

FORMATIVE EVALUATION OF THE ABORIGINAL YOUTH BUSINESS INITIATIVE

ABC MANAGEMENT RESPONSE

(June 2003)

Background:

Aboriginal Business Canada (ABC) established the Aboriginal Youth Business Initiative (AYBI) in 1996 to enable Aboriginal people between 18 and 29 years old, inclusive, to access financing and support services for the purpose of setting up businesses. The initiative is implemented through two types of Aboriginal controlled organizations, Aboriginal Capital Corporations (ACCs) and Community Futures Development Corporations (A/CFDCs), collectively referred to as Delivery Agents (DAs). These organizations have been allocated funds through contribution agreements. To date, 20 DAs have been involved in administering AYBI projects across Canada including the Northwest Territories and the Yukon, many since March 1997.

ABC's financial commitment to AYBI projects amounts to \$11.4 million from FY 1996-97 to FY 2002-03 for 37 original and extension agreements. Of this, \$4.5 million is allocated to loan capitalization, an amount which is matched equally by the DA for a total loan capital pool of \$9.0 million. \$1.8 million is to cover a forgivable component of the loans, and \$5.2 million directed toward AYBI entrepreneurship development (workshops, mentoring, business support) and operating costs incurred by DAs. The current annual budget is approximately \$600,000 for all components of the program.

Eligible clients of AYBI are Status and Non-Status Indians, Inuit and Métis in Canada. In a business partnership, the youth client must be the majority owner. The maximum loan size is \$15,000 with the average being approximately \$10,000. Loans are offered at an interest rate normally not exceeding 8.5%. DAs have considerable flexibility in offering the program to suit their operational requirements and adapting it to the opportunities for their targeted clientele. They provide assistance for entrepreneurial training, business planning and mentoring.

The goal of the AYBI is to increase access to capital and business management services for Aboriginal youth with the following objectives:

- To build entrepreneurship interest and capacity;
- To provide access to small amounts of capital on concessional terms; and
- To provide coaching and mentoring services to youth businesses to ensure high levels of success.

The purpose of the evaluation was:

1. To undertake a formative evaluation to address program evaluation issues and focus on the operational effectiveness of the Aboriginal Youth Business Initiative.
2. To establish a baseline of quantitative and qualitative data of AYBI results to date.
3. To establish a monitoring system and/or tool to report on ongoing program performance and to report on future program impacts in Aboriginal economic and business development.

Overview of Findings

It is important to remember that this “formative evaluation” focused only on program delivery, client reach and short-term impacts of the Aboriginal Youth Business Initiative. In this context, the key findings of the review are:

- ▶ AYBI is consistent with federal priorities (i.e., long-term and more recent *Speech from the Throne* commitments), and those of the Aboriginal delivery organizations themselves.
- ▶ The Initiative is successfully filling a gap between sources of financing available to Aboriginal youth entrepreneurs.
- ▶ The innovative approach to AYBI, i.e, delegating responsibility to the delivery organizations, yet within pre-determined constraints, continues to be an appropriate way to meet objectives within the intended scope of the initiative and resources available.
- ▶ Delivery organizations and clients broadly agreed with the design of AYBI in addressing the challenges of encouraging entrepreneurship among Aboriginal youth.
- ▶ Operational improvements are recommended on four issues:
 - . awareness of AYBI terms and conditions and best practices among delivery organizations
 - . youth market information used to forecast demand
 - . performance measurement strategies and current reporting practices
 - . integration of AYBI into the overall mix of youth entrepreneurship programs administered by delivery organizations.

Recommendations:

In support of the four areas of improvement, a total of thirteen recommendations were made in the evaluation. ABC concurs with the recommendations presented and an action plan has been established that will guide ABC's efforts to improve AYBI program effectiveness and service delivery.

Recommendation #1: That a standard market assessment tool be submitted by DAs as part of the application and renewal processes for AYBI projects. This tool should segment and quantify the targeted populations, their growth rates, the opportunities – or problem areas – to be addressed in each segment, and the number of clients that have been, and that are forecast to be, served by each AYBI product or service.

Management Response: Agree

Follow-up Action:

A business planning template is being developed for AFIs planning to renew their AYBI agreements or apply to the program. The new template will include a market assessment tool and a provision that applicants conduct an inventory of available business products and services for Aboriginal youth in their catchment area.

Time-frame: To be completed by June 30, 2003.

Recommendation #2: That each DA conduct a broader assessment of the product and service mix of all the programs targeting youth entrepreneurs within their catchment area. This analysis would include:

- An inventory of entrepreneur support products and services, by funding body and program, and including important terms and conditions;
- A positioning of AYBI in the DAs' overall product and service mix; and
- A specification of the DAs' governance and accountability responsibilities for their product and service mix.

Management Response: Agree

Follow-up Action:

A business planning template is being developed for AFIs planning to renew their AYBI agreements or apply to the program. The new template will include a market assessment tool and a provision that applicants conduct an inventory of available business products and services for Aboriginal youth in their catchment area.

Time-frame: To be completed by June 30, 2003.

Recommendation #3: That the eligible uses of forgiveness of loan funds, including matters relating to stacking, be communicated to AYBI stakeholders.

Management Response: Agree

Follow-up Action:

- a) The AYBI application process will include enhanced descriptions on AYBI program objectives, obligations and policies including detailed information on the forgiveness of loan funds.
- b) New contribution agreements will include more detailed program descriptions and accountability accords.

Time-frame:

- a) To be completed by June 30, 2003.
- b) To be completed by September 30, 2003.

Recommendation #4: That in addition to financial audits, reports of compliance with AYBI policies be prepared.

Management Response: Agree

Follow-up Action:

In addition to the submission of annual audited financial statements an annual compliance/monitoring review will be conducted by ABC to ensure that each DA is in compliance with AYBI policy and agreements.

Time-frame: On-going.

Recommendation #5: That ABC develop a model performance measurement and reporting

strategy for AYBI. This strategy, and relevant reporting tools, should be developed in consultation with ABC regional offices and with DAs.

Management Response: Agree

Follow-up Action:

ABC has contracted the services of a private consultant to prepare a model performance measurement and reporting strategy for all Aboriginal Capital Corporations including DAs.

Time-frame: To be completed by September 30, 2003. Collection will be on-going.

Recommendation #6: That DAs include an adapted version of this model in their funding applications reflecting their corporate strategy in meeting the objectives of AYBI.

Management Response: Agree

Follow-up Action:

The AYBI application process will require DAs to identify how the objectives of the AYBI program will be achieved by individual DAs and report on these accomplishments.

Time-frame: To be completed by June 30, 2003. Reporting will be on an annual basis.

Recommendation #7: That a program guide be prepared for DAs, and be published on the ABC website. This guide would include information such as:

- Initiative objectives and design;
- ABC stacking rules that apply to AYBI loans and their forgiveness component;
- Summary of terms and conditions in a typical contribution agreement;
- Summary of terms and conditions under the discretion of DAs;
- Respective responsibilities of DAs and ABC regional and central offices;
- Standardized reporting forms and reporting deadlines from DAs to ABC;
- Claims and disbursement processes; and,
- The AYBI contribution agreement renewal process.

Management Response: Agree

Follow-up Action:

ABC will provide the information outlined above on its ABC Toolkit Intranet site and will include enhanced descriptions on AYBI program objectives, obligations and policies including detailed information on the forgiveness of loan funds.

Time-frame: To be completed by January 31, 2004.

Recommendation #8: That regional offices facilitate the sharing of best practices among DAs.

Management Response: Agree

Follow-up Action:

ABC management will facilitate a meeting of DAs in the regions to discuss operational issues and share best practices.

Time-frame: To be completed by March 31, 2004.

Recommendation #9: That, for DAs deemed to have inadequate approaches to delivering the AYBI program and/or not to be responding to requests for performance information, ABC promptly exercise the right to sit on the Board of that DA to determine the appropriate action to be taken.

Management Response: Agree

Follow-up Action:

ABC management will monitor the performance of individual DAs and take the appropriate corrective action as required, which may include:

1. Document and specify on-going performance inadequacies and recommend remedial action in writing.
2. Document and specify non-compliance issues from annual reviews and recommend remedial action in writing.
3. Exercise the right to sit on AYBI board to assist in the implementation of remedial actions, if required.
4. Notice of intent to cancel agreement be submitted to DAs for projects that receive second and third notices on performance inadequacies or non-compliance reviews.
5. Cancel agreement.

Time-frame: On-going.

Recommendation #10: That should an inventory of entrepreneur client support products and services be prepared by DAs (see Recommendation #2), that a case study should be undertaken of a selection of three DAs (one urban ACC, one rural ACC and one CFDC, each in different regions) of the anticipated impact of the merger of AYBI with First Nations and Inuit Youth Business (FNIYB) and other youth support programs.

Management Response: Agree

Follow-up Action:

- a) ABC supports the need for delivery agents to be aware of the wide array of entrepreneurial services available to Aboriginal youth. New AYBI application templates will require DAs to conduct an inventory of entrepreneurial services in their catchment area.
- b) ABC will participate in a research of existing federal, provincial and territorial youth business programs and identify approaches for improving the delivery of youth business programs.

Time-frame:

- a) To be completed by June 30, 2003.
- b) To be completed by December 31, 2003.

Recommendation #11: That ABC request that all advanced forgiveness of loan funds be returned or deducted from future payments, and that the practice of advancing forgiveness funds be replaced by disbursing such funds on an as required basis.

Management Response: Agree

Follow-up Action:

ABC will amend the current practice of advancing forgiveness of loan funds and disburse funds on an as required basis. New contribution agreements will include a revised loan forgiveness clause.

Time-frame: To be completed by September 30, 2003.

Recommendation #12: That AYBI continue to be supported at its current funding level (\$600,000/year) contingent on the implementation of the recommendations made in this report - with the exception of recommendation #2 - in recognition of the sound rationale and design of the program and the general capabilities of the DAs in serving the needs of the targeted youth population. The period of the renewal would be determined based on the amount of time required to receive better evidence on its delivery, reach and impact. This period would be defined in the performance measurement and reporting strategy.

Management Response: Agree

Follow-up Action:

ABC supports the need to fund AYBI projects at their current level and employ a strategy for the collection of performance indicators to determine the impact of the AYBI program in promoting and engaging Aboriginal youth to be entrepreneurs.

ABC has contracted the services of a private consultant to prepare a model performance measurement and reporting strategy for all Aboriginal Capital Corporations including DAs.

Time-frame: To be completed by September 30, 2003. Collection will be on-going.

Recommendation #13: That should an AYBI be considered for an increased level of funding, that this funding be made contingent on the implementation of recommendation #2.

Management Response: Agree

Follow-up Action:

ABC will consider the need for an increased level of funding within existing or future resources. Contingent upon the ability of DAs to produce an effective inventory of local business services and products as well as the outcome of review on improving the delivery of youth business programs.

Time-frame:

Completion of this task is dependent upon the outcome of a review on improving the delivery of youth business programs as well as the availability of appropriate resources to increase funding.

Management Accountability:

Leadership in implementing these recommendations will be provided by the ABC Senior Management Team and will be overseen by the Program Services unit of ABC.