribution Agreement.

In the event that eligible costs are less than that set out in the Contribution Agreement, the excess contribution calculated on a prorated basis, if any, will be deemed a surplus repayable to the Department of Industry, Tourism and Investment.

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This is an ongoing program.

Schedule E

CONTRIBUTIONS FOR BUSINESS RELIEF

Purpose

Contributions under this Schedule are intended primarily for emergency short-term relief and to assist businesses in difficulty to access professional assistance to identify problems prior to developing a recovery plan or to access professional assistance to develop a recovery plan. Contributions are also available to assist with the orderly winding down of a business that is not viable or assist in attracting investors or potential buyers, to minimize the negative effect on creditors.

Eligibility

Northwest Territories businesses, in Level 2 and 3 communities. Level 1 communities are eligible provided that the potential for market disruption does not exist.

Shareholders must contribute or else demonstrate an inability to contribute fully to the recovery plan or wind down as the case may be.

In the case of wind down assistance, eligibility is limited to Northwest Territories businesses whose net worth is negative or negligible and which will not likely become viable with assistance.

Review

Applications for assistance will be reviewed by the Regional Superintendent of Industry, Tourism and Investment.

Supporting Data

Applicants must submit a completed and signed application form. Applicants will normally be expected to provide the following:

- (a) historical financial statements;
- (b) in the case of wind down assistance, an undertaking from the principals that the business will actually be wound down.

Applicants must submit additional information, if requested, appropriate to the nature and amount of the requested assistance.

Accountability Requirements

A Level 3 Audit will be required.

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Financial Assistance

Maximum assistance available is \$25,000.

Depending upon circumstances, the following types of assistance may be provided:

- (a) For problem identification:
 - (i) professional services;
 - (ii) emergency, short-term operational requirements.
- (b) For recovery plan development:
 - (i) professional business counseling and advice (i.e. legal, accounting, etc.);
 - (ii) appraisal of assets;
 - (iii) preparation of a recovery plan document or business prospectus to attract investors or potential buyers.
- (c) For recovery plan implementation:
 - (i) short-term operational requirements;
 - (ii) minor capital costs.
- (d) For wind down assistance:
 - (i) professional services.

Wind down assistance is not intended for the payment of credit arrears.

Payment

Specific payment terms and conditions will be contained in the Contribution Agreement.

In the event that eligible costs are less than that set out in the Contribution Agreement, the excess contribution calculated on a prorated basis, if any, will be deemed a surplus repayable to the Department of Industry, Tourism and Investment

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This is an ongoing program.

Schedule G

COMMUNITY INITIATIVE PROGRAM

Purpose and Objectives

This program 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 the Department will contribute funds 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.

The objectives of the program are as follows.

1. Diversify the regional and local economic base by:
 - Researching new opportunities;
 - Developing emerging economic opportunities; and
 - Integrating technological developments to improve business competitiveness and viability
2. Improve the competitive position of NWT economic sectors through initiatives that:
 - Remove demonstrated barriers to development,
 - Establish infrastructure, where its absence is an impediment to development for a number of businesses; and
 - Fill gaps toward development of an industry.
3. Strengthen technical, entrepreneurial, business management and marketing skills through training.
4. Stimulate long term and short term employment opportunities through capital investment.

Eligible Activities

A wide range of economic initiatives that support community, regional or sectoral strategies are eligible for support under this program including the following:

- Sectoral development
- Feasibility of community-based projects, impact analysis (of major development projects) and evaluation of projects
- Developing physical infrastructure where the absence of that infrastructure is a constraint to community economic development
- Improving business information access
- Business and industry related training activities
- Business services (accounting, bookkeeping)
- Sector specific marketing initiative

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- Product development and packaging that benefits several businesses in an industry
- Activities aimed at developing community-based or industry strategic plans
- Community events that promote economic development

Ineligible Activities

The following activities will *not* normally be eligible for funding.

- Infrastructure responsibilities of other levels of government
- Land assembly or development of residential lands
- Projects benefiting only one business

Eligible Costs

- Start-up costs
- Capital assets
- Working capital during start-up
- Investment
- Development costs
- Promotional costs
- Project management costs
- Planning costs
- Training costs

In rare cases operating costs may be covered where significant economic opportunity can be realized and alternate sources of funding are not available.

Eligible Applicants

The following organizations will be eligible for funding.

- Societies representing an industry or economic sector
- Community or regional economic development corporations
- Cooperatives
- Community governments

Contribution Levels

The Minister has the authority to approve contributions up to a maximum of \$25,000.

Equity Requirements

Applicants will normally be required to contribute equity, either in the form of a financial commitment, project management, administration costs, or sweat equity. The usual minimum levels are:

- 10% Level 1
- 5% Level 2
- 5% Level 3

Eligibility Criteria

Eligible projects will normally meet the following criteria:

- Are initiatives that support community-based strategies for the development of a stable economic base.
- Funding requests in excess of \$25,000 must include participation by other funding sources.

Program funding is limited. Thus meeting eligibility criteria for this program does not guarantee approval of financial support. Financial assistance may be provided to those projects providing the greatest economic benefit to the Northwest Territories. Projects may be partially funded.

Priorities

Highest priority will be given to initiatives that include partnerships involving joint funding and other operational support and will lead to:

- The elimination of barriers to economic development;
- Long term economic benefits;
- The development of employment-related skills;
- Sustained jobs; or
- The diversification of the regional or local economy by:
 - Researching new opportunities;
 - Developing emerging economic opportunities; or
 - Integrating technological developments to improve business competitiveness and viability.

Other considerations in determining priority of funding initiatives include:

- The potential for self-sufficiency if the project is of an ongoing nature
- Identified sources of funding for ongoing operations and maintenance costs
- Creation of minimum of 12 weeks of employment

Application process

Applicants are required to complete a Business Development Fund application and submit a project proposal. The application and proposal are submitted to the local economic development representative.

Interregional applications are made to any Regional Superintendent.

Authority and Accountability

Financial Management Board

The Financial Management Board approves applications in excess of \$250,000.

Minister of Industry, Tourism and Investment

Financial Limits

Under this program the maximum assistance the Minister may approve to any one client is \$25,000.

Establish Priorities

The Minister may target contribution funding to activities within the program or designate certain sectors of the economy as a priority.

Authority to Delegate

The Minister may, through a letter of instruction, delegate authority to approve contributions to the Deputy Minister of Industry, Tourism and Investment.

Annual Report

The Minister will table annually in the Legislative Assembly a summary report of contributions detailing the amount of each contribution, the type of initiative being supported, the name of the recipient organization or agency, and community.

Deputy Minister, Industry, Tourism and Investment

The Deputy Minister may approve contributions up to the limits authorized by the Minister. The Deputy Minister may, through a letter of instruction, delegate authority to approve contributions to Regional Superintendents of Industry, Tourism and Investment.

The Deputy Minister will rule on appeals either by requesting that the application be reconsidered or denying the appeal.

Regional Superintendents

Regional Superintendents may approve applications up to the limits authorized by the Deputy Minister.

Regional Superintendents will consult with stakeholders to identify funding priorities and provide input into annual plans for funding.

Audit and Evaluation

Recipients will be required to provide the following.

- A plan for effective project management including a lead person to implement the plan
- Accounting for all funds received (according to Auditor General standards)
- Final report based on a standard questionnaire. The report will provide information on the achievement of objectives and project impacts.

Definitions

Economic base: The physical infrastructure and services that supports a broad base of businesses and supports community economic development on a sustained basis.

Community Economic Development: A process by which communities initiate and generate their own solutions to their economic problems and thereby build long-term community capacity and foster the integration of economic, social and environmental objectives.

Community Governments: A city, town, village, hamlet, charter community or settlement corporation as established under legislation of the Northwest Territories, or the council of a settlement or other unincorporated community, including band councils.

Community or Regional Economic Development Corporations: A widely held corporation established for the purpose of promoting and stimulating economic development in a community or region.

Community-based Strategy: A grass roots plan that leads to a shared vision of the future state of a community or industry. Includes initiatives that have been identified by communities through the economic planning process or community consultations.

Cooperatives: A cooperative association registered and in good standing under the Co-operative Associations Act.

Industry: Businesses producing similar goods or providing a similar service within a given economic sector.

Industry Association: A society or association, which, in the opinion of the Department, represents the collective interests of the businesses within an industry.

Land Assembly: Purchase of land, for purposes of speculation (purchase with the primary intent of selling later at a profit).

Sector: Range of activities within an economic sector such as arts and crafts, small business, tourism and parts, natural resources.

Sectoral: Pertaining to a sector as defined above.

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Society: a society registered and in good standing under the Societies Act, or in the opinion of the Registrar, Legal Registries, be capable of achieving such status.

Types of Costs:

Capital Assets: Costs of land, building structures and equipment.

Developmental Costs: Costs associated with research and development in a sector or industry, including but not limited to building the information base of a natural resource, developing harvesting, processing or production techniques, developing new products, and bringing products to market. Also includes feasibility studies and assessment of economic benefits associated with an economic development initiative.

Investment: Cash used as capital for establishing a loan fund or investment fund. Also includes investment in an initiative with long-term community economic benefits.

Operating Costs: Costs associated with running an operation including; administration and overhead; and costs of producing and selling a good or service.

Planning Costs: Costs associated with: developing, reviewing or evaluating a strategic plan; business planning or evaluation; project planning or evaluation.

Project Management Costs: Costs of hiring a project manager.

Promotional Costs: Costs associated with the promotion or marketing of an industry, sector or business in general. Includes but is not limited to costs of putting on promotional events, developing promotional materials and packaging, and conducting market research.

Star-up Costs: Also known as organization costs. Costs incurred in the formation of a corporation such as legal and other fees, and promotional expenditures involving the organization of a business.

Training Costs: Costs associated with developing training materials and providing training.

Working Capital: Funding needed to cover cost of investment in accounts receivable, inventory or prepaid expenses.

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Schedule I

TRADITIONAL ARTS AND FINE CRAFTS – RAW MATERIALS

Purpose

To enable Artists and Crafters to purchase raw materials for the production of traditional Art and Fine Craft products for sale.

Eligibility

NWT residents aged 18 and older.

Review

Regional Superintendents of Industry, Tourism and Investment will review applications for assistance.

Supporting Data

Applicants must submit a completed and signed application form. Applicants will normally be expected to provide the following:

- a) A brief description of the project along with cost quotes, where possible, for supplies to be purchased;
- b) Demonstration of financial need and disclosure of any other funding applied for or received;
- c) Demonstration of ability to produce commercial art or fine craft, and
- d) Description of the intended market for the product(s).

If requested by the Superintendent, applicants may be required to submit additional information, appropriate to the nature and amount of the requested assistance. In addition, information may be required related to sales or product production.

Accountability Requirements

Applicants will be required to submit receipts for the purchase of materials acquired.

Financial Assistance

Applicants may receive funding up to a maximum of 90% of eligible costs.

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Eligible costs will normally be limited to traditional materials such as:

- a) Moose / Caribou / Seal Hides;
- b) Quills and Birchbark basket making materials;
- c) Moose / Caribou Hair and other supplies associated with producing Tuftings;
- d) Beads, thread, needles and other sewing materials;
- e) Northern Stone, rock and Gems;
- f) Fur (Beaver, Muskrat, Rabbit, Fox or other northern furs);
- g) Painting supplies and materials, and
- h) Other supplies necessary for producing traditional art and fine craft items

Total assistance for any one applicant shall not exceed \$2,500 in a single application and cannot exceed that amount over a three-year period.

Payment

Specific payment terms and conditions will be contained in the Contribution Agreement.

In the event that eligible costs incurred are less than that set out in the Contribution Agreement, any excess contribution calculated on a prorated basis will be deemed a surplus repayable to the Government of the Northwest Territories.

Term

This is an ongoing program.

Appendix 1

MARKET DISRUPTION

1. For the purposes of this Policy and Directive, consideration of potential market disruption will only apply to Business Creation, Expansion or Investments (see Schedule B) when the community where the investment occurs already has a similar legitimate business, (i.e., one that employs full-time staff, has "store frontage", and is accessible to its entire potential market). Exceptions to this will only be considered when it can be demonstrated that a substantial portion of the market cannot be served by existing businesses and that existing businesses will not be seriously negatively impacted by the proposed project.
2. Establishing a business in a community, which is being served by a business not in that community shall not be considered market disruptive.

Procedure

If a proposal or project results in potential market disruption, the following procedures shall apply.

1. The applicant must show that there is room in the market place for increased competition.
2. If the expected contribution is less than \$50,000, the Department will contact competing businesses and inform them of the proposal (competing businesses will have a specified time limit to voice any objections to the Department, and the onus shall be on the competing business to demonstrate that disruption to its market will occur).
3. If the contribution is expected to exceed \$50,000, the Department will contact competing businesses and may advertise within the local or regional newspaper, inviting competing businesses to demonstrate potential market disruption. Alternate methods of proving market disruption will be used where appropriate. The Department shall consider any submission prior to making a decision on a request for financial assistance.

Appendix 2

COMMUNITY LEVELS

1. For the purposes of this Policy and Directive, consideration for minimum equity required and financial assistance for eligible projects is determined by community levels.
2. Level 1 Communities - The most developed communities within the Northwest Territories. Typically these communities have well developed community business infrastructure and air/road transportation links.
3. Level 2 Communities - Typically these communities have business infrastructure and air/road transportation links.
4. Level 3 Communities – Typically these communities have the least developed business infrastructure and air/road transportation links.
5. Listing of Communities within their levels:

Level 1

Yellowknife
Hay River
Inuvik
Fort Smith

Level 2

Fort Simpson
Norman Wells
Rae Edzo

Level 3

Aklavik
Colville Lake
Deline
Dettah
Edzo
Enterprise
Fort Good Hope
Fort Liard
Fort McPherson
Fort Providence
Fort Resolution
Hay River reserve
Holman
Jean Marie River
Kakisa
Lutselk'e
Nahanni Butte
Ndilo
Paulatuk
Rae
Rae Lakes
Reliance
Rocher River
Sachs Harbour
Trout Lake
Tsiigehtchic
Tuktoyaktuk
Tuilita
Tungsten
Wekweti
Wha Ti
Wrigley