5-Year Review of the NWT Business Development and Investment Corporation

February 2019

Hicks and Associates, NB/Omnis Program Management Group, SK/Hicks and Young, NS

EXECUTIVE SUMMARY

This program review was conducted as per the requirement of the *Northwest Territories (NWT) Business Development and Investment Corporation (BDIC) Act,* which mandates a review every five years. A client survey, document review and 48 interviews were held to compile the information presented in the report. The terms of reference posed a number of questions that are presented in the report and recommendations have been made on the findings.

In summary, there is support for the BDIC and the functions that they perform. They are seen as the territorial experts as developmental lenders. Working relationships are good although communications between all parties could be enhanced. Although developmental lending in the NWT seems to be a crowded field, the NWT is no different than the southern provinces, and good communications are critical. BDIC was seen as doing well in the loans and in most of the business service areas. The clients who responded to the survey were generally satisfied with the services and support that they received from BDIC. There is also support for the subsidiaries, (Fort MacPherson Tent and Canvas, Acho Dene Native Arts and Crafts, the Ulukhaktok Art Centre and Dene Fur Clouds) although the rising cost of operations and availability of product are a concern. Improvements were suggested by some interviewees in the areas of communication, aftercare and precare. Duplication was seen in some services by a number of service providers especially in the contributions program not only between ITI and the BDIC but with all of the other agencies providing contribution funding as well. BDIC disagrees with this and sees their program as unique with different clientele and funding amounts.

The BDIC policies reviewed and the governing legislation and regulations are in need of update and revision. The legislation makes reference to guidelines that are not accessible and boards that no longer exist. The BDIC is not financially sustainable with its own resources in the short term or longer term. The cash they have on hand is used to offset their financial operations and has legislative restrictions on its use. The 2018 change in legislation will allow the BDIC to use their interest (estimated around 2 million dollars a year) for operations. Drawing down on the interest will affect the amount that BDIC gives out in loans and in the short term will affect the amount that BDIC uses to pay back the GNWT loan while in the longer term will increase the interest expense to the GNWT.

The BDIC has a number of accountability mechanisms such as audited financial reports, a website presence, annual reports, a yearly listing of disbursements and corporate plans that lend to their credibility. The BDIC senior management answers to a Board of Directors who are appointed by the Minister. The Board provides oversight and direction and designates various committees such as the Audit Committee.

The BDIC is now 13 years old. It offers many of the same programs that were passed over from the Business Credit Corporation and the NWT Development Corporation, which is fine – it means that the BDIC has not drifted from its original raison d'être, but with a shifting technological environment, more opportunities for collaboration, a changing demographic and a tougher economic situation for the NWT, the BDIC needs to be re-focused.

Specific recommendations include:

On governance:

- That the Minister consider a limitation on the number of times that a person can be appointed to a term in order to build northern capacity, rejuvenate the Board with new ideas and bring fresh perspectives to Board governance.

Credit facilities

- The Minister should consider an amendment to the regulations and approach the FMB to approve more flexible rates but only if accompanied by a clear and well-defined policy on how the interest rate is determined so that there is consistency across regions and lenders.

- The BDIC Board set a deadline to roll out and promote a revised Venture Investment Program.

Core BPDF Program

- Given the similarities with the SEED program and under the dictum of "Where is the client best served?", the Minister should seek Executive Council approval for a decision to sunset the Core BPDF program.

Business Services

- Continue to develop partnerships, products and operations of the Canada Business NWT (CBNWT).

Subsidiaries

- Revamp the website for the Artic Canada Trading Company.

- Determine the reason for product unavailability and if an expanded territorial sales initiative would ameliorate this situation.

- Do not proceed with a territorial initiative for the sale of arts and crafts unless a solid program design and strategy is in place.

- A Ministerial Directive should be considered that limits the number of years that a subsidiary can be on the books (a sunset clause). The length of time would have to consider community reach, economic conditions, potential for community control, venture sustainability and the length of time it might take to work with the community to be in a financial situation with management capability to successfully run the entity. Determining the number of years is beyond the scope of the study but it could be as long as 8 years. (The current subsidiaries could be grandfathered in).

- The GNWT should determine their vision for the subsidiaries: the manner of the involvement, equity, and the predominant viewpoint of the intervention (economic or social).

Goal Alignment

- That the vision statement and mission statement be reviewed by the Board and any proposed changes be approved by the Minister.

- The Minister consider including commitments from the BDIC to support the mandate statements developed by the next ($19^{th)}$ Legislative Assembly.

Performance Measures

- That the Board begin the development of a four-year strategic plan to coincide with the Vision and Mandate of the next Legislative Assembly. The plan should contain specific direction on what the Corporation is expected to achieve over the next four years.

- That the strategic plan guides the BDIC's development of a master implementation plan where special initiatives would become the scorecard in each year's Corporate Plan. The "business as usual" items should be reported under core business, unless there is something outstanding about them.

- Continue to refine the measures keeping in mind their utility, the burden and cost of reporting, and historical relevance to establishing trends.

- Institute a means to get feedback on the application process from credit facility clients very quickly, before emails and phone numbers are changed or memory fades.

Legislation and Policy

- That the Act and Regulations be re-drafted to consolidate the articles into one Act and set of Regulations. Having all of the instruments together would lend to clarity, transparency and accessibility by having a comprehensive set of rules and reference points.

- All of the BDIC operational policies be reviewed and updated to bring into line with the current legislation and policy direction of the Board. All of the updated Board policies be approved by the Board and signed off and dated by the Board Chair. Policies should be reviewed on a cyclical basis.

Financial sustainability

- That the GNWT continue to fund the BDIC while the BDIC takes necessary measures to contain or reduce their expenditures.

Future of the BDIC

- Re-focus the BDIC to concentrate on what they do well, and to encourage them to develop new approaches to entrepreneurship and innovative financing in order to fulfill the program mandate of a developmental lender.

- Partner on the refinement of a model for the delivery of economic development in the North. Forgo additional mapping exercises and determine what is in the best interest of the client, where they are best served, where the signing authorities lay on what program, and how all of the developmental organizations can work together more effectively.

- Working in partnership with other agencies, vigorously campaign to increase the awareness of potential entrepreneurs – not only of the services that are offered by the agency but what other agencies offer as well.

The BDIC stands on shifting ground. Technology is changing and will continue to develop, collaboration efforts are more important given the number of agencies pursuing the same economic objectives; there are possibilities for global sales, increased client expectations for services and assistance, innovative approaches for under-represented entrepreneurs and the economic situation for the NWT is uncertain. There is no need to reaffirm the government's role in developmental lending. BDIC is one vehicle for the GNWT to have an impact on the economy of the NWT. It does not set economic policy but it can develop programs in response to the Legislature's strategic priorities.

OVERVIEW

The NWT BDIC which was established in 2005, is the successor to the Northwest Territories Development Corporation (NWTDC) and the Northwest Territories Business Credit Corporation (BCC) that were set up as Crown Corporations in 1989. The rationale at the time was to set up organizations to stimulate small community economic enterprises where the private sector may not find it profitable or feasible to invest. Like the BDIC, many of the governmental development organizations across Canada are Crown Corporations. This allows for demands on transparency and accountability while providing a measure of autonomy from potential political interference. All the programs of the NWTDC and the BCC were transferred to the BDIC under one “umbrella” for efficiencies and coordination of the services. The Canada Business NWT Centre was also transferred to the BDIC from the Department of Industry, Tourism and Investment (ITI).

The objectives of the BDIC is to support the economic objectives of the GNWT by:

1. Encouraging the creation and development of business enterprises;
2. Providing financial assistance to business enterprises, either on its own or as a complement to private sector or other financing;
3. Directly investing in business enterprises; and,
4. Providing information to business enterprises and members of the public respecting (i) The establishment and operation of businesses, and (ii) Other business matters.

EVALUATION PROJECT MANAGEMENT/COMMISSIONER

The Commissioners of this evaluation is the Deputy Minister of ITI and the CEO of the BDIC. A cross-departmental steering committee and working group has been formed and consists of representatives from ITI, the BDIC and Department of Finance.

PURPOSE AND SCOPE OF THE EVALUATION

The Northwest Territories (NWT) Business Development and Investment Corporation (BDIC) Act requires a program review every five years. The previous review was completed in 2013. Additionally, the BDIC Act and Regulations have not been comprehensively updated since its creation in 2005.

This is a multi-purpose review of the BDIC. The following themes were identified:

- Description of the evaluand (the BDIC);
- BDIC programs and services and the results achieved;
- Goal alignment with the Legislative Assemblies Priorities, Strategic Objectives, NWT economic objectives;
- Legislative and policy platform

- Positioning and sustainability of the BDIC
- Looking forward
- The economic outlook for the NWT

EVALUATION PLAN AND METHODOLOGY

Methodology

This was a mixed methods approach to this review incorporating both qualitative and quantitative data. Interviews were held with BDIC, ITI employees, former-ITI employees, and a number of Members of the Standing Committee on Economic Development and Environment (SCEDE) as well as with other economic development organizations (Business Development Bank of Canada (BDC), Canadian Northern Economic Development Agency (CanNor), Métis Dené Development Fund (MDDF), the NWT Chamber of Commerce and Community Futures Organizations). Other organizations, from across Canada, were consulted on their programs. Where there was a set interview line of questioning, the responses were entered into survey software for analysis.

Survey: An electronic survey was designed and a link was sent out to BDIC clients who participated in the Business Development Project Fund (the contribution program which is known as the core BPDF funding and the BPDF Aftercare funding) or the Credit Facilities and Venture Investment programs. There was no sampling procedure. Every name from both lists was contacted by email, and returned emails were followed up by phone calls or by or business directory searches. Over 200 distinct emails were sent. If the name was on the list twice over the five years or included on both the BPDF list and the loan list, they were only contacted once. If phone calls revealed that the person had no email or Internet access, interviews were done manually. A letter from the Chief Executive Officer (CEO) of the BDIC and the Deputy Minister of ITI was prepared for signature and accompanied the email and interview request to the clients. Where appropriate, Likert scales were used.

Client Survey Respondents - Location	
BPDF Program	Credit Facilities and VIP
• 2 Fort Smith • 1 Hay River • 8 Yellowknife	• 1 Fort Liard • 1 Behchokǫ̀ • 3 Fort Simpson • 3 Fort Smith • 2 Hay River • 2 Tuktoyaktuk • 2 Yellowknife
N=11	N=14

Interviews: A letter from the ITI Minister was prepared and circulated through the Chair of the BDIC Board for introduction to the review and to request an interview. Finally, a joint letter from both Deputy

Heads (BDIC and ITI) for the staff of both organizations was emailed out.

Interviews (Number of interviewees)	
ITI staff 17	Board of Directors, BDIC and subsidiary staff: 14
• Managers of Regional Offices • Regional Superintendents • Business Development Officers (BDO) • Economic Development Officers (EDO) • Headquarters employees	• Board of Directors: 6 • Employees and Senior Management: 4 • Subsidiaries: 4
Other Organizations: 11	Additional Interviews: 6
• BDC: 2 • CanNor: 2 • MDDF: 2 • Yellowknife Chamber of Commerce: 1 • Community Futures: 4	• SCEDE: 4 • Former ITI employees: 2

Other organizations throughout Canada were queried about their similar programs and services. This included the Yukon Development Corporation, British Columbia Ideas Exchange, Alberta Innovates, Alberta Treasury Bank, Saskatchewan Square 1, (Western Economic Diversification Canada), Manitoba Business Start Program, the Atlantic Canada Opportunities Agency, Ontario's Rural Economic Development Program and Northern Innovations program, and the Nunavut Business Development Corporation and Credit Corporation.

There were a number of foundational and current documents reviewed for the study. They included but were not limited to the following:

• Development and Maintenance of An Effective Loan Policy, Adams, J. Community Banking Connections, Federal Reserve System, 2014. • Rationale for Government Economic Development, LaFaive, M. Macinac Centre, 2009 • On Common Ground: NWT Economic Strategy 2000, RWED • Northwest Territories A Decade of Progress, 1967-1977, Dept. of Information, 1977 • Debate in Hansard on 2005 Legislative Change merging the two NWT BCC with the NWT Development Corporation • The Access to Capital Workshop Proceedings	• New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments (OECD 2015) • The Impact of Developmental Finance on Aboriginal Entrepreneurship and Economic Development in Canada: Conference Board of Canada, Northern and Aboriginal Policy. 2017 • BDIC Annual Reports 2013/14 to -2017/18 • BDIC Corporate Plans 2013/14 to -2017/18 • The NWT Business Development and Investment Corporation Act and Regulations • BDIC Strategic Pan 2012-2015 • Audited Financial Statements 2013-18

• BDIC Program Activity Report 2017-2018 • Review of the BDIC Programs (McKay and Cathexis Report, 2013) • Progress Report on the Implementation of the Mandate of the GNWT, September, 2017 • Territorial Economic Outlook Conference Board of Canada 2018	• Presentation to SCEDE June, 2018 • Review of the Venture Investment Program and Contribution Programs of the BDIC 2013 (Chakrabarty Report) • Program Review of the BDIC 2014 (Chakrabarty Report)

ETHICS and STANDARDS

The Canadian Evaluation Society's *Guidelines for Ethical Conduct* [1]was maintained during this evaluation. The code includes practice statements on evaluator competence, integrity and accountability.

Where appropriate, personnel and participant confidentiality is maintained. For the participants, individual responses were aggregated to a level where identification of the respondent is unlikely.

The Joint Committee for Standards on Educational Evaluation (JCSEE)[2] were upheld:

Utility Standards
To increase the extent to which program stakeholders find evaluation processes and products valuable in meeting their needs.
Feasibility Standards
To increase evaluation effectiveness and efficiency, i.e. Evaluations should use effective project management strategies, should be practical and responsive to the way the program operates and will recognize, monitor, and balance the cultural and political interests and needs of individuals and groups.
Propriety Standards
To support what is proper, fair, legal, right and just in evaluations. Evaluations should be responsive to stakeholders and their communities. Evaluations should be designed and conducted to protect human and legal rights and maintain the dignity of participants and other stakeholders.
Accuracy Standards
To increase the dependability and truthfulness of evaluation representations, propositions, and findings, especially those that support interpretations and judgments about quality.
Evaluation Accountability Standards
The evaluation accountability standards encourage adequate documentation of evaluations and a meta-evaluative perspective focused on improvement and accountability for evaluation processes and products.

[1] https://evaluationcanada.ca/ethics
[2] https://evaluationcanada.ca/program-evaluation-standards

Data Limitations

The survey responses are low (24), even though reminders were sent for participation. This does not mean that the responses are invalid, but one cannot assume that these participants represent the attitudes and experiences of all of the people who were clients of the BDIC. It must be remembered also that responses to surveys can be considered as self-selected participants. As well, it is possible that too much time had gone by for some people to answer with accuracy. With the interviews, it is good to recognize that people may tend to represent their agencies as best they can which introduces the possibility of bias. Interviews are subjective. To manage this, the themes from the interviews were assessed by at least two evaluators.

Economic Overview of the NWT

The economy of the NWT is characterized by a small tax base with a small population and moderate infrastructure that is heavily dominated by non-renewable resource extraction. Government remains the largest employer in the NWT.

The outlook on the economy is mixed. The NWT has not had much movement in its GDP growth growing by 0.7% and it has been stated that the NWT has to most volatile GDP in Canada[3.] The recovery from the global economic downturn in 2008 has been slow for the north and it has been stated that the NWT economy is still at its pre-recession average. There are a number of conditions beyond the control of the GNWT and they are troubling:

- Oil and gas is not coming back in the near term; prices don't make extraction economically feasible and transportation of the products is a deterrent;
- Canada as well as the NWT is vulnerable to global financial conditions, currency movements, and global economic stability affects everything from federal government investments to tourism;
- Although diamond mining is still a major contributor and a new mine is producing, there will be closures by 2034; Peak production has passed.
- Economic activity across the NWT is inconsistent. The North Slave Region benefits from mining activity, and the South Slave has potential for fishing or even future forestry, but the Beaufort Delta region is unable to benefit from their natural resource abundance.
- The regulatory regime for the extraction of oil, gas or minerals is an arduous and a very long term process;
- Other Arctic tourism ventures (Alaska, Yukon and Nunavut) are competing with the NWT for foreign markets.

The Conference Board of Canada's 2018 report[4] on the Territorial economies have predicted several years of weak growth. Gains in mining will have to wait until after NorZinc's Prairie Creek mine opens (2020) and Fortune Minerals NICO mine in 2022 but it is not anticipated that they will be able to replace

[3] 2018-19 Government of the Northwest Territories Business Plans, p.5.

[4] The Conference Board of Canada. *Territorial Outlook Economic Forecast: Spring 2018.* Ottawa: The Conference Board of Canada, 2018. ©2018 The Conference Board of Canada* Published in Canada | All rights reserved | Agreement No. 40063028 | *Incorporated as AERIC Inc.

the economic stimulus provided by the diamond mines. As a result, employment will weaken and the slackening in the labour markets may keep wages from making any real gains. In addition to this there is the out-migration of people and their skills. The ageing population is expected to triple by 2040. The Conference Board also pointed to the lack of skilled labour as a problem. They have projected that real economic growth will contract by 2.9 per cent this year and be flat in 2019, before falling for most of the rest of the forecast period.

Mining Outlook:

- NorZinc's Prairie Creek mine opens (scheduled 2020).
- De Beers' new Gahcho Kué diamond mine started producing last year, and will fuel 12.2 per cent economic growth in the Northwest Territories in 2017. After that, the Conference Board suggests that the NWT economy is not expected to grow much over the next 15 years.
- No metal mines have been in operation since the Cantung mine closed in 2015, and the oil and gas sector has posted declines every year since 2001. With the diamond industry maturing, total gross domestic product (GDP) will decline an average 1.7 per cent annually over 2018–20 before flattening out over the next decade.
- Almost all sectors of the territory's economy will suffer as a result of declining diamond production. Employment will contract, resulting in higher outmigration and unemployment.

Oil and Gas:

- The long-planned Mackenzie Valley pipeline project was shelved for good in 2017 as Imperial Oil and the pipeline proponents dissolved the joint-venture partnership for the $16-billion megaproject. Real oil and gas output is expected to continue to decline for the next decade, at an average annual rate of 3.3 per cent.

Demographics

- In the Northwest Territories, the average number of live births per woman in her lifetime is 1.9, compared with 1.6 for Canada as a whole. But, on average, the Northwest Territories will lose 333 people to other parts of Canada and other countries every year. That combination of outmigration and a fertility rate just shy of the replacement rate of 2.1 will cause a population decline of 1,092 by 2040, with young people accounting for most of the loss.

- About 17 per cent of Canadians were 65 or older in 2017. In the Northwest Territories, that number was 7 per cent, but it will catch up by 2040. Over the forecast, 559 babies will be born each year in the Northwest Territories. That will keep the youth population relatively stable but will not offset the aging of the existing population, 12 per cent of whom are already within 10 years of retirement age. This will impact health care services.

Labour Markets

- Workers in the Northwest Territories lost 1,200 jobs in 2017, mostly in service-based industries. Over the next 22 years, the population will shrink and mining production will recede, leaving little in the way of good news for workers in almost any industry. However, the Bureau of

Statistics Occupational Demand Projections 2018-2027 project that the NWT labour market will create about 17,800 jobs over the next ten years. "The bulk of these job openings will arise from the need to replace existing jobs vacated due to out-migration, retirements, and deaths. Across all NWT regions, the number of job openings will correspond to current employment levels as well as development projects taking place in each region"[5].

- The Conference Board stated that on a per-employee basis, wages and salaries increased by 7.0 per cent in 2017, well above inflation, as the unemployment rate ticked down to 6.8 per cent. But with little in the forecast for job creation, workers' real incomes will shrink.

There is some encouraging news:

- Enbridge has reopened its Line 21 pipeline in late 2018 from Norman Wells to Alberta after two years. There had been concerns regarding land stability in the area where the pipeline crosses the Mackenzie River east of Fort Simpson. With the approval of the National Energy Board and support of the Liidlii Kue First Nation, repairs have been addressed and the line is now operational. It is anticipated that production will realize up to ten thousand barrels a day.
- Metal mining will come back, first at NorZinc's Prairie Creek mine in 2020 and then at Fortune Minerals' NICO mine in 2022.
- Canada's Avalon Advanced Materials and Australia's Cheetah Resources have announced that they have joined forces to work on the development of the rare earth resources on the Nechalacho project near Yellowknife. According to Avalon, the chosen mining sites appear to be well-suited for very low cost, pilot-scale development utilizing ore-sorting technology with minimal environmental impacts. Avalon has acknowledged the financial support of the GNWT towards the infrastructure scoping study and the assistance provided through the Mineral Incentive Grant.
- TerraX Minerals plans to spend another $30 million over the next two years on top of the $10 million it has already spent, and it has drilling permits in place until 2021 for the Northbelt site and 2023 for the Southbelt site outside of Yellowknife.
- According to the NWT Mineral Exploration Overview 2018, one of the most reliable indicators of exploration health (claims staked vs lapsed) continues on an upward trend in 2018. A number of claims were released (62) while 257 claims were added.

The Conference Board forecasts that within five years the Territories could be producing other metals such as lead, copper, cobalt, and bismuth. The Pine Point project looks favourable. The NWT Geological Survey report (NWT Mineral Exploration Overview 2018) outlined the various projects, their technological results and documented the activity in diamond, gold, base metal, lithium, cobalt and vanadium resources. Even thought the process for negotiations and start-ups are lengthy, the amount of exploration and initial findings are promising.

[5] Occupational Demand Projections NWT, 2018-2027. https://www.statsnwt.ca/labour-income/labour-market-outlooks/NWT%20Labour%20Market%20Outlooks%202018-2027_Final.pdf.

Economic Diversity

Recognizing the economic ups and downs that relate to a non-renewable resource based economy, the GNWT is making a considerable effort to diversify the NWT economy. Building on the Economic Opportunities Strategy developed during the previous 17th Assembly, the GNWT has established, or is in the process of establishing, a range of sector specific strategies and action plans intended to advance growth of tourism, the Great Slave Lake fishery, the agriculture sector, the knowledge economy, arts and film, and manufacturing. Growth in tourism has been significant over the past few years and is expected to continue to grow. It is expected that as the newer sector initiatives take hold that BDIC may see increased demand from individuals and existing businesses for loans to establish or expand commercial activities in these sectors.

Investing in Infrastructure

The GNWT has come to an agreement with the Government of Canada with the Integrated Bilateral Agreement for federal infrastructure funds under the Investing in Canada Plan. This means that there will be a cost sharing agreement with 75 percent federal and 25 percent territorial funding for infrastructure projects. The federal government's contribution will provide over $570 million over the next 10 years and the GNWT and other sources will contribute approximately $190 million totalling nearly $760 million. However it is not clear when that money will be rolled out. [6] In March 2018 the CBC reported that at least part of the funding would be delayed until after the next federal election.

Summary

The outlook on the economy of the NWT economy continues to be mixed. The 2018-19 Business Plan indicated that the GNWT will need ways to grow the economy so that it can generate additional fiscal resources to continue to support economic development by resource development, economic diversification, labour force development, and lowered energy costs to reduce the cost of living and operational costs of businesses in the NWT.

FINDINGS

Theme 1: Description of the BDIC

Mandate and Responsibilities

The legislation enacted to support the BDIC is the *Northwest Territories Business Development and Investment Act*. A mandate is not specifically mentioned in the Act, but the stated purpose of the Corporation is to: "Support the economic objectives of the GNWT by:

Encouraging the creation and development of business enterprises;

[6] https://www.cbc.ca/news/canada/north/buried-in-the-budget-1.4558432

1. Providing financial assistance to business enterprises, either on its own or as a complement to private sector or other financing;
2. Directly investing in business enterprises; and,
3. Providing information to business enterprises and members of the public respecting "The establishment and operation of businesses, and other business matters.[7]"

Governance

As per Section 5 (1) of the *Northwest Territories Business Development and Investment Corporation Act*, the Corporation has a Board of Directors consisting of a maximum of ten eligible persons appointed by the Minister. A person is eligible for appointment as a director if he or she; has owned or managed a business enterprise in the Northwest Territories; or has, in the opinion of the Minister, business expertise relevant to the economy of the Northwest Territories and is not a member of the public service[8].

There are currently seven board members, many of whom have been with the board for a number of years. They provide oversight, strategic direction, and recommend (to the Minister) the policy positions that direct the strategic trajectory of the business of BDIC. The Chair of the Board as well as the Board itself is accountable to the Minister of Industry Tourism and Investment and it is the Board's responsibility to ensure that Ministerial Directives are implemented by the BDIC.

In brief, the legislation concerning the Board directs that:

- The terms of appointment are set out in the legislation as 6.(1) A director holds office during pleasure for a term not exceeding three years as fixed in the appointment;
- The Minister appoints the chairperson and vice-chairperson of the Board shall be designated by the Minister from among the directors;
- The Board may establish policies and operational guidelines for the conduct of the business;
- The Board may establish any committee that it considers advisable;
- The Board shall act in accordance with Ministerial directives.
- A director holds office during pleasure for a term not exceeding three years as fixed in the appointment.
- The Minister shall, after consulting with the Board, appoint the chief executive officer of the Corporation.
- The Conflict of Interest Act applies to the chief executive officer, the directors and officers of the Corporation and the members of any committee established under subsection 5(7).
- The Board has the ability to form any committee or sub-committee that it deems necessary;
- The Board has the ability (within prescribed limits) to both forgive and write off debts.

---

[7] *Northwest Territories Business Development and Investment Corporation Act*

[8] Note that the information from the Act is provided to provide the context in which the BDIC operates. Portions of the Document referring to the legislation and regulations are not to be construed as legal advice.

Most of the Board members were interviewed, but the review team was unable to reach one. A reoccurring theme of those interviewed was the lack of cohesion between the BDIC and ITI. One Board member said that the relationship is strained and the current arrangement is not working. However, despite the “obstacles”, the members felt that they were still able to do the job of the Board. There was general consensus that promotion of the BDIC’s programs was important, relationships with other agencies could be strengthened, and financial oversight is a critical piece of the role that they play.

It was not clear through the interviews if there was a clear delineation of the roles between the Board and the BDIC staff. One person felt that they were at times dealing with operational issues instead of governance. This can be addressed by the Board having an in-camera session to clearly formulate its governing and decision-making role, purpose, and function, which would be documented in the Board Bylaws. The CEO would have the responsibility to manage the programs, enhance collaboration in the community, negotiate new enterprises and provide the Board with the information that they need to conduct their business. In short, the CEO would be operational and the Board would be policy and governance.

For further consideration, the legislation states that the term of a Board member is “not exceeding three years as fixed in the appointment”. This is being understood to mean that each term is a three-year term; i.e. not a four or five year term, but there is no limit on the number of times that a person can be appointed to a new term. The unofficial standard in Canada for a term is usually three or four years in length, with a limit (usually 2) on the number of terms allowed, depending on the organization and the need to stagger appointments. The Minister should consider a limitation on the number of times that a person can be appointed to a term. There are a number of reasons for this:

- Giving others a chance to participate;
- Building capacity around the NWT;
- Bringing new perspectives and having a diversified skill set of the members;
- The possibility to recruit active community members who can devote only a few years to service;
- Easier inclusion of diversity into the board structure and keeping in touch with constituents;
- Rotation of committee assignments;
- Perpetual concentration of power within a small group;
- Change in demographics of the constituency or environmental factors not reflected in the board.

Recommendation
That the Minister consider a limitation on the number of times that a person can be appointed to a term in order to build northern capacity, rejuvenate the Board with new ideas and bring fresh perspectives to Board governance.

Accountability

Descriptions for good governance vary across jurisdictions. Transparency and accountability are two generally used standards, and others can be added to enhance governing structures.

Accountability: The imperative to make public officials answerable for their behaviour and responsive to the entity from which they derive their authority. Accountability also means establishing criteria to measure the performance of public officials, as well as oversight mechanisms to ensure that standards are met. Accountability of the Board and the BDIC is achieved through the publication of Corporate Plans, performance measurement results, Annual Reports, Program Activity Reports, posting of past reviews and evaluations and providing information to the Department of Industry Tourism and Investment for the purpose of the Financial Management Board (FMB) information and questions from the Legislative Assembly. The Corporate Plans are posted on the website are reviewed by the FMB. This is a statutory requirement under Section 30(1) of the Act. It would be helpful to have a Ministerial signature block on the front end of the Corporate Plan as this is forwarded by the Minister to FMB.

Participation: Where citizens participate in government through the electoral process, public officials are accountable ultimately to the electorate. At the grass roots level, participation implies that government structures are flexible enough to offer beneficiaries, and others affected, the opportunity to improve the design and implementation of public programs and projects. BDIC has initiated a process to gather some information from its clients who utilize the Business Service centres in the form on electronic feedback. No new programs have been initiated in the past five years, so consultation on program design has not been necessary. The BDIC did undertake consultations with two prior subsidiaries (the Rae Lakes and Nahanni General Stores) prior to divestment.

Predictability: Predictability refers to the (i) existence of laws, regulations and policies to regulate activities and (ii) their fair and consistent application. There are electronic links to the regulations and the NWT BDIC Act posted on to the Corporations website. Credit Facilities decisions are carried out though standardized decision-making matrices and there is an appeals process that can be initiated. Application forms and program descriptions are available on the website although the program operating policies are not posted.

Transparency: Transparency refers to the availability of information to the general public and clarity about government rules, regulations and decisions. As above, in addition to the Corporate Plans and Annual Reports, the BDIC also lists the disbursement of funds through publication of the business names, location and amounts each year. The number of applications withdrawn and refused are counted in the Activity Reports.

Overview of Programs

Program Rationale

The rationale for most economic development funding programs is that by assisting fledgling business start-ups, or businesses that need incentives to operate in a particular area or in a particular sector, or when traditional lending is a barrier, agencies can offer assistance in order to increase economic activity, create or maintain jobs which in turn would contribute to the GDP and ultimately increase the prosperity of beneficiaries and residents. In order to do this, the BDIC has a variety of programs to respond to the emergent and established needs of the business community. In order to safeguard the loans or contributions that were dispersed, the BDIC partners with other agencies to provide information and resources through the Business Service Centre.

The BDIC Business Development Project Fund (BDPF):
The program offers contribution funding in two areas, the Core BDPF and BDPF Aftercare. Core BDPF is used to fund expenses related to the start-up and expansion of NWT businesses (e.g. assets, new software, marketing/advertising etc.). BDPF Aftercare is used to purchase accounting software or services, and to provide access to succession planning and business training programs. There is no repayment of these funds.

Credit Facilities Program:
The BDIC provides loans and other investment arrangements to encourage the growth and start-up of businesses within the NWT. The Credit Facilities Program has three components: Term Loans, Standby Letter of Credit, and Working Capital Guarantees. Qualifying NWT businesses can access up to $2 million in financing. A Standby Letter of Credit (SLC) enables clients to secure contract bids or provide security to suppliers through assurance of payments to third parties. The Working Capital Guarantees can be issued to NWT businesses as security to assist in obtaining working capital financing from a commercial bank. For both the Standby Letter of Credit and the Working Capital Guarantee, the BDIC charges a commission rather than interest and this commission represents the premium for the investment risk.

Venture Investment Program:
The BDIC invests in businesses in return for cumulative redeemable preferred shares carrying annual dividends. The amount of the dividend reflects the premium for the investment risk and the time value of the money. These investments are long term in nature.

Subsidiaries:
The current BDIC subsidiaries are northern companies that were mostly inherited by the BDIC after the merge of the BCC and the Investment Corporation in 2005. The exception is the Ulukhaktok Arts Center. These companies are owned by the BDIC and they have controlling interest. The BDIC may provide subsidies and capital investments to these companies in order to keep them operating in communities with less than optimal economic activity. Having the BDIC as a financial backer allows them greater security while providing operational support.

Business Support:
The BDIC is a member of the Canada Business NWT (CBNWT) network that provides start-ups and small business with a range of information and materials to assist their business planning and preparation. The center provides a wide range of information on services, programs and regulations and will answer questions about starting a new business or improving an existing one.

Five Year Highlights

The achievements of the BDIC are communicated to the public and the Legislature every year by the publication of an Annual Report. Specific program details will be discussed in Theme 2. Across the past five years there has been:

- 69.62 jobs in the subsidiaries (about 14 FTE's a year) maintained.
- Sales from the subsidiaries = $3,578,864.
- Craftspeople supported through sale of their goods on average 126 people per year.
- Points of sale by subsidiaries to over 75 galleries and shops across Canada.
- Over $27.8 million in loans repaid.
- Over $31 million in credit approved.
- Dispersed $1.3 million (202 clients) through the BPDF Program.
- The portfolio is averaged at $48 million over five years.
- Business seminars, learning events, and visitors reaching over 1000 people.

One of the most important considerations for the BDIC (and for the government) is that small communities are able to access capital for their initiatives. This was a concern during the consultations that lead up to the merging of the Business Credit Corporation and the Development Corporation. The BDIC presents the breakdown of the distribution of loans and contributions every year in the Annual Report. A ten-year comparison of the credit extended to the communities shows a shift in the amount of credit that goes into communities outside of Yellowknife with an increase to the larger communities of Hay River, Fort Smith and Inuvik. Part of the shift may be attributed to additional options in Yellowknife with CanNor, the Business Development Corporation of Canada and the First Nations Bank of Canada close by.

Figure 1: Percentage of all Disbursements (Credit, Contribution and Subsidy) by Community Level

	Yellowknife	Hay River, Inuvik, Fort Smith	All other communities	Dollar Amount
2013-14	9%	45%	46%	$4,969,000
2014-15	7%	49%	44%	$7,026,000
2015-16	21%	56%	23%	$6,964,000
2016-17	11%	38%	50%	$5,523,000
2017-18	7%	53%	40%	$7,720,000

There are a number of different organizations that provide credit, including the Community Futures and the other Development Corporations that are associated with self-government agreements that play a contributing role to economic stimulus. While the goal of economic development remains the same, the amount of funding available, the criteria for the assistance, the process and the lens through which the programs operate are all different.

Figure 2: Developmental Agencies and Services

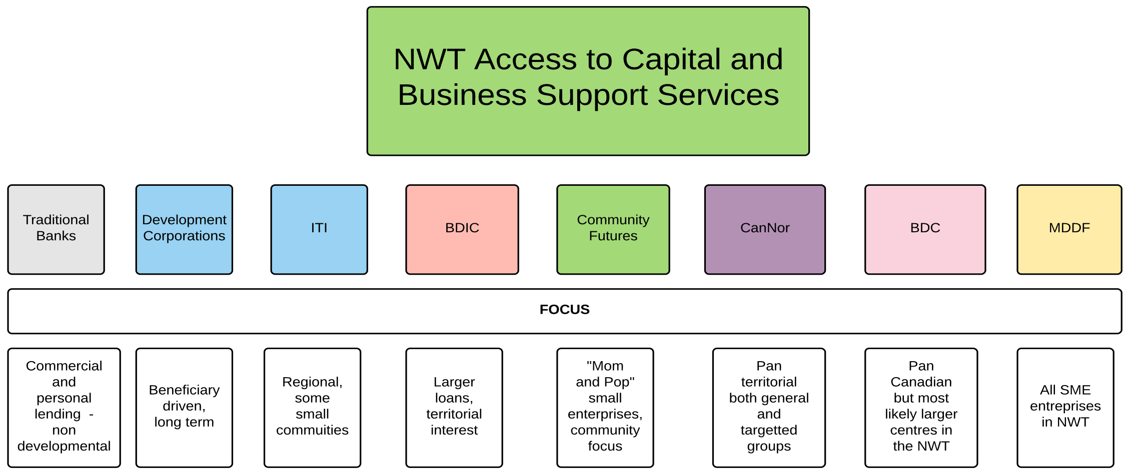
	Chartered Banks	*BDC*	*BDIC*	*CanNor*	*MDDF*	*ITI*	*Community Futures**
Loans	✓	✓	✓		✓		✓
Lines of Credit	✓				✓		
Standby Letters of Credit	✓		✓		✓		✓
Working Capital Guarantee			✓	✓	✓		
Contributions program			✓		✓	✓	
Business Services		✓	✓	✓		✓	✓
Training or Development		✓	✓	✓			✓
Venture Investments		✓	✓				
Growth and Transition Capital		✓					
Business Counselling/ Advisory		✓			✓	✓	✓
Contribution for Aftercare			✓				✓
Grants				✓			
Business information/resources		✓	✓	✓	✓	✓	✓

* Note that not all of the Community Futures offer the same services.

Collaboration with other Agencies

This review obtained feedback directly from other agencies involved with economic business development in the NWT. Currently there are a number of agencies all contributing to the economic development of the NWT. Although their lending and contribution amounts may be different in focus, some of the services provided are similar and they have parallel missions. Some are at a community level, (Community Futures) some are regional (ITI Regional programs, the MDDF, as well as some BDIC activity) and some are pan-territorial (the Business Development Bank of Canada and CanNor).

Figure 3: NWT Developmental Lenders



Business Development Bank of Canada (BDC) develops clients and businesses and is open to all industries. They have advisory groups to work with clients to build capacity. They have some in-house advisors or they hire consultants to provide expert advice and support to clients. Some of the training services come with a cost to the client, and the expense is not insignificant. BDC is a term lender and does not fund grants or contributions and does not have dedicated programs. BDC is the largest venture capital firm in Canada, but the North is so small they claim that they can't use all of their tools. There is no co-lending activity. The differences between BDC and BDIC are the reach and the approach to develop business. BDIC has a lending cap of up to $2 million and BDC has a cap up to $50 million. BDIC is willing to take risk up to $2 million and "that is a good thing."

BDC had a MOU with BDIC but that expired in 2012-2013 and now is in renegotiation. They are discussing the inclusion of business women and entrepreneurship loans. The NWT has an immigration (accelerated) program and BDC is starting a 3-year pilot project to help new immigrants start a new business (capacity building and mentorship online at no cost).

BDC has developed partnerships with BDIC in the past.

- At the Yellowknife Chamber of Commerce Business Awards Gala where BDIC sponsors and presents an award every year.
- BDIC is involved in small business week at BDC invitation; their participation level varies from year to year.

Canadian Northern Economic Development Agency (CanNor) is a program similar to the Western Diversification (WD) and ACOA in the Atlantic Region. CanNor has a mandate to fund Aboriginal economic development activities as well as through the Métis Dene Development Fund (MDDF) as Indigenous programming is a priority. CanNor is a nine year old agency with three regional offices and headquarters in Iqaluit. The Entrepreneur Development Program (EDP) is strictly a program for Indigenous individuals or an individually owned development corporation and is distributed by MDDF. CanNor also funds Strategic Investments in Northern Economic Development (SINED). This is an important investment in support of economic development in the territories and job creation for Northerners. It is an investment in economic development where they can fund anything that is a bottleneck in economic development from capital to MDDF programming. CanNor has a new contribution program coming out in 2019.

CanNor has a MOU with the Canada Business Network, an Industry Canada program to deliver their programming across the country. The CanNor Economic Development Advisor works with BDIC on the Canada Business Service Centre (an important support service for the NWT and the North). CanNor believes that only BDIC has the staff and resources to provide this service. In the NWT, BDIC runs the program at a 50–50 cost split at $98,000 each. The Canada Business Network is being revamped with other territories and provinces.

BDIC provides funding to the Futurepreneur Canada, a not for profit agency that provides financing, mentoring, and support to aspiring business owners aged 18-39. BDIC reached out to Futurepreneurship to provide services in the NWT.

CanNor is moving into economic development in the future and will be another direct “funder.”

The Métis and Dené Development Fund (MDDF) The MDDF board is made up of three persons appointed from the Denendeh Development Corporation and the remaining three appointed from the Métis Development Corporation. MDDF describes itself as a private business that has been operating for 27 years. They receive funding from CanNor and other federal government agencies to distribute funds to Aboriginal peoples, but people who are not Aboriginal are welcome to apply. MDDF makes the decisions on who receives funding and what type of funding. Currently, MDDF has a 3-year contribution agreement with CanNor ($750 000 + $250 000 for grants) to distribute funds on behalf of CanNor. After three years, any revenue generated from the federal funding belongs to MDDF.

MDDF claims they have little integration with BDIC programming, although BDIC has been invited to provide information, best practices and make presentations to potential entrepreneurs. MDDF receives funding and collaborates with CanNor, and it communicates with Community Futures. They feel that there is competition and duplication of services although the BDIC has worked with them on a number of files. MDDF will have a new program as of January 1, 2019 for businesses that need aftercare services (excluding market research and data provisions). With CanNor funding, MDDF will now provide support and aftercare to their own clients at no cost.

Community Futures (CFs). The Community Futures Program operates in each region of the NWT to ensure that all 33 communities have access to capital. The majority of the CFs are funded by ITI but also borrow money from the BDIC to loan out to community members. The CFs operate independently of government as non-profit organizations and are overseen by volunteer Boards of Directors.

CFs see their value in the fact that they are small. They will provide "everything and all" for their clients, application forms, advice on marketing – anything that they see as being needed on a particular file. One interesting comment was that it was important not to underestimate the value of educating a person to see the potential or non-potential in a business venture. "We won't give them enough to hang themselves".

The ITI staff responses indicate that CF personnel go to every community each year. Part of that reason may be that they have an employment program (through GNWT Education, Culture, and Employment) for clients that are on EI whereby they can give money to help persons start a business without losing EI benefits.

One ITI Business Development Officer (BDO) indicated that they often use CFs programs as thy have faster application processing.

ITI Regional Offices The BDIC Credit Facility Program is delivered in regions mostly by ITI staff. There is an Memorandum of Understanding between ITI and the BDIC that outlines the roles and responsibilities between the two agencies. BDIC does not provide funding to ITI for this service although both agencies report to the same Minister. (The cost of the services provided is calculated in the BDIC Audited Financial statements in the Annual Reports.)

ITI staff in the regions handle BDIC applications. They (ITI staff) have approval for up to $200,000 and over that amount they process the paperwork, make recommendations and forward everything to BDIC for approval. The BDOs also provide some aftercare for the BDIC loan programs

The ITI superintendents supervise all programs, ITI staff, and community transfer persons who work as EDOs in their communities (e.g. 2.5 persons in Inuvik). One ITI superintendent believes that BDIC does not visit the regions as much as they should. BDIC counters that they have made efforts to coordinate visits and but are not always successful even after making arrangement through the Senior Administrative Officers (SAO's). This may be due to timing, unanticipated events or communications.

The ITI managers are focusing on ITI sector initiatives at this time. They have stated that there are not a lot of BDIC applications currently because of a slowed economic situation. The interaction with BDIC also depends on the size of the region.

An estimate from the Business Development Officers (BDOs) indicates an average of 15% of their time on BDIC files. They are often called the "boots on the ground." The BDOs make recommendations on the loans before transferring them to BDIC. The BDOs assist clients with pre-care (business plans, cash flow statements, etc.) and with loan follow-up (check loans/annual reviews, obtain financial statements, analysis, and some aftercare). If a client misses a payment, BDIC may contact the BDO or equivalent to follow up with the client. If the client goes to collection, BDIC takes over the file. These relationships seem to work well. Most BDOs try and get out to visit the clients/communities at least once a year.

The Economic Development Officers (EDOs) spend most of their time on the ITI SEED Program. The EDOs work with clients to provide information and assist them with applications (accurate information and with computer hardware/software if the applicants are not computer literate). This application is forwarded to BDIC upon completion. There is little or no follow up with BDIC.

One statement made by a BDIC staff member was that there was concern that ITI staff might loan smaller amounts of money to clients and the loan goes into default. BDIC is then responsible for this write off or debt forgiveness. It was suggested that the ITI staff complete the front-end work and let the BDIC make the decisions on all of the loans. Although the BDIC likely has the greater expertise on the file evaluation, it should be recognized that the ITI front line staff have the knowledge of the community, the sector development and has business relationships that BDIC does not have. Political pressure may present itself to whom ever makes the funding decision.

Generally the ITI staff said they have a good relationship with BDIC. At least a few of the interviewees said that there was a role for BDIC and that there was "room at the table" for everyone. BDIC respects the opinions of the ITI regional managers and the BDOs and they are flexible with clients based on the ITI opinions. The EDOs would like feedback from BDIC regarding the success of the BDPF applications; they like to know the success of the clients in their region. The ITI staff suggests it is the best suited to do the front-line delivery on small loans and that they have the business relationships with the clients in the region. The clients know them and come to them for information.

Theme 2: Detailed Description of Programs and Services

Administration

Currently, the Act allows for the Board (Subject to subsection (2)), to establish programs to support the creation and development of business enterprises by: (a) providing business planning services and management counselling and training to business enterprises through meetings, seminars, conferences and other means; and (b) providing information to business enterprises and members of the public respecting (i) the establishment and operation of businesses, and (ii) other business matters. However, the Commissioner in Executive Council must approve the establishment, substantive modification or discontinuance of a program referred to in subsection (1).

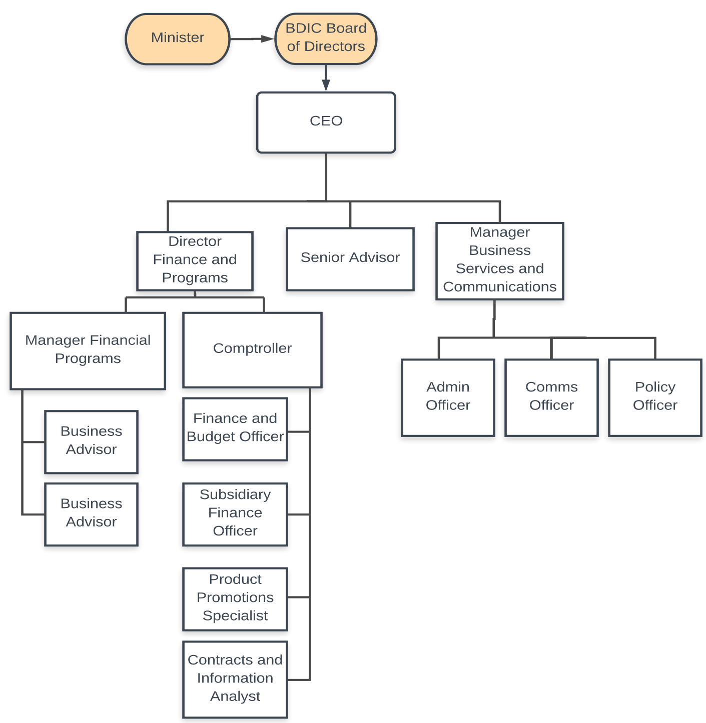
The Act allowed for continuation of all programs previously administered by the two predecessor corporations. The creation of BDIC was intended to create one window of service delivery by continuing the programs provided by the two dissolved corporations and having the Department of Industry, Tourism and Investment provide the client contact in the regions. ITI provides the client contact for the credit facilities in the regions. Loans are provided by ITI staff up to $200,000. The larger loan requests are handled by BDIC, although the ITI staff do much of the upfront work before handing off the file.

BDIC in-house activity covers the accounting for the finances of the four subsidiaries, and staff sit on the community board for each subsidiary. BDIC processes the larger loan files and arranges for third party reviews of loans over $1,000,000. This area requires the writing of financial policy in accordance with applicable Financial Administration Act, the NWT Business Development Corporation and Investment Act and Regulations, and standard Canadian accounting practices. The majority of the work undertaken by the BDIC is of a financial nature, requiring collection and management of data in order to prepare for audit. The BDIC is financially responsible for the tracking the investment portfolio, opening up markets for new and existing NWT products while assessing and encouraging development opportunities. Whenever large sums of money are involved, communications become critical for transparency. Contracting for audits, preparing Corporate and Annual reports, posting activity summaries and community liaison are all handled in-office.

Management and Staffing

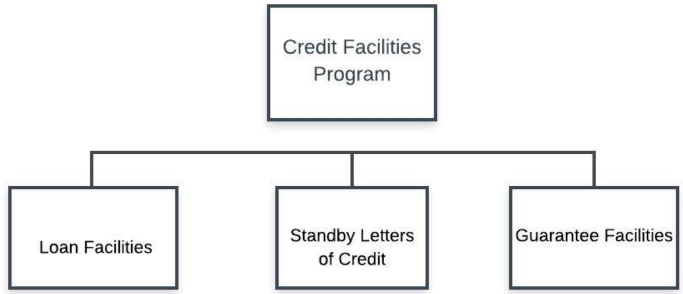
BDIC works with a current staff deployment of 13 people. This includes a Chief Executive Officer, one Finance Director, a Comptroller, two Managers, and eight Officers/ Analysts. Reporting relationships are arranged along functional activities. Since 2013, the organization has become flatter with the loss of one Director and a Manager. The BDIC is organized centrally in Yellowknife and works with both internal and regional ITI staff in planning and program delivery. They provide debt and equity financing and/or contributions to northern businesses and provide advice and learning opportunities to those who are either operating or planning to open businesses. Each program will be described in detail in later sections of the paper. Along with the corporate planning and central agency administration, the BDIC offers five programs through its outreach programming.

Figure 4: Organizational Chart of BDIC



Credit Facilities Program

The Credit Facilities Program has three ways to assist NWT businesses; through letters of credit, loans, and working capital guarantees that give companies a more secure footing to successfully approach a traditional lending source. The BDIC provides loans and other investment products to encourage the growth and start-up of businesses. Interest rates for this financing are set at Prime +2%, 3% or 4%, depending on risk.



The Credit Facilities Program has three components:

Term Loans: Where businesses may not be able to secure bank financing, they can work with the program to choose between loans with fixed or variable rates. Payment plans can be customized to work better with the seasonality of a business. They can be repaid early without penalty.

A Standby Letter of Credit (SLC) enables clients to secure contract bids or provide security to suppliers through assurance of payments to third parties.

Working Capital Guarantees can be issued for NWT businesses as security to assist in obtaining working capital financing (such as an operating line of credit or overdraft) from a commercial bank.

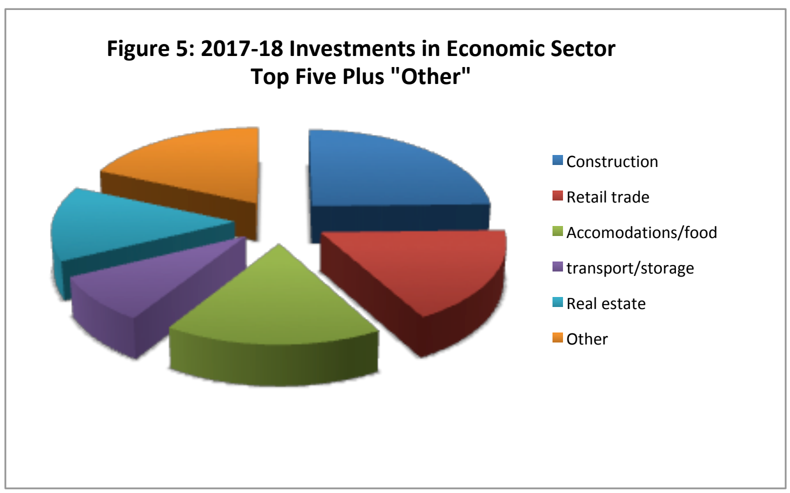


Figure 6: Statistics on Loans

	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Total Program Portfolio	$46,000,000	$47,300,000	$50,300,000	$49,100,000	$49,100,000
Number of loans/credit	20	17	12	19	11
Amount loaned that year	$7,720,000	$4,660,000	$6,900,000	$7,030,000	$4,970,000
Loan repayment	$4,897,000	$5,679,000	$5,093,000	$4,621,000	$3,761,000
Interest on loans receivable	$2,054,000	$2,394,000	$3,153,000	$2,111,000	$2,081,000

When a client approaches the regional ITI offices, they are directed to a program that suits their needs and they help identify and collect the paperwork from the client. For a loan, the regional staff have the ability to assess the business proposal and have the authority to approve up to $200,000. Loans over this amount are assessed and then forwarded with recommendations to the BDIC for re-assessment and approval. The BDIC is able to approve loans up to $2,000,000.

In summary, the legislation and regulations governing the loans activity allows the BDIC to:

- Establish a fund within the Loans and Investments Fund out of which the financial assistance will be provided;
- Determine the total amount of assistance that will be provided to businesses (in sum total, not individually);
- Decide the minimum and maximum amounts of financial assistance that may be provided;
- Maintain an appeal process, and the appeal decision is final;
- Provide financial assistance to a business enterprise up to $2,000,000;
- Set the interest rates on individual loans at Canadian prime rate plus an additional percentage of 2%, 3% or 4%;
- Allow for a loan payment on the principle to be deferred for up to three years (but only on the principle deferment). The interest component is still due and payable;
- The business has to maintain records and books, submit financial statements and the BDIC can examine financial records;
- The loan is payable when the business ceases or is in default;

The major concern on this section of legislation is that the interest rates are not seen as particularly flexible. One person suggested that the interest rate cap is restricting the ability of the Corporation to arrange interest rates more suitable to the business proposal and the financial risk. This would help the BDIC to offset the losses of high-risk loans. The caution is for the BDIC to continue to hold a mix of risk levels within its portfolio without losing sight of the fact that it is first and foremost a developmental lender.

There are legislative restrictions where:

1. The Corporation cannot invest in a business unless they feel that there is a reasonable rate of return.
2. BDIC cannot arbitrarily change the interest rates. This would require FMB approval.
3. An associate or employee of the Corporation must not have an interest;
4. One investment would exceed the amount allowed for the whole program;
5. A loan or bond is not transferrable without the written approval of the Corporation.

Recommendation

The Minister should consider an amendment to the regulations and approach the FMB to approve more flexible rates but only if accompanied by a clear and well-defined policy on how the interest rate is determined so that there is consistency across regions and lenders.

Standby Letters of Credit (SLC) are a useful resource for business owners bidding on government contracts. The business owners can set up a BDIC SLC facility in advance and use it multiple times within the approval limits and on more than one bid. It provides business owners the ability to pay suppliers who otherwise would not work without the money up from. It incurs little overhead to the BDIC and while a small program it is seen as very useful.

The Working Capital Guarantee started in 2009 and there has been one loss in a ten-year period. It helps people obtain an operating line from the bank if they have the guarantee. On the downside, sometimes it can be an expensive way of borrowing money depending on; what percentage of the operating line is being used, how much interest the bank is charging and the interest rate they have qualified for from the BDIC.

Figure 7: 2009-2018 Profit / Loss on Contract Security

Profit / Loss on Contract Security (SLC) and Working Capital Guarantee	
Total Commissions received	$561,928.
Total Losses	$100,000
Net Profit	$461,928

Figure 8: Write Offs and Forgiven Loans

	Written-Off	Forgiven
Legislative Assembly 2013-14	0	0
Legislative Assembly 2014-15	$898,682	$421,780
FMB 2015-16	$327,442	
BDIC Board 2015-2016	$30,959	
BDIC Board 2016-2017	$839,173	
BDIC Board 2017-2018	$3,329,317	
TOTAL	$5,425,573	$421,780

A written-off debt is recoverable. A forgiven debt is not recoverable and is removed from the books. Seventy six thousand dollars ($76,000) of the $5,425,573 that was written off has been recovered. The loan loss rate will be higher with ventures that are of higher risk. Traditional banks are reluctant to admit what they consider an acceptable loss in their loans program. One bank person said that as a publicly traded company, “0” is what is acceptable. One other person said that they would estimate the “1%” as being standard. Recoveries on the written-off debts for the BDIC are approximately 1.3% of the outstanding.

Figure 9: Geographic Concentration Impaired

	2014	2015	2016	2017	2018
South Slave	$2,759,000	$2,635,000	$2,007,000	$2,085,000	$1,368,000
Dehcho	$288,000	$88,000	$84,000	$2,000	$0
North Slave	$3,918,000	$3,774,000	$3,141,000	$3,920,000	$2,418,000
Inuvik	$478,000	$542,000	$428,000	$696,000	$406,000
Sahtu	$509,000	$349,000	$165,000	$68,000	$285,000
Totals	$7,952,000	$7,388,000	$5,825,000	$6,771,000	$4,477,000

Business Development Project Fund (BPDF Program)

This program is comprised of two elements; the Core Business Development Project Fund, (Core BDPF) and the BDPF Aftercare Program. The Fund is used to help fund start-up expenses, expansion, raw materials (for arts and crafts production) and for short-term projects that create employment. There are restrictions on the funding; in a 5-year period the maximum is $10,000 for Level 1 communities and $20,000 for level 2 communities. Only businesses with $500,000 or less in annual revenues are eligible to apply.

The BPDF Aftercare Program provides small amounts of funding to businesses to help them with business- related expenses such as accounting software or services, planning and training. Businesses in Level 2 communities can access up to $5,000 and Level 1 communities can access up to $3,000. They may not exceed the limit for their community during the lifetime of the owner even if the business is under a different name.

Figure 10: Activity in the Contribution Program (Approved)

Year	Applications Approved	Value
2013-2014	37	$286,000
2014-2015	54	$318,000
2015-2016	47	$311,000
2016-2017	30	$220,605
2017-2018	40	$205,000

There is disagreement if there is duplication of effort in the different contribution programs offered by the GNWT, BDIC's Core BPDF and other agencies. Currently, the BDIC, ITI, the MDDF (through the CanNor's Entrepreneurship and Business Development Fund), and various Aboriginal Governments have programs. In 2019, CanNor will be rolling out another contribution program. There is overlap between the programs although the details might be slightly different.

On the positive side:

- The surveyed clients and some ITI staff like the duplication. They feel they have options to go to different places for contributions if one program does not cover the client need.
- One ITI staff person likes having the option of sending clients to piggyback from different funds.

- BDIC is proud of the program and feels that it is another way to provide economic stimulus to the communities. They feel that there is a substantive difference between the ITI program and the BPDF that makes their program unique; this includes target clientele and funding amounts.

On the downside:

- Having two or more government agencies delivering similar programs is inefficient. It requires two groups of people to be involved in the administration, tracking, auditing and reporting on two sets of numbers.
- There have been past discussions on the future of the program and disagreement remains on where the window of access should be placed.

The BDIC has the desire to expand the program to increase funding to assist business support under both elements of the program. They state that they continuously receive feedback from clients that there is a need for expanded aftercare services and the BDIC sees a wider scope of aftercare services as being important. The reviewers can confirm that both clients and other agencies agree that aftercare is a needed service, although how aftercare is envisioned is not clear. On the Core BPDF there remains disagreement. It is seen as a duplication by a number of interviewees but BDIC counters that they would like to see the SEED contribution funding redirected to them to consolidate with their program.

They would also like to add a summer student business program to encourage and support youth entrepreneurs starting businesses in the Northwest Territories. This will encourage students to stay in their home communities and experiment with entrepreneurship.

Given that a contribution program is generally agreed upon to be valuable, the question then becomes; Where is the client best served and who is in the best position to deliver the program? ITI's SEED program is very active. The department has people and systems in place who are already administering a large contribution program ($3.866M). The current BDIC contribution budget is $200,000. The successful applicants would be reported within the existing ITI Grants and Contributions Report annually with little additional work on the department. It would not result in additional overhead to the department to absorb this program.

Recommendation: Given the similarities with the SEED program and under the dictum of "Where is the client best served?", the Minister should seek Executive Council approval for a decision to sunset the Core BPDF program.

BDPF Aftercare Program

The purpose of the aftercare program is to help businesses obtain the help that they need to keep operating from a management and administration perspective. Aftercare is a general term - many people think about health care situations when they think of "aftercare". In the interviews and discussions with personnel, it is clear that there is no common understanding of what aftercare is, or what it should be.

However it is defined, it is seen as being imperative to the success of businesses. It is clearly outlined on the BDICs website, but people tend to think that it should be more than it actually is.

There is reason for debate here. It has been said that BDIC should not give specific business advice. If a business were to fail, the operators could blame the BDIC by saying that they were given bad business advice. On the other hand, smaller community or regional agencies in other jurisdictions are giving business advice as they see that it is something that the client (sometimes desperately) needs.

The review team asked people why small businesses fail and in summary there were a few reasons:

1) Lack of business acumen and lack of time to figure it out. They're focused on doing the actual work and not on the business per se.
2) Bad business decisions. They're not keeping track of expenses and revenues that could help them to make better decisions.
3) Misunderstanding of market conditions and their target demographic.
4) The business model is flawed and there is lack of planning.
5) Overexpansion
6) Commitment
7) Lack of Capital

These ideas were verified through other sources and are well known in the business community. In terms of program design, the offerings of the program should meet the needs expressed by the client. It could be that what is currently offered is suitable or it could be that what is needed is not addressed. The only way to determine this is to talk to the people who were and were not successful to find out what kind of support (outside of money and business advice) would have been appropriate. Pre-care and aftercare were described as being critical to the success of the enterprise. The dilemma is that there is no consensus to what aftercare should be, and there is no indication of the take up of the BPDF aftercare in the annual reports because the program is as one fund i.e. the Core BPDF and the BPDF Aftercare are not split out.

Venture Investments

The BDIC invests in businesses in return for cumulative redeemable preferred shares (non-voting) carrying annual dividends. The amount of the dividend reflects both the time value of money and the risk premium. These investments are long term in nature, and were meant to be investments where BDIC could have a stake in businesses to help them to realize their potential and then once appropriate, the business could buy back their shares.

Figure 11: Fully redeemed companies

	Year Redeemed
Tłı̨chǫ Cooperative Ltd	2006
FC Services	2006
ADK Petroleum	2006
Rat River Development Corporation	2010
Enodah Wilderness Travel	2015
Holman Eskimo Cooperative	2016

The Venture Investment Program is an option for clients but the activity on this program is very low. During the time period of the review, Enodah Wilderness Travel and the Holman Eskimo Co-operative have been fully redeemed.

Figure 12: Jobs in fully redeemed companies

Investment	*Year*
$1.47 million (24 direct, 3 indirect jobs)	2013-14
$627,000 (23.5 direct jobs)	2014-15
$622,000 (19.75 direct jobs)	2015-16
$654,000 (no data on jobs)	2016-17
$654,000 (no data on jobs)	2017-18

The program was reviewed in 2013, and it was stated at the time that the program policies were outdated, the program was legally flawed and it had the potential to put BDIC at financial risk[9]. The recommendations included a redesigned program in a step-by-step sequence of events and a performance measurement scheme. Another review conducted in 2013 noted that companies could buy out the BDIC at the same cost as BDIC bought into the company in the first place. Investing in a company has an inherent risk. Assuming this risk and helping to pay the part of the overhead of the investors is covered in the investment. The idea is to make money by investing while helping out another company. This same review suggested that the program either be revamped substantially or terminated. There were arguments that the kind of expertise needed to run such a program was hard to find[10]. The review suggested that the BDIC invested around $6,000 per year to keep the program alive but the reviewers have not been able to substantiate that amount.

However, other jurisdictions provide this kind of programming either through a network of private enterprise business people (Alberta's Angel Network), regionally like Atlantic Canada's Opportunity Agency (ACOA) or through the Government of Canada's Venture Capital Catalyst Initiative, which in 2017 announced $400 million through the Business Development Banks. British Columbia has Crown Corporations that have different designs like the Renaissance Corporate Fund, or the Immigrant Investors Fund, and they have arrangements where private sector people with specialized skills can be engaged

[9] Biswanath Chakrabarty & Co. CGA, Review of The Venture Investment Program and The Contribution Programs of the Northwest Territories Business Development and Investment Corporation, March 7, 2013 Page 4

[10] Mackay and Cathexis, Review of the Business Development Programs Final Report. November 2013, p 36

(like the BC Technology Fund) to manage the portfolio. There may be opportunities for Private Public Partnerships to help leverage funds. Having this program or other innovative programs is an opportunity for the Corporation to make funding arrangements as long as the purpose of the program is understood and agreed upon, the policy is clear, the program is promoted and the design addresses protection for and eventual growth of public funds.

Recommendation: The BDIC Board set a deadline to roll out and promote the revised Venture Investment Program.

Business Services

The BDIC provides business services to help people start and grow their business. As a member of the Canada Business Network, the BDIC shares in offering a range of information and resources about community and territorial services. The BDIC operates the Canada Business NWT (CBNWT) in partnership with the Canadian Northern Economic Development Agency (CanNor). CBNWT services are available online and through community partners to residents across the NWT. Canada Business NWT offers:

- A business library – with reference and research materials.
- Videoconference seminars – learning sessions and half-day seminars on a wide variety of business topics.
- Computer workstations – access to publications, directories and leading edge business products.
- Information about how to start a business in the NWT.
- A 1-800 number for community residents

Figure 13: Business Center Activity

	Special Events
2013-14	Partnering on Small Business Week Co-hosting of the Northern Economic Development Practitioners Conference (NEDP) 60 online learning sessions, 175 participants
2014-15	Partnering on Small Business Week 71 learning sessions with 309 attendees Awarding of the NWT Outstanding Business Award Partnered with the NWT Literacy Council and Aurora College to teach business skills to students Co-hosting of the Northern Economic Development Practitioners Conference
2015-16	Small Business Week: 5 sessions 29 people 48 seminars, web conferences and workshops Partnering with Futurepreneur Canada Community visits to Inuvik, Tulita and Norman Wells
2016-17	Partnering on Small Business Week Introduced the Mentor-Me NWT initiative with 5 people being mentored Business Bootcamps in Yellowknife and Inuvik (31 people); NEDP 107 people attended 44 business training session with 80 participants Co-hosting of the Northern Economic Development Practitioners Conference (107 attendees)

2017-18	Partnered with City of Yellowknife – Win your space Partnering on Small Business Week 54 sessions with 103 participants 6 mentorships 33 participants at Business Boot camps in Hay River and Yellowknife Released a mobile app for starting a business

The BDIC has ideas around the expansion of the Business Support Services. They have stated that they would like to build on their partnering initiatives to expand their training and mentoring for NWT residents, and to support multiple audiences as well as businesses in different stages of development, from start-up to exit. They would like to offer additional services including business incubation, economic gardening, and community banking in partnership with other organizations.

Recommendation: To continue to develop partnerships, products and operations of the Canada Business NWT (CBNWT).

Client Satisfaction

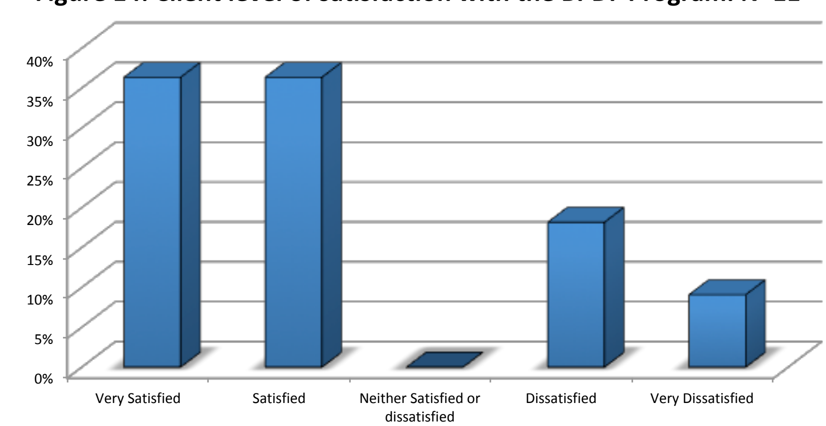
How satisfied are the clients and beneficiaries with the program(s)?

Note that the number of people who responded to the invitation to complete a survey was small: (24). It does not mean that the information collected is invalid, but caution must be taken in assuming that these responses are representative of all of the people who have utilized the BDIC's resources. Additional information was collected from the surveys and interviews, for the purpose of doing data intersects where comparisons could be made across location, length of time in operations, staffing, industrial sector, etc., but the number of surveys gathered would make associations between attitudes and the demographics speculative at best.

BDPF

The clients of the program said their first point of contact was usually with BDIC, although the ITI Economic Development Officers (EDOs) said that they spend time assisting and forwarding applications to the BDIC. EDOs do little or no follow-up with the Core BPDF clients because they do not receive the results of the applications. They would do follow up i f they

Figure 14: Client level of satisfaction with the BPDF Program. N=11



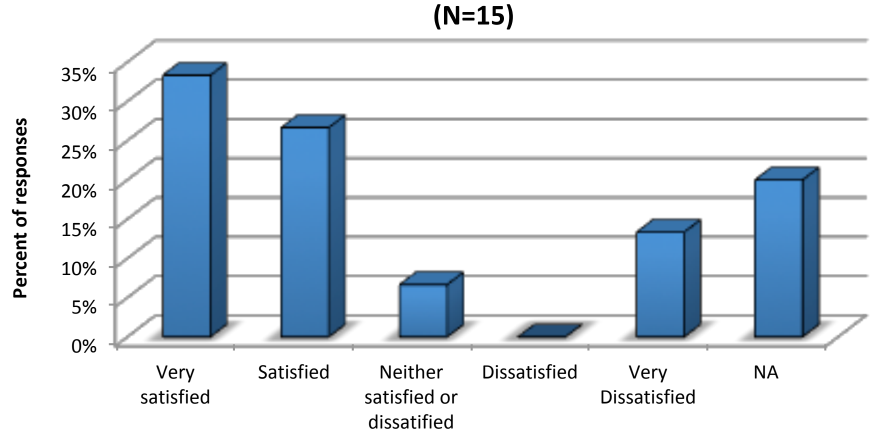
had the information. The respondents said more guidance would be useful but they complimented those who assisted with the application forms.

The majority of the clients of the program are satisfied or very satisfied. When asked if the BDIC programs and products offered what was needed for their business, there were a few suggestions. It was stated that there is no category for creating a new product or to create another window of opportunity if a client wants to start a second or third small business at the same time. The idea was expressed that: "Current program limits a client to one application in five years". "A person can easily start another project at the same time while both initiatives start to take hold." However, BDIC states that expansion funding under Core BDPF can be used to expand into another product line. They also state that start-up funding under Core BDPF can be used to start a second or third small business even if the owner operates another business. The confusion and misunderstanding here is something that the BDIC should address. Clients may be misunderstanding the program conditions, making erroneous assumptions or getting incorrect advice.

Credit Facilities

The clients of the Credit Facilities Program and VIP programs said their first point of contact to apply for BDIC financing was ITI (65%) and BDIC (35%). The respondents suggested that the local level personnel (ITI in regions) make recommendations for approval as they are the ones that know the local businesses to overcome any "red tape" (forms, interviews, processes) needed for approvals.

Figure 15: Client Satisfaction with Credit Facilities Program (N=15)



Seventy-five (75)% said they would use an online application form. There may be possibilities for future online application forms as long as there is still assistance for people who have difficulty navigating forms or have no computer access. Although BDIC has an application form that can be downloaded from the website and faxed, scanned then emailed or mailed into an office, there would both advantages and disadvantages to having an online application. On the advantage side, it would be efficient, accurate, and designed with reporting in mind, while papers would be less likely to get misplaced. On the disadvantage side, security, cost of database development and privacy could be issues.

The clients of the Credit Facilities and Venture Investment Programs were mostly satisfied with their programs. One "very dissatisfied" person claimed that it took over 6 months to have their application approved. The reviewers do not have the details of this situation. On the Venture Investment Program, there were a total of three responses. One was “very satisfied”, one “satisfied” and one said the program was “not applicable”.

The clients of the credit facilities and the Venture Investment (VIP) programs said they heard about those programs from the ITI regional offices (71%), from the website and from word of mouth (29%). The clients said they chose to apply to BDIC because they did not know of any other financial institutes or that the banks said the applicants did not have enough collateral for application. The clients of the credit facilities said that BDIC’s programs and products meet their needs (91%).

The clients were asked about the application process:

Figure 16: Client Satisfaction with the Application Process

	Clients - Contributions	Clients- Credit Facilities and VIP
Was it easy to find someone to help you?	Very easy/Easy (59%)	Very easy /Easy (62%).
How did they help?	Secure financing; pay for business expenses; explained terms and conditions.	Secure financing; develop a business plan; explained terms and conditions.
Were there barriers?	No (78%), but it was mentioned that accessibility from communities outside of Yellowknife can be a challenge.	No (83%), but two comments suggested BDIC main office did not understand the business and its needs.
Were you clear on financing terms?	Yes (90%). A bit more clarity on what the funding can be used for would be helpful.	Yes (93%).
Best process.	Some said they did not attend workshops. (this is not a requirement for the program but the reviewers wanted to see if there was any uptake on workshop offerings from Core BDPF clients.) One said positive encouragement from staff.	Having ITI staff to answer questions and help with concerns. Program consultation at local level.

The information provided from respondents is that the process is good for both the contribution and credit facilities programs. None identified barriers to the assistance and a high number of the respondents said that they were clear on the financing terms.

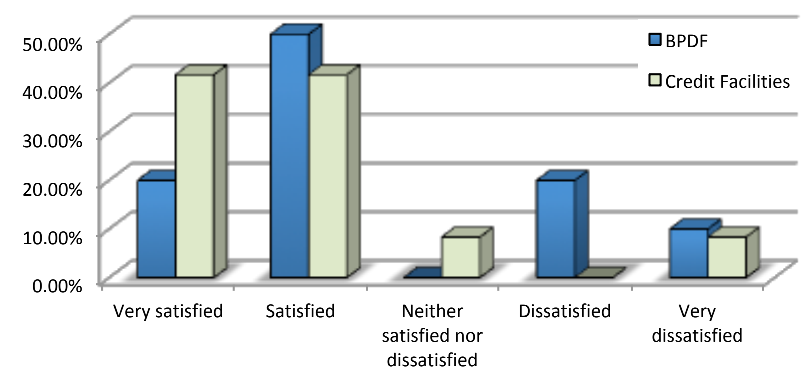
The clients were asked how long the whole process took from the time of application to receiving an answer.

Figure 17: Client time to receive an answer (turn around time)

Time to receive an answer	Clients – Contributions	Clients- Credit Facilities and VIP
10 working days	20%	25%
11–20 working days	60%	33%
21-30 working days	10%	8%
More than 30 working days	10%	33%

All clients of the Credit Facilities Program and the VIP program said they accessed the Canada Business and *How to Start a Business* services. However, only 18% of the clients of contribution programs said they are planning to or have accessed any business services.

Figure 18: In your overall experience applying for financing, were you ... ? N=10



The BPDF clients suggested that more outreach and persons with business advice should be available. A client suggested that BDIC set up a "meet and greet" business event with local business owners who can give pointers and tips that are relevant to businesses in the North. Although BDIC says that they have done this, it is apparently something that not all of the clients were aware of. "A mentorship program would be great." This person was not aware of the BDICs mentorship opportunities. BDIC should consider increasing the profile of this initiative. They also suggested that the BDIC Yellowknife office could be more approachable and helpful. The majority of clients of the Credit Facilities and VIP programs were satisfied with the BDIC overall experience.

Comments included:

- Provide more information about businesses that could market your clients' products.
- Improve the BDIC FAQ page to save time and confusion on the website.
- Become more aware of what is happening at the community level.
- "I just appreciated that they were willing to think outside of the box and fund an unusual "business". "My business has exceeded my business plan by 300% over the first 2 years. I have hired a full time employee and a part time employee and am looking to recruit a second professional to work with me. Banks and traditional funders would not have helped me."

Program Promotion

The clients of the BPDF programs said they heard mainly of the program by word of mouth (73%) and from the ITI regional offices (27%). Only one person mentioned the BDIC website. Some clients said there are not a lot of grants and contributions for start-up and beginning businesses (this does not reflect the current number of offerings from the various agencies). “A financial institution would not have supported such businesses”.

The clients of the Credit Facilities Program and the Venture Investment (VIP) programs said they heard about those programs from the ITI regional offices (71%), from the website and from word of mouth (29%). The clients said they chose to apply to BDIC because they did not know of any other financial institutes or said that the banks determined that the applicants did not have enough collateral for a successful application.

Subsidiary Programs

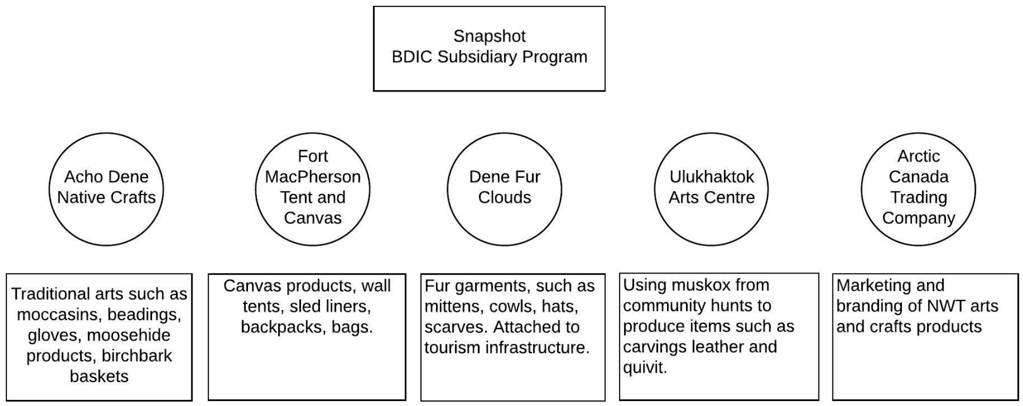
The BDIC Subsidiary Programs invest in local community initiatives, either supporting community ownership or as a wholly owned enterprise of the BDIC. The BDIC provides operational support, accounting and marketing services. The subsidiaries provide an outlet for community artisans and help to boost the economy of some of the smaller communities. There are also tourism spin-offs and a general exposure to the culture and crafts of the NWT into southern markets. BDIC can also provide the subsidiaries with funds for new facilities or equipment.

Over the years the number of subsidiaries owned or shared by the BDIC has varied. In the best situations, the local communities have the interest and capacity to take over the operations and the operations continue as successful enterprises. In the past few years, the Nahanni General Store and the Rae Lakes General store (which were essential services) have been successfully divested. The remaining are involved in canvas product manufacturing and arts/crafts production. Currently, the BDIC has five subsidiaries; two in the Beaufort Delta region and two in the Dehcho region. One operates in Yellowknife as an arm of the BDIC in marketing and branding NWT arts and crafts.

The subsidiaries provide:

- Employment in the communities (the direct and sometimes indirect employment of staff)
- Opportunities for citizens to participate in the wage economy
- Economic benefits for the producers of goods (hunters, trappers, craftspeople)
- A contribution to the maintenance of cultural activities and cultural identity.

Figure 19: Subsidiary Programs



The BDIC has the mandate to acquire and maintain a variety of subsidiaries through its legislation and through agreements made from past iterations of the Corporation.

Legislative Requirements
In brief, the Act and Regulations allows:

- The BDIC to acquire and control a subsidiary;
- For each job created (initially), BDIC may pay up to $100,000 from the Capital Fund; over that amount requires Management Board approval.
- For each job, BDIC can pay up to $25,000 for operating costs each year from the Subsidy Fund; over that amount requires approval from Management Board.
- As a further investment or as short-term financing, BDIC can to provide the subsidiary funds to carry on its business up to $250,000. Over that amount must be approved by the FMB.
- Income from the subsidiary is used to pay the expenses of the Corporation and the remainder, shall be paid to the Consolidated Revenue Fund.
- If the Board wishes to amend their guidelines for the sale of a subsidiary, the proposed guidelines must be approved by the FMB. This includes approval to sell the shares or any other interest in a subsidiary.
- Shares or interest in a subsidiary cannot be sold for less the value determined by a valuation using the standards of the Canadian Institute of Chartered Business Valuators.

- The Board may, with the approval of the FMB, authorize an amalgamation of a subsidiary with another subsidiary, company or corporation, as long as regulations are met.

- The Board may authorize the wind-up of a subsidiary with the approval of the FMB.

- The Act prohibits the BDIC from providing financial assistance from the Loans and Investment Fund;

- The Financial Management Board Manual section 805.01 “Funding Agreement Application and Requirements” excludes the subsidiaries of the BDIC.

Through the past 5 years the employment through the subsidiaries averages around 14 people a year, and over $3 million in funding provided. Since 2013-14, over $1,252,000 has gone directly into salaries and wages to support (on average) 13.9 jobs a year or 69.62 jobs over the past five years.

Figure 20: FTE Employment Through the Subsidiaries 2013-2018

2013-14	2014-15	2015-16	2016-17	2017-18	TOTAL
12.85	14.31	16.62	13.83	12.01	69.62

This chart does not include the indirect jobs associated with the subsidiaries.

Figure 21: Investment from BDIC to Subsidiaries 2013-2018

2013-14	2014-15	2015-16	2016-17	2017-18	TOTAL
$625,000	$640,000	$640,000	$640,000	$665,000	3,210,000

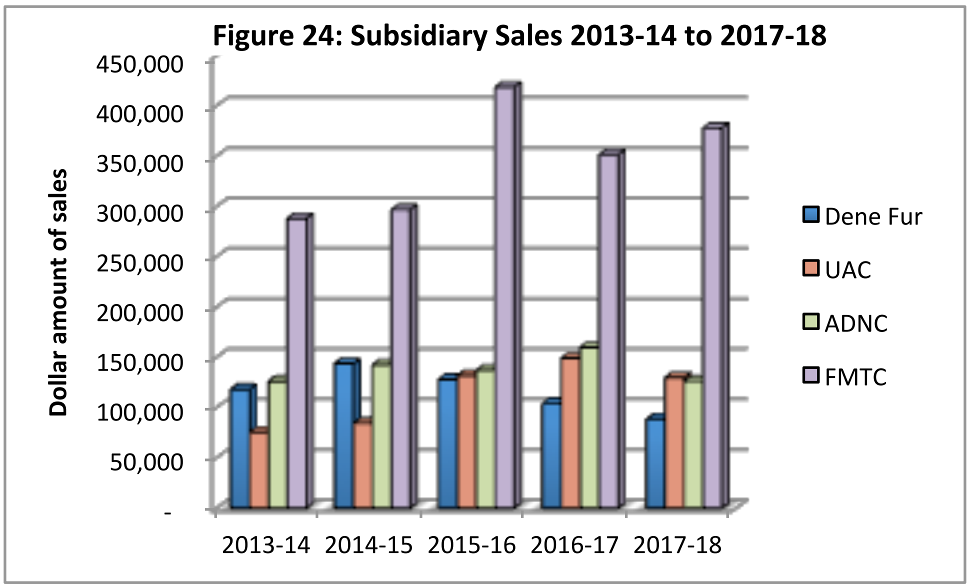
Figure 22: Payments to community producers of Arts and Crafts from BDIC 2013-2018

	2013-14	2014-15	2015-16	2016-17	2017-18
Producers	144	124	128	123	111
Total payments	$170,000	$160,000	$197,899	$191,000	$191,000
Average per producer	$1,180	$1,290	$1,546	$1,552	$1,720

One understated benefit of the subsidiaries is the payment to community people who are producing arts and crafts (the producers). The subsidiaries buy their products and then retail them. The reviewers did not review the individual payouts to people but averaged the payments to the number of producers. In 2017-18 the average payment was $1720, knowing that some producers would have been paid more and some paid less. This is not an insignificant amount for a person who may be on a fixed income.

Figure 23: Economic Multipliers, For every dollar subsidized:

2017-2018	Acho Dene Native Crafts	Fort McPherson Tent	Ulukhaktok Arts	Dene Fur Clouds
Labour Costs	$88,196	$222,011	$61,359	$137,719
Income to Artists	$117,986	0	$72,756	
Total	$206,182	$222,011	$134,115	$137,719
BDIC subsidy	$150,000	$275,000	$90,000	$100,000
Employ income net of subsidy	$56,182	($52,989)	$44,115	$37,719
Income generated: for $1.00 of subsidy	$1.37	$0.81	$1.49	$1.38



One of the assumptions about the communities in which the subsidiaries exist is that these are communities that are in economic difficulty. Although the statistical profiles of each community fluctuate each year, in general the data does not vary much. Populations are very small and through the years there has been little change. The unemployment rates can change radically over the years.

- In Fort Liard the unemployment rate was 27.5% in 2006 and climbed to 32.5% by 2016. Ulukhaktok had an unemployment rate of 8.6% in 1996 but by 2016, it had grown to 22.9%.

- Fort McPherson averaged 20 cases per month for income support (2008) and by 2017 this had grown to 50. Fort Liard averaged 12 cases per month in 2014, which nearly tripled to 45 in 2017.

Figure 25: Economic Conditions in the Communities[11]

	Population	% Households in core need (2014)	% Producing arts /crafts (2013)	% Unemployment rate (2016)	% Labour force participation rate (2016)	% Families with income under 30,000
Fort McPherson	776	23.8	23.5	25.4	60.9	28.6
Ft Liard	658	30.6	29.7	32.5	51.9	28.6
Ulukhaktok	420	17.3	40.4	22.9	60.3	27.3
Fort Providence	770	31.3	26.9	35.1	63.8	28.3

With the data that is available it is impossible to know what is driving the fluctuations of either the social or economic situations in these communities. One past evaluation recommended that performance measures be selected to help to detect the changes in the communities and the impact of the subsidiary (social return on investment). While performance measures would be helpful to gauge the operations and management of the subsidiaries it would take extensive contribution analysis to be able to attribute any major changes back to the investment of the Corporation.

Acho Dene Native Crafts - Ft Liard

Acho Dene Native Crafts began operation in 1976 as a project of the Government of the Northwest Territories and operates today as a subsidiary of the BDIC. Over 40 cottage producers living in the community produce the items sold by the store. These products are made using techniques and themes with traditional and modern materials to make birch bark baskets, jewellery, moccasins, mittens, mukluks and other souvenirs. The business also maintains a tourist kiosk for ITI in the Fort Liard store.

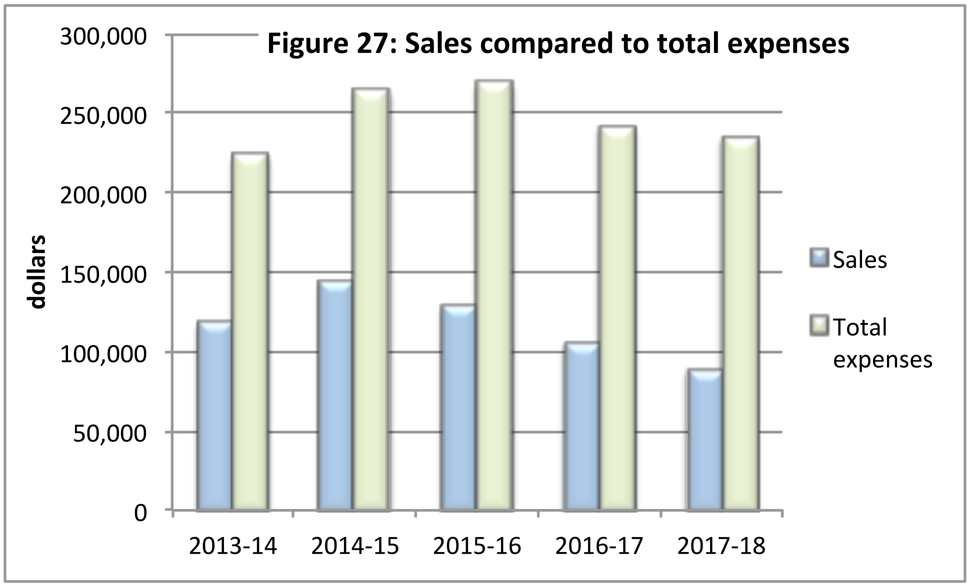
Figure 26: Acho Dene Native Crafts Data

	Direct jobs supported	Sales	Wages	Cost of Sales	BDIC Investment
2013-14	1.35	126,148	81,095	(86,817)	125,000
2014-15	1.43	142402	89,049	(99,658)	125,000
2015-16	1.59	137,197	96,703	(98,649)	150,000
2016-17	1.64	159,923	88,619	(127,889)	150,000
2017-18	1.36	126,241	88,196	(108,184)	150,000

Fort Liard is situated two hours from Fort Nelson B.C. and three hours from Fort Simpson. This places the Hamlet on a road system with the potential for tourism activity. Online reviews for the Acho Dene Native Crafts store and products for the most part are very good. In fact, one person stated that he drove to Fort Liard specifically to visit the store. A comment was made during the interviews that the Fort Liard store was an integral part of the NWT tourism infrastructure.

[11] Data obtained from the community profiles completed by the NWT Bureau of Statistics.

Another comment was that the quality of the products was good, and that everything that was purchased for sale through the store was sold. Sub-standard products were not added to the inventory. If the production of the goods were increased, there would be greater turnover of product and increased revenues.



Fort McPherson Tent and Canvas

The first reference found on the Fort McPherson Tent and Canvas Company says that the company was set up in the 1970's to create employment in the hamlet of Fort McPherson. Although the early ownership of the company is not clear, by 1980 the company was owned by the GNWT.[12]

They manufacture a variety of products including tipis, different sizes of outfitter wall tents, sled wrappers, backpacks and tarps. Discussion on camping and hunting message boards indicate that the Fort McPherson products are well received even though there is competition around Canada for this kind of manufactured item. Past BDIC Annual Reports have indicated that the tents have even been sold internationally.

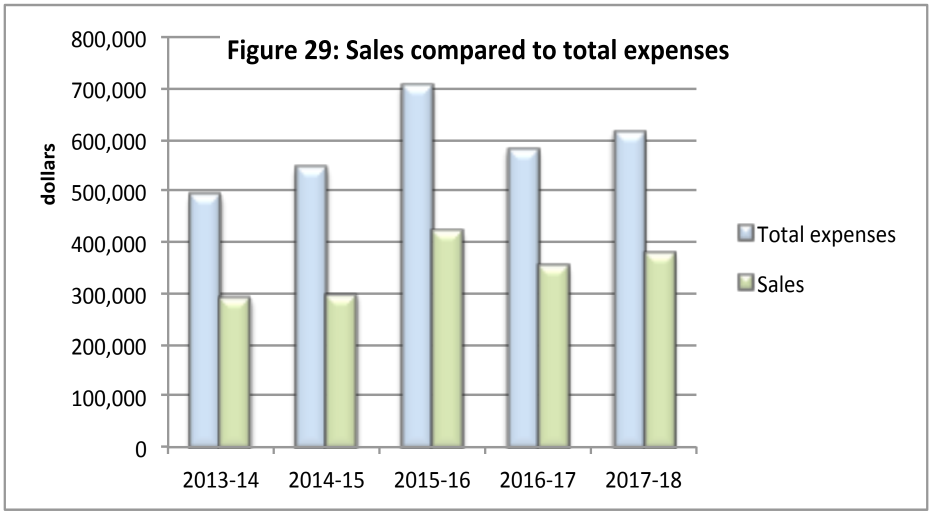
Figure 28: Fort McPherson Tent and Canvas Data

	Direct jobs supported	Sales	Wages	Cost of Sales	BDIC Investment
2013-14	5.95	287,969	192,562	(129,159)	300,000
2014-15	6.55	296,925	218,616	(223,983)	250,000
2015-16	8.74	418,727	310,438	(241,928)	250,000
2016-17	6.13	351,407	206,803	(278,477)	250,000
2017-18	5.53	377,922	222,010	(307,236)	275,000

Fort McPherson is involved with making items that are marketable all across Canada. The product has a good name but the cost of sales is very high. In the case of the other subsidiaries, part of the cost of sales is the purchase of product from local people for crafts or hides etc. In the case of Fort McPherson, the

[12] John Boogers, Windspeaker Newspaper, March 10, 1980. Volume 7, No 1.

cost of sales includes the purchase of goods like canvas and thread, which is not produced in the NWT. This limits the benefits the community. BDIC has stated that they are looking at ways to reduce the costs of manufacturing including the purchase of high quality but lower cost canvas.



Recruiting people to work in the subsidiary is difficult. The wages are never going to be as competitive as the wages that are given to people who work in government / hamlet offices. If the production capacity is limited due to recruitment or equipment, sales will be low. Fort McPherson has the potential to be viable but not until these factors are addressed. The reviewers heard that the Canadian Rangers (a component of the Canadian Armed Forces) live in prospector's tents when they are on the land. Every three years the tents are replaced as the weather proofing wears thin. They order 100 tents. Another ex-military person commented that they once questioned a purchase of a $25,000 tipi from an American firm as the purchaser was unaware that such items were available in Canada.

Fort McPherson is not on the procurement list (Standing Offers and Supply Arrangement) with the Government of Canada. The only contract that could be found was for $19,163 in 2009 for the Joint Task Force North (JTFN). There were other opportunities such as the 2014 tender for 450 arctic tent liners (value of awarded contract was $164,321.) The proposal accepted was for lowest cost and it is not known if Fort McPherson could have entered into a competitive bid. However, the federal government is obliged to consider land claim agreements in the determination of awarding bids. As the company is owned by the BDIC this would not apply, but it will come into consideration if the company reverts to community ownership. Government Works and Services Canada should be approached to have Fort McPherson on the procurement list.

Currently, the company is not included in the GNWT's own Business Incentive Policy. One explanation offered was because of the structure of the subsidiary; the business needs to be owned by a person, a Cooperative Association, a corporation or a partnership (if the controlling interest is northern). There are a number of Development Corporations in the BIP registry (10) and it is not clear why the subsidiary is exempt.

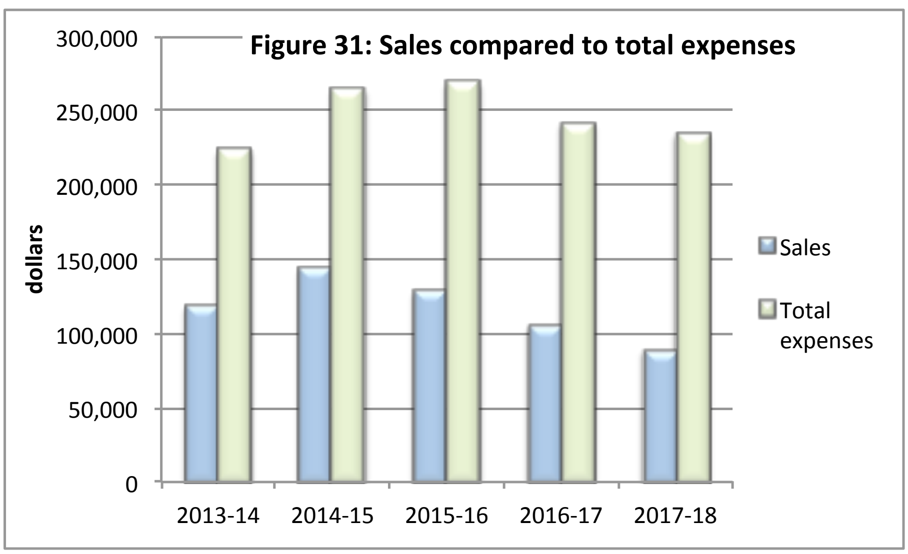
Dene Fur Clouds - Fort Providence

Dene Fur Clouds Ltd. supports a group of craftspeople that use traditional design with an innovative method to produce hand knitted garments and accessories. They use furs that are harvested sustainably through the Genuine Mackenzie Valley Fur Program. Because of the cold weather conditions in the north, the fur is considered to be of very high quality. The products are made using sheared beaver, arctic hare, fox and lynx.

Figure 30: Dene Fur Clouds Data

	Direct jobs supported	Sales	Wages	Cost of Sales	BDIC Investment
2013-14	4.69	118,195	112,920	(48,937)	100,000
2014-15	5.37	143,674	141,620	(64,816)	100,000
2015-16	5.18	128,173	129,142	(78,571)	100,000
2016-17	4.56	104,330	135,896	(50,372)	100,000
2017-18	3.88	88,534	137,719	(46,163)	100,000

Dene Fur Cloud sales peaked in 2014-15 at around $143,000 and have since declined to approximately $88,000 in 2017-18. There is no indication as to why there has been a decline but it could be that there is less of a demand for fur products, that the marketing needs to be more aggressive, or there is competition from other arts and craft items.



Ulukhaktok Arts Centre

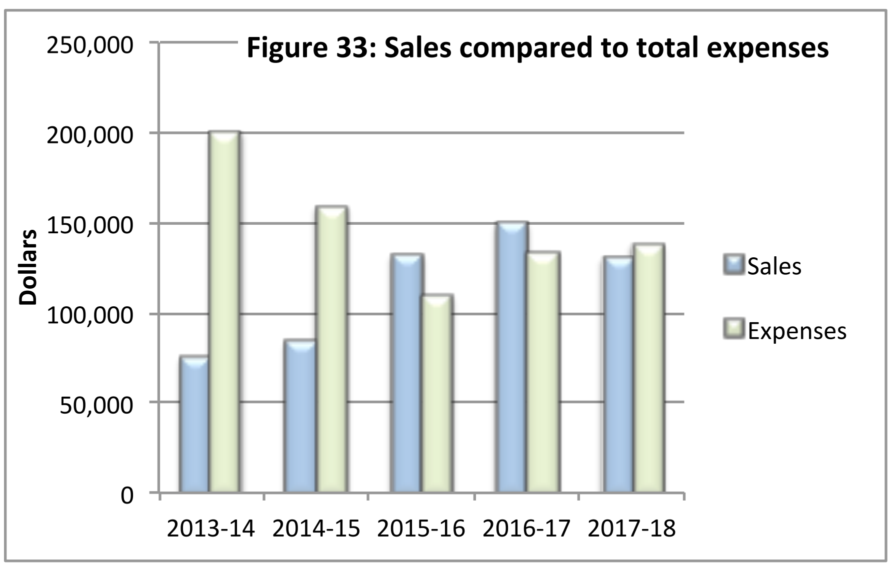
The Ulukhaktok Arts Centre has been employing local artists from the community for many years. It was formerly known as the Holman Print Shop, and its products are well known. The Centre produces prints, muskox carvings, qiviut products and other traditional items.

Figure 32: Ulukhaktok Art Centre Data

	Direct jobs supported	Sales	Wages	Cost of Sales	BDIC Subsidy
2013-14	.86	75,333	34,002	(81,969)	50,000
2014-15	.96	84,455	41,396	(81,797)	90,000
2015-16	1.11	131,872	22,798	(129,892)	90,000
2016-17	1.50	149,344	60,420	(136,482)	90,000
2017-18	1.12	130,093	61,359	(87,369)	90,000

Sales have increased from $84,000 in 2013-14 to $130,000 in 2017-18. Ulukhaktok is in a geographic location where cruise ships are coming ashore. ITI Tourism officials and the Inuvialuit Community Economic Development Organization are working with the Hamlet's Community Corporation to try to prepare the community for visitors and for sales. In 2018, two cruise ships Le Boreal and Le Soleal, were unable to land due to ice conditions. This may be a repeating situation. The cruise ships carry a number of people who are all potential buyers of the goods produced in the Arts Centre. Ships headed for the community include the:

- Bremen (155 passengers)
- Crystal Serenity (1,000 passengers)
- Le Boreal (199 passengers)
- Ocean Endeavour (150 passengers)



There is the expectation that Ulukhaktok will benefit from at least a part of the cruise line industry running through the Northwest Passage, but it is a risk if the ships choose other ports of call or cannot land.

When the Holman Print collection was in circulation, it was popular and highly acclaimed. This gives some indication that the Ulukhaktok products are valued and could penetrate southern markets. It should be remembered through, that these ships will be stopping at other places on their way to the community, and these communities will have goods for sale too.

Summary
A number of times the subsidiarity staff indicated that there were problems hiring staff because of the perception that there will be a "clawback" on the Housing Subsidy. Both the Housing Corporation and the Department of Education Culture and Employment (ECE) were contacted to verify if this was the case. The rental scale is based on (gross) monthly earnings. Someone making between $3,700 - $5,000 per month would pay no more than $555 on rent. A person making less than $1667 gross per month would pay no more than $70 dollars. Incentives to work are built into the system along with the principle that if a person can help to support their family, they should contribute something. Rent is based on 19.5% of gross income (on average). People may not understand the specific details of the policies but they are not likely to take any chances if they believe that their employment income will be used to offset government subsidies. The wages that are provided to workers was not seen as an incentive to work as the reviewers were told that staff wages are slightly above minimum wage.

The BDIC would like to see an increase in community investment through the purchasing of arts and crafts from all NWT communities to address international market demand for NWT products. They have stated that they have been requested at numerous times to expand the Arctic Canada Trading Company Ltd. by providing assistance in selling the products from artists and craft producers. BDIC feels that there is increased international interest in subsidiaries arts and crafts, and there are opportunities to meet the demand from suppliers and buyers through Arctic Canada Trading Company Ltd. However, the website for the Artic Canada Trading Company needs to be revamped. The site is out-dated, there is no inventory aside from the fur products and the tents, it is not appealing and there is no affiliation back to the BDIC which would lend some confidence to purchasers that this is a legitimate site. It is only when the purchaser clicks on the button that takes one directly to the subsidiary that it appears. As a matter of interest, the reviewers ran the BDC's website evaluation tool on the Trading Companies website. It scored 60 out of 100 possible points. Any expansion into foreign markets or expansion of the Trading Company needs to be accompanied by a strategy and strong program design.

There was a suggestion that Aurora Colleges program on Merging Arts ad Crafts with Technology would help to diversify the product line. Presently two of the four subsidiaries are showing no product availability, this unavailability loses the viewers confidence and interest. Out of 12 product categories, 9 are sold out and have been for months. At the very least, the products for Acho Dene Native Arts & Craft and the Ulukhaktok Art Centre should be displayed as available explaining that each order is a custom order which will shipped once completed. In order to create demand for the products, the website needs to be actively managed. If product availability is an issue because the producers are retiring or not interested in supplying the Trading Company, then the entire strategy needs to be rethought. BDIC should ensure that they have a seat at the table when the NWT Arts Strategy is revised.

Recommendations:

- *Revamp the website for the Artic Canada Trading Company.*
- *Determine the reason for product unavailability and if an expanded territorial sales initiative would be ameliorate this situation.*
- *Do not proceed with a territorial initiative for the sale of arts and crafts unless a solid program design and strategy is in place. This should be done in coordination with the NWT Arts Strategy.*

The concept of equity across the NWT should also be considered. Although these four communities are amongst the most economically challenged, they are not the only communities that can use assistance. Some have received GNWT assistance for decades, and the reviewers were unable to determine past efforts to remediate the business in order to have them become self-sustaining. There are other NWT communities that could present opportunities for partnerships but the BDIC does not have the money to support all of them.

There is support for the subsidiaries from the BDIC Board, staff, and both past and current ITI staff, but as all of the subsidiaries have shown losses over the years, and BDIC financial support is increasing to keep up, there needs to be a management plan in place to remediate the losses. Because of the additional economic stress on the communities as a result of closures and the potential backlash that might be created as a result, there has been little change in their status. This does not mean that the subsidiaries should be maintained without intervention. Capacity building is a part of the assistance that the BDIC provides to the staff in the subsidiaries, but it should also be applied to the communities who have the will to eventually gain control of local resources. Successful community ownership of the subsidiaries should be a goal of this program[13].

Recommendation:

Given that:

- There is an imperative to try to spread the economic stimulus across the territories;
- The government has been supporting at least two of these subsidiaries for over 40 years;
- Community development and self-determination should be acknowledged and actively pursued;
- Capacity building is a part of the mandate of the GNWT:

A Ministerial Directive should be considered that limits the number of years that a subsidiary can be on the books (a sunset clause). The length of time would have to consider community reach, economic conditions, potential for community control, venture sustainability and the length of time it might take to work with the community to be in a financial situation with management capability to successfully run

[13] In 2005, during the discussion for the emerging of the BCC and the Development Corporation the (then) Minister when asked about the long term vision for the subsidiaries, said: "That certainly is the plan. To make them self-sustaining going forward. These subsidiaries are set up to create meaningful employment in communities but as they are able to develop capacity and go it on their own, we intend to give that little extra push to make sure that happens. That will free up additional monies for us to invest in newer startups. When they are unable, even after much patience and much work on our behalf, to create employment with the money that we are giving the organization, and we will have to reconsider whether or not our an investment isn't better spent elsewhere".

the entity. Determining the number of years is beyond the scope of the study but it could be as long as 8 years. (The current subsidiaries could be grandfathered in).

The GNWT should determine their vision for the subsidiaries: the manner of the involvement, equity, and the predominant viewpoint of the intervention (economic or social).

There are a number of options with consideration to the current subsidiaries, bearing in mind the one caution expressed by a person who was interviewed. He said that the subsidiaries are not all the same. There are different factors to be taken into account for each one and lumping them all together does not address the unique circumstance of each. He and another interviewee went on to say that there has to be recognition that the subsidiaries were a vehicle to stimulate the economies of small communities and *were never meant to make money*.

Options that were mentioned include the following:

- Leave them as they are;
- Market the businesses to see if there would be any willing buyers;
- Keep them and remediate the business to find efficiencies to reduce their operating costs, and market the products aggressively; buying the services of a specialist who has inroads into the fashion industry and other foreign art markets;
- Offer to transfer them (with short term financial resources) to a Community Futures or community government.
- Close them and look to re-deploy the funds in other community initiatives that might have a broader reach.

Theme 3: Goal Alignment With Vision and Objectives

Vision and Achievement

How well are the BDIC programs and services aligned with its vision and objectives?

The vision statement of the BDIC is: "An accountable and independent Crown Corporation providing resources for the economic development of the Northwest Territories".

According to the NWT Business Development Investment Corporation Act, the purpose of the Corporation is to "support the economic objectives of the Government of the Northwest Territories in a manner that benefits the people and the economy of the Northwest Territories, by:

1. (a) encouraging the creation and development of business enterprises;

2. (b) providing financial assistance to business enterprises, either on its own or as a complement to private sector or other financing;
3. (c) directly investing in business enterprises; and
4. (d) providing information to business enterprises and members of the public respecting (i) the establishment and operation of businesses, and (ii) other business matters."

The current set of programs fulfills the purpose of the BDIC. The Credit Facilitates programming and BDPF provide financial assistance to business enterprises; business support services provide information and assistance to the public in dealing with registration as well as training; and the venture investment program provides a vehicle for the BDIC to be able to invest in business. The subsidiaries are seen as directly investing in business enterprises although they are mostly valued by having impact in direct employment and the purchase of the goods that are produced by local craftspeople.

To what extent have the BDIC programs and services achieve its intended objectives over the past five years?

The BDIC's objectives are written year by year and reported in the Annual Reports under the Scorecard section. Having a scorecard is helpful in that it holds the organization accountable by comparing its promises to its achievements over the year. There are also quarterly Program Activity Reports, and the Annual Corporate Plan that are posted to the website. The objectives of the BDIC are specific to each program, meaning that they are written as a yearly objective on a core business area thus there is no "drift".

In order to summarize the BDIC objectives they have been assigned a status: complete, partially completed, or incomplete. The breakdown of achievements is seen in Figure 34. (Note that the status is given at the time it was recorded, and may not reflect the status today.) Around 90% have been completed or partially completed.

Figure 34: Achievement of Corporate Plan Objectives and Targets

	2013-14	2014-15	2015-16	2016-17	2017-18	TOTAL
Complete	15	9	10	6	7	47
Partially Complete	0	4	1	1	0	6
Incomplete	1	4	1	0	0	6

There is no way through these types of ongoing measures and status updates to determine the impact or the quality of the work that was done. This will be addressed in the review of the performance measures.

How well do the BDIC's activities support the economic objectives of the GNWT? (BDIC's role contributing to the mandate of the Government of the Northwest Territories.)

At the beginning of the 18th Legislative Assembly as per tradition of consensus government, the Legislators decided on the priorities and mandate of their next four years. The visualization for the NWT is that "All of our people, communities and regions share in the benefits of a healthy, just, sustainable and prosperous society... and where a strong economy provides jobs and opportunities for our communities as well as funding for government programs". Many of the priorities and strategic areas fall beyond the reach of BDIC's legislated purpose. There are others that directly reflect the work that the BDIC is involved in. In order to simplify the priority areas, BDICs contributions are presented into the following matrix:

Figure 35: Achievement of GNWT priorities

Priority area: Making strategic investments in infrastructure, resource development, workforce development and the knowledge economy.	
Strengthen connections with private sector partners.	
More 18-24 year olds into the labour market by removing barriers to employment….	The BDIC participates in the Futurepreneur program from the national non-profit organization that provides financing, mentoring and support tools to aspiring business owners aged 18-39.
Researching the feasibility of creating a Northern Centre of Excellence to promote and support research, innovation, and use of traditional Indigenous knowledge.	Through its subsidiaries, the BDIC works with local artists and harvesters and encourages them through funding and demonstrations to showcase their talent and traditional knowledge. The extent that the BDIC has networks in with other types of research and development entities such as universities, research institutions or not-for-profit with regard to traditional knowledge.
Priority area: Support small communities by enhancing job-creation programs, building community capacity and supporting new economic opportunities	
Implementing the Economic Opportunities Strategy	
Enhancing the Small Communities Employment Support Program. The program includes actions focused on the creation of jobs, such as maximizing employment opportunities and economic development projects and partnering with communities to support the development of	BDIC works with the Community Futures Program by communicating, planning and providing loans for community-lead initiatives. The larger initiatives have opportunities to work directly with BDIC on

community labour market development plans.	business proposals for larger sums.
Reduce taxes on small businesses	BDIC has no direct role in tax policy but was able to introduce a rebate on the interest paid by some companies. In 2016-17 a maximum amount of $3,000 was returned to 85 companies totalling $234,000.
Invest in artist-to-market and product-to-market opportunity chains, with a particular emphasis on making investments that enable the showcasing of art and increase sales at the regional level.	BDIC has invested in the Arctic Canada Trading Company that markets the products made in the NWT. They have also been promoting NWT products through trade shows and active recruitment of 75 art galleries in southern Canada.
Through agreements with communities, we will help to establish and/or expand self-sufficient businesses that sell products from renewable resource harvesting.	BDIC helps in the utilization of product from the Genuine Mackenzie Furs Program through the sale of products and financial support to the subsidiary Dene Fur Clouds.
Working in collaboration with industry and the NWT's Manufacturers' Association to expand the manufacturing sector, identify potential areas of growth, promote and market products manufactured in the NWT and aid in the professional and technological advancement of the industry.	BDIC contributed to the discussions on the Northern Manufacturing Strategy and supports the strategy through secondary means of funding.
Attract foreign direct investment, and cross-promote minerals, furs, fish, forest products, and tourism to investors and markets.	Talks have been held with the Trade Commissioner Service of China and Hong Kong for the export and sales of NWT art products. Collaboration is ongoing.
Build partnerships to expand resources available for community-based traditional economy programs, which could be used to support, local operators, culturally based tourism, and the conservation economy.	BDIC has been involved in the traditional economy through the sales of arts and crafts. BDIC also has provided loans and contributions to cultural based tourism operators as well as operators who are involved in eco–tourism.

Observations

As stated earlier, the vision statement of the BDIC is: "An accountable and independent Crown Corporation providing resources for the economic development of the Northwest Territories". Vision statements usually have the following characteristics:

- They are compelling;

- Oriented toward the future and ambitious;
- Describes the ultimate future for the organization.

It is the lynchpin or anchor for the future strategic direction of the organization. Currently, the vision statement reflects what the organization does, not what it is striving to achieve. Accountability is also an expectation, not a desired future state - it underpins everything that a public agency does.

The mission statement, "To support the economy by encouraging the creation and development of businesses in communities" is self-limiting. The BDIC is a territorial enterprise. It encompasses communities, regions, networks across groups and the Northwest Territories at large. The purpose of the mission statement is to tell the world what you do and how you do it, every day. The vision statement is the dream; the mission statement is the intended reality.

Recommendation: The vision statement and mission statement be reviewed by the Board and any proposed changes be approved by the Minister.

ECE has developed the strategy for the Small Communities Employment Support Program. One of the goals is to "Grow the NWT Workforce through Partnerships", with the key action of infrastructure and economic development projects. The Job Creation Partnerships funding stream to support employment opportunities in communities is also included. There is the "Self Employment Option" for people on Employment Insurance (EI) who want to start their own businesses, as well as the strategies around labour market development. Community Futures are delivering this program, but communication between ECE and the BDIC is important as there could be opportunities for collaboration. BDIC should be working with ECE towards the achievement of their common goals.

When reviewing the *Mandate of the Government of the Northwest Territories 2016-2019*, and the *Updated Priorities of the 18th Legislative Assembly*, it was clear that the work performed by the BDIC is reflected in the broad priority statements about the economy. BDIC has no direct commitments in the mandate document, which is developed by the Executive Council after Caucus establishes a collective statement on the priorities of the new Assembly[14]. Inclusion in the mandate and priorities document would heighten BDIC accountability, transparency and profile to the Legislative Assembly.

Recommendation: The Minister consider including commitments from the BDIC to support the next mandate statements developed by the 19th Legislative Assembly.[15]

[14] Process Convention Priority Setting and Reporting . October 2018.
https://www.assembly.gov.nt.ca/sites/default/files/images/process_convention_on_priority_setting_and_reporting.pdf
[15] This recommendation is based on the process chosen by the 18th Legislative Assembly for setting priorities. The 19th Legislative Assembly may choose to set priorities in a different manner.

Performance Measures

What is the adequacy of the performance measures?

The BDIC have been refining their performance measures and layout over the past five years. The Activity Reports with the program statistics on the website are informative. These provide detail on a number of items that the public might want to know such as:

1. Credit and Contribution Programs

- The purpose of the activity on the credit facility and contribution files (start-up, maintenance, or growth)
- Contributions and credit activity by economic sector
- Disbursements by Credit activity (a loan, a line of credit, a Working Capital Guarantee)
- % and number of loans account that are current/ arrears (over and under 30 days)
- Decision timelines (for both Credit and Contributions)
    - From HQ CEO
    - HQ – Application Review Committee (ARC)
    - After external review

Credit: Approved/declined/withdrawn by regions / number, $ amount
Credit: Approved/declined/withdrawn by community/ number, $ amount

2. Subsidiaries

- Revenues, FTE's, wages, subsidy from BDIC.

3. Business Service Centers: For both the BDIC and the Canada Business Centers:

- Interactions: Internet, in person, phone, emails
- Training and Development: Seminars (#) and # of participants.

Observations

Core Business Areas
The above are metrics on the core business areas. They are outputs or throughput indicators, which is fine but they can lead to questions on the "value added" work of the BDIC. People might not be aware of everything else that the BDIC does in support of its programs. On the Credit Facility and BPDF programs, the BDIC might want to look at the impact of the programs in terms of the economic multipliers. This will require work with the Bureau of Statistics to use and to understand their formula and to be able make a call on what the data actually means. Right now, people reading the information may not realize what the data is actually telling them, and data interpretation is required. On the BPDF program, there is no guarantee that the money is having the impact that is desired. Currently there is no mechanism to check this.

At a macro level, the public should be reassured that the loan portfolio is under good management. This means losses and gains (interest), community level of funding, sector, and level of risk. These are all available in the Audited Financial Statements in the Annual Report. The reports could also show number of loans that were successfully concluded. An explanation of risk is included in the audited financial statements but it could include the composition of the portfolio average risk ratings and other aggregate characteristics. The portfolio maturity is also projected in the audited financial statements. The measures are clear as they are accounting devices but the Corporation might consider encapsulating additional higher level measures from the financials with an explanation of what they actually mean. If the report is meant to be an accountability tool, transparency becomes occluded if people who are unfamiliar with accounting have to dig through the statements to gain an understanding.

Subsidiaries

It is possible that people underestimate the work of the subsidiaries and their financial situation based on the measures reported. Sales by subsidiary rather than a roll-up of total sales would be helpful. The sales are large, and even though the sales do not offset the expenses, it shows to some extent the market for the product. In addition, having the products available in southern outlets most likely will lead to increased sales, but we cannot say for sure when it is not known where the sales occur. BDIC would then be able to make the management decision of where their efforts are best spent. Also, there are approximately 100 producers, and the money paid to them is in the hundreds of thousands of dollars. This has the potential to have a huge impact but the Annual Reports give only the number of producers (craft people) and the total amount paid, leaving people to do the math and draw conclusions on their own.

Business Support Services

The outputs are recorded, giving some indication on the volume of interactions and on the knowledge that the public has about the services provided. With the training that occurs, the sessions and the number of participants are documented. BDIC provides electronic means to participants to gather feedback and a rollup of the feedback should be reported. A series of metrics were included in the contract between BDIC and the Canada Business Network for operations of the service and at least a few of these might be considered for inclusion in the annual reports outside of the straight output numbers.

With any training program that the GNWT offers, it is difficult to determine how effective the training was. Metrics are reported on the satisfaction of the training but there are a few considerations to training of any kind. One is retention. The faster that the information is put to use, the more the training will be beneficial. If a cross tabulation was produced on the numbers of people who took training and then came to BDIC or ITI for funding, there would still be a problem; the number might be low because the people realized they were about to embark on a pathway that unproductive; family or life has prevented them from going forward; the market has changed and the plan is no longer viable, or there might simply be a delay in the getting the proposal together.

BDIC can intervene in certain circumstances (such as a check box asking the participant on the exit surveys if they would agree to a follow up phone call) but the participant is under no obligation to report back to BDIC on their decisions. One way to gauge quality besides asking the participant if they benefited from the session is to invite observers (subject matter experts to participate and offer suggestions.) At this point, one cannot say that the services are effective or ineffective because of the intervening variables.

The Scorecard

The Annual Reports present their yearly objectives through a scorecard. This is a form of accountability in that the BDIC is reporting on its achievements outside of the core business metrics. The scorecard has an objective, actions, target and then a reported status. In 2013-14, the BDIC chained the GNWT's priorities to their own priorities and objectives. The BDIC has a legislated purpose. Currently they have no expressed goals or priorities and are maintaining the status quo in the absence of a strategic plan. The GNWT has set priorities from the 18th Legislative Assembly, to which future goal statements (within each program area) could be aligned.

The BDIC can use any terminology that fits its needs with regard to measurement but the terms should be standardized throughout the years and level of attribution. "Alignment" is the desirable coordination or relationship between components. When considering alignment of performance measures we are looking for that proper relationship of the different elements of an action or strategy in regard to measurement. There a logical progression, but it has to be remembered that correlation does not mean causation.

For example:

- The "Business and educational resources mailed to subsidiary supervisors on a bi-weekly basis" (2017/18) comes from the objective of increasing the capacity at the subsidiaries. These items are aligned but there is no guarantee that the managers are any better at managing or they are even reading the information. It is not unusual that the causal link between activity and outcome is usually weak but steps can be taken to draw out multiple lines of evidence to support a conclusion.

In addition:

- There is disparity within the "scope" of the objectives as reported in the Annual reports, for example "Increase accountability and transparency in BDIC operations" (2017-2018) is more far reaching than "Revise the Venture Investment program" (2016/17).
- "Providing financial support to BDIC loan clients" (2016/17) as well as "Assist subsidiary companies with marketing" are core business areas and should be reported with in the metrics.
- The targets are generally good: increasing, reducing, completing, etc. The difficulty is attributing the impact of the action back to the objective. For example: "Lower the cost of Working Capital Guarantees to borrowers" (2015-/16) was the objective and "reporting on the findings" was the

target. The timing is off here. Until the program is implemented there won't be a lowering of costs.

Another way to look at an organizations functioning is to look at outputs, evaluate impacts and to then decide what management attributes are important. This would be led by the Board of Directors as the attributes chosen (to some extent) will depend on the values of the individual Board members. They might include items such as:

Capacity:	Are the staff up to date and competent in their knowledge?
Access:	The availability of programs, number of spaces, locations, or communication means
Quality:	Ratings received on services, feedback from interactions with clients
Risk:	However defined; liquidity, human resource, reputational, etc.
Relevance:	Economic conditions, uptake on programs, status of portfolio
Cost:	What it costs the BDIC to deliver each program by outputs and Return on Investment.

Finally, there were comments that because every program in developmental and economic development is expected to measure their activity and or impacts, there could be coordination to develop a set of measures through all parties for comparison and an economic overview.

Recommendations:

- *That the Board begin the development of a four-year strategic plan to coincide with the Vision and Mandate of the next Legislative Assembly. The plan should contain specific direction on what the Corporation is to achieve over the next four years.*

- *That the strategic plan guides the BDIC's development of a master implementation plan where special initiatives would become the scorecard in each year's Corporate Plan. The "business as usual" items should be reported under core business, unless there is something outstanding about them.*

- *Continue to refine the measures keeping in mind their utility, the burden and cost of reporting, and historical relevance to establishing trends. In the case of the BDIC's work, five years is not enough time to see trends and patterns.*

- *Institute a means to get feedback on the application process from clients very quickly, before emails and phone numbers are changed or memory fades*.

In summary, the measures have different levels of coverage depending on the program. Some are well developed and others could use refinement. The clarity of the measures may be fine for an accountant but a bit more difficult for a member of the public. Some data interpretation is needed. The accountability of the BDIC is expressed through the Corporate Plans, the Annual Reports, the publishing of the past evaluation reports, and links to the relevant legislation. The reports give a listing of all companies who came forward for contribution and loans, as well as the companies who are in default. One item that could be included is where the decision is made. BDIC has expressed some frustration that the money that they borrow from the GNWT is available to others to then loan out. In other words, other people are making decision on loans that the BDIC is responsible for if the loan goes into default.

The data coordination system between all of the agencies is not clear. The reviewers have been told that the data base systems do not "talk" to each other. There may be GNWT information system restrictions on cross-referencing the information held by another entity. A corporate (meaning ITI and the BDIC under the GNWT umbrella) approach to the files should be explored. BDIC is working with the GNWT's Office of the Chief Information Officer to address information tagging and metadata as manual documentation and transmission of information is antiquated. Anything that preserves personal information but decreases the data collection burden should be explored. This means not only the holding device (the database) but the reporting and transmission of information.

Theme 4: Legislative and Policy Platform

The Act, Regulations and Economic Objectives

How well do the BDIC Act and Regulations in their current form support the economic objectives of the GNWT?

The current legislation gives provision to the BDIC to carry out economic development initiatives within a prescribed set of articles. In brief, the BDIC can:

- acquire, hold, exchange, lease, sell, assign or otherwise dispose of any interest in real or personal property;
- establish and maintain accounts in its own name in one or more financial institutions;
- borrow and secure the payment of money in the manner that the Corporation considers necessary;
- subject to approval by the Financial Management Board, procure the incorporation, dissolution, amalgamation or sale of subsidiaries;
- purchase and hold any type of shares in or otherwise invest in a business enterprise (notwithstanding section 52 of the Financial Administration Act);
- dispose of any shares, assets or any other interest the Corporation owns in a business enterprise;
- enter into agreements including, but not limited to, shareholders' or partnership agreements;
- provide financial assistance to business enterprises, other than subsidiaries of the Corporation, by loans or other financial instruments or by grants and contributions;

- provide financial assistance to subsidiaries of the Corporation by loans or other financial instruments or by grants and contributions funded out of money contributed to the Corporation
- acquire and hold security for loans and other financial instruments;
- enforce security;
- administer agreements under which financial assistance is provided;
- make guarantees out of the Loans and Investments Fund on behalf of business enterprises.

The Acts allows for the BDIC to make investment type arrangements or loans with third parties and to give out contributions or grants. The value of the portfolio is currently $46 million with over $7.72 million dispersed through the program last fiscal year. The individual sectors are represented in the disbursements, with retail trade and construction using the majority of the credit facility lending. The limitations on the Act are not apparent.

The Northwest Territories Business Development and Investment Corporation Act and the *Program, Services and Continuation Regulations* were brought into force in 2005 after the merge of the Business Credit Corporation and the NWT Development Corporation. There were amendments in 2007 and 2018.

Multiple sections of the current Regulations still refer to the former Act, for example:

> "8. (1) A business enterprise is eligible to apply for a loan in the circumstances in which it would have been eligible to apply for a loan under the former Act;
>
> 8 (2) If a business enterprise is a "resident business enterprise" as defined in the former Act, it is eligible to apply for a bond in the circumstances in which it would have been eligible to apply for a bond under the former Act;.
>
> 10. (2) A person or committee designated by the Board shall review a rejection when an application is made under subsection (1), and has the same powers to conduct a review and make a decision as the Board and the Minister had when conducting a review under the former Act;
>
> 11. (1) If the Corporation makes a loan or bond, it shall do so in accordance with the provisions of the former Act;
>
> 25. (3) In making its decisions regarding the winding-up of a subsidiary the Board shall consider the things required to be considered under the former Act."

In addition, there are references made to the Board of Directors of the Northwest Territories Development Corporation and the guidelines developed by them.

"22 (2) Subject to subsection (3), the guidelines developed by the Board of Directors of the Northwest Territories Development Corporation for investment from the Capital Fund and Subsidy Fund and from the Venture Investment Fund continue to apply....

23. (1) Subject to subsection (2), the guidelines developed by the Board of Directors of the Northwest Territories Development Corporation for the sale of a subsidiary, of a portion of the shares….."

The former Act and Regulations are not available on the Department of Justice's consolidated Acts and Regulations webpage although they can be found on a search of the Canadian Legal Information Institute's (CanII) database. The BDIC may keep copies in-house of the relevant guidelines and conditions set by the former Act, but in the interest of transparency the information should be available for public review.

Recommendations:

- *That the Act and Regulations be re-drafted to consolidate the articles into one Act and set of Regulations. Having all of the instruments together would lend to clarity, transparency and accessibility by having a comprehensive set of rules and reference points.*

The Northwest Territories Development Corporation Investment/Divestment Policies dated 2001 was reviewed. The sections of legislation referred to in the Investment/Divestment document are outdated and some are non-existent as this is a document that was signed off by the NWT Development Corporation in 2001, four years before the BDIC existed. Since the former Act has been rescinded, this makes the policies questionable. Some of the items included are incorrect. For example, it makes reference that the Minister (not the FMB) approves the acquisition of the subsidiaries and that loans will carry a flat rate of interest at prime +2%.

Section 5 of the Act allows that:

"(5) The Board may establish policies and operational guidelines for the conduct of the business of the Corporation and (6) The Board shall provide the Minister with a copy of any policy or operational guideline established under subsection (5)".

Insofar as the Act also has provisions for FMB approval on certain criteria, the approval authority for operational policies and guidelines are granted to the Board, thus these policies need to be signed and dated by the Board Chair. There is no visible signature block or approval date on the document. It is unknown when changes were made, who approved them or if the document is the current set of policies.

Recommendation:

- *All of the BDIC operational policies be reviewed and updated to bring into line with the current legislation and policy direction of the Board. All of the updated Board policies be approved by the Board and signed off and dated by the Board Chair. Policies should be reviewed on a cyclical basis.*

Is there confluence between the legislation and ITI or other government policies?

The BDIC's contribution program (BDPF) was compared to ITI's SEED program guidelines. They are similar programs, although the orientation of the policies is a bit different. The BDIC has a general policy with the intent of assisting companies with the Core BDPF or BDPF Aftercare funding including: Start-up expenses, software purchases, feasibility assessments, marketing, advertising, research projects, short-term projects that create employment, or expansion where the project demonstrates the creation of new employment. The BDIC provides funding in different amounts to Level 1 and Level 2 communities. A business in a Level 1 community can receive $10,000 over the previous five years under Core BPDF plus $3,000 lifetime limit for BDPF Aftercare. Level 2 communities can receive $20,000 over the previous five years under Core BPDF plus a $5,000 lifetime limit under BPDF Aftercare. The SEED program allows for funding for level 2 communities under the Entrepreneur Support stream for asset acquisition.

The ITI policy is partitioned by streams; Business Intelligence Networking, Community Economic Development, Entrepreneur Support, Micro Business, Sector Support and Strategic Investments. Under these streams are the criteria for the use of funds, maximum funding amounts and eligibility requirements. It also references the restrictions arising from market disruption situations.

The ITI policy and the BDIC policies are not incongruent with each other.

The Department of Executive and Indigenous Affairs has established a Boards Policy. The BDIC operates by the *Northwest Territories Business Development and Investment Corporation Act* and Regulations which take precedence over GNWT policy.

The Department of Finance has also tabled a Planning and Accountability Framework, as a requirement under the Financial Administration Act. The BDIC is included in Appendix A, (Category B) and is compliant with the obligations for Category B agencies. This includes producing a Corporate Plan, Capital Plan (when appropriate), Operating Budget, Annual Report and a Mandate Review every five years. The Corporate plan must include objectives for the planning period, strategies, performance measures, achieved and expected results, and information on its major business. BDIC is in compliance.

The BDIC is included in Schedule 1 of the Business Incentive Policy (BIP), meaning that they are expected to follow the policy, but it is not clear why the Fort McPherson Tent and Canvas Company (a subsidiary of the BDIC) is excluded from the BIP policy or on the Approved NWT Manufacturers List. The subsidiaries that produce arts and crafts are not on the list either but may be because of the potential for market disruption.

The BDIC shared information on the subsidiaries called *Subsidiaries Program Information*. In that document, there was reference to divestment: "The intent of the subsidiary program is to assist the local community to realize their potential development through the encouragement of sustainable business. It is not the intent or in the interest of BDIC to maintain the business for an indefinite period of time." This does not appear to be the case with the longer standing subsidiaries but was successfully applied with the Rae Lakes and the Nahanni Butte General Stores.

Theme 5: Financial Sustainability

Programs Supported and Short Term Restraint

To what extent is the BDIC sustainable in its current form?

Since the inception of the BDIC, the corporation has been supported by a number of revenue sources; ITI provides funds to cover operating costs, there is interest from loans and other credit arrangements and sales from the subsidiaries. BDIC borrows money from the GNWT to be able to provide loans and other financing instruments to small and medium sized companies who may not be able to obtain loans from traditional funders. They support 4 community subsidiaries, a contributions program that has reporting requirements rather than pay back obligations, a Contribution Aftercare program and they provide assistance to businesses and potential entrepreneurs through their Business Service Centers. The BDIC is a developmental lender.

Literature generally defines a developmental lender as an organization that provides financial assistance to companies who are unable to obtain credit from traditional funding sources. Over the years as a legacy from the past NWT Business Credit Corporation, the BDIC is known as the lender of last resort (although they have the ability to make loans of lower risk).

The original question was if the BDIC could be self-sustaining. Based on the financial statements of BDIC, at the most basic level of calculation on revenues and expenses, they would not be able to support themselves, and if they raise their interest rates too much to cover their shortfall it could be seen as a move away from their purpose of being a developmental lender. Even if the inherited loan from the GNWT during the days of the BCC were to be forgiven, it still would not be enough.

Revenues

Where does the money come from?

Figure 36: BDIC Revenues

	2013-14	2014-15	2015-16	2016-17	2017-18
Interest on Loans	2,081,000	2,111,000	3,153,000	2,394,000	2,054,000
Sales and other income	671,000	748,000	911,000	814,000	773,000
Interest Pooled Cash	160,000	168,000	151,000	152,000	224,000
Sale of Assets	169,000	148,000	0	0	0
Venture Investment Recovery	0	49,000	0	0	0
Dividends	7,000	8,000	2,000	1,000	0
GNWT	3,100,000	3,489,000	3,357,000	3,213,000	2,819,000
Federal Gov	97,000	97,000	97,000	190,000	97,000
TOTAL	**$6,285,000**	**$6,818,000**	**$7,671,000**	**$6,764,000**	**$5,967,000**

What does the government contribute?

Figure 37: Government Contribution to BDIC

	2013-14	2014-15	2015-16	2016-17	2017-18
ITI (GNWT) Cash	3,100,000	3,489,000	3,357,000	3,213,000	2,819,000
ITI Services at no charge	708,000	784,000	857,000	786,000	779,000
Federal	97,000	97,000	97,000	190,000	97,000
TOTAL	$3,905,000	$4,370,000	$4,311,000	$4,189,000	$3,695,000

Expenses

Where is the money spent? (Expenses and Program Support)

Figure 38: Expenses

	2013-14	2014-15	2015-16	2016-17	2017-18
Office / business expenses	1,225,000	753,000	577,000	1,501,000	1,215,000
Salaries and Benefits	2,396,000	2,636,000	2,589,000	2,582,000	2,408,000
Costs of Goods Sold	641,000	707,000	836,000	806,000	801,000
Interest Expense from GNWT advances	356,000	259,000	142,000	179,000	341,000
Business Service Centre	264,000	257,000	241,000	239,000	245,000
Business Development Fund	207,000	301,000	271,000	221,000	186,000
TOTAL	**$5,089,000**	**$ 4,913,000**	**$4,656,000**	**$5,528,000**	**$5,196,000**

Office and business expenses includes: advertising, amortization, bad debt recoveries, bank charges, board members, computers, communications, harvest site clean up, insurance, credit losses (net), office supplies, professional services, rent, repairs, training, travel and utilities. Some of the expenses have declined since 2014, although the figures not consistent in their reduction, meaning that there is variability throughout the years: amortization (71%), professional services (35%), office general expenses (50.5%), travel (67%), training, (86%) and utilities (67%). Salaries and benefits are the highest expenditure and are determined in part by the Collective Agreement. The Costs of Goods Sold is also increasing; this includes the staffing for the subsidiaries and inventory write-downs. Insurance has increased as well as computers and communications.

The variability of the office expenses is also due to the credit losses (recovery) on loans. Provision for credit loss occurs when a loan becomes 'impaired' and the BDIC estimates the potential shortfall (or loss) if the debtor is unable to repay the debt and the BDIC calls the loan. A recovery is when the BDIC recovers more than the estimated provision for a loan. They are calculated as such:

Figure 39: (Recovery of) Provision for Credit Losses

2013-14	2014-15	2015-16	2016-17	2017-18
($30,000)	($407,000)	($470,000)	$568,000	$390,000

A recovery reduces overall expenses while a provision increases expenses. Between 2015/16 and 2016/17, there is a variation of $1,038,000 between the 2 years. As a result, total expenses in 15/16 were $4,656,000 and jumped to $5,528,000 ($872,000 increase) in 2016/17.

Figure 40: Program Activity/Support

	2013-14	2014-15	2015-16	2016-17	2017-18
Credit Facilities Program					
Total Loan portfolio	49.9M	49.1M	50.M	47.3M	46.M
Loans receivable dispersed	2,222,000	4,589,000	5,962,000	4,081,000	6,738,000
Loans receivable repaid	3,761,000	4,621,000	5,093,000	5,679,000	4,897,000
Interest on Loans	2,081,000	2,111,000	3,153,000	2,394,000	2,054,000
Venture Investment Program (VIP)					
VIP Redeemed	12	11	97	7	0
Support to Subsidiaries					
	625,000	640,000	640,000	640,000	665,000

Financial Obligations

What are the Funds that BDIC is required to hold and how much is in them?

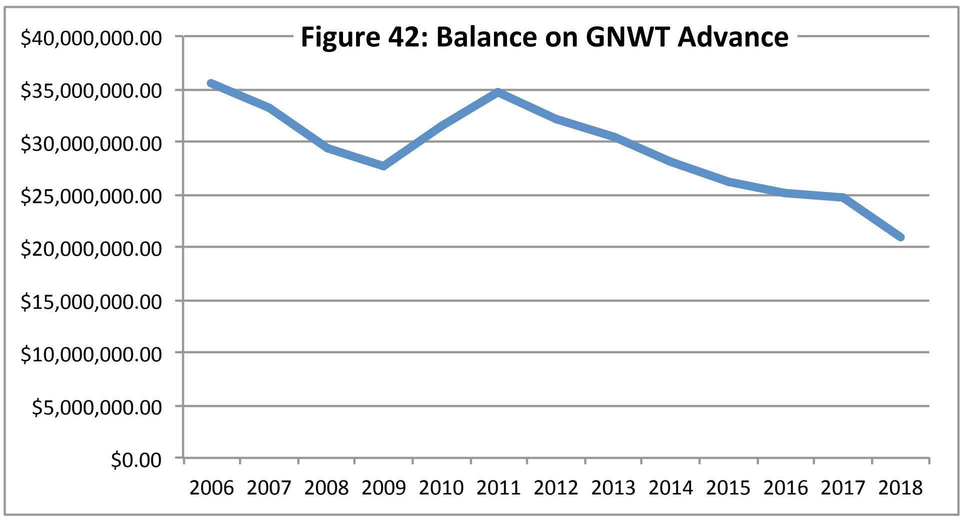
Figure 41	As of March 31, 2018
Venture Investment Fund	4,190,000
Capital Fund	873,000
Subsidy Fund	485,000
Venture Reserve Fund	486,000
Loans and Bonds Fund	655,000
Capital Reserve Fund	147,000
Total	**$6,836,000**

These funds are statutory requirements for the BDIC, which puts some limit on the use of them. They can use the funds for further investment or to finance its organizations (the subsidiaries) and venture investments through approved drawdowns. The Loans and Bonds Fund is used to pay back the GNWT advance and is also used to fund new loan applications. The interest from this fund can be used to fund some of BDIC operations starting in 2019-20. The Corporation is required to deposit to the reserve an amount equal to 10% of each capital or venture made.

What does BDIC owe on GNWT Advances and how much money has the BDIC paid?

When BDIC was created from the BCC and the Development Corporation in 2005, there was an outstanding amount of money that was transferred over to the BDIC accounts. This is the money that the BDIC borrows from the GNWT to lend out to businesses.[16] A portion of the investments and lending interest that the BDIC accumulates each year goes toward financing this advance. Without GNWT support, BDIC's ability to repay this debt would be impacted.

Between the years of the review (2013-14 to 2017-18), over 10 million dollars has been repaid. As of March 31, 2018, the outstanding balance of the Advance stood at $20,935,000.



March 31, 2018 Status of GNWT Advances	
Amount of Advance from 2005	$35,897,000
Borrowed (all before 2014)	$11,100,000
Amount of advance 2014	$30,372,000
Amount paid in interest past 5 years	$1,277,000
Amount paid on principle past 5 years	$9,437,000
Total paid back in 5 years	$10,714,000
TOTAL amount outstanding	$20,935,000

[16] The rules and regulations around the management of this money is governed by the NWT Business and Investment Development Corporation Act, the GNWT Financial Administration Act Part 3 and the Public Sector Accounting Board Standards for reporting.

Aside from the Funds, what does the BDIC show as cash in the audited financial statements?

Figure 43: BDIC Surplus and Cash

End of Year Cash (2018)		
a) Held for Operations	6,984,000	This is cash on hand that is *undispersed* (including payables, liabilities, and receivables)
b) From funds (see figure 44)	6,836,000	Can be reinvested specifically into each program but holdbacks required
c) Post employment benefits	321,000	Held in trust for post employment
d) Cash held by subsidiaries	1,433,000	Statutory obligation to hold back on behalf of subsidiary
End of year cash	$15,574,000	Sum is a+b+c+d

“Held for Operations” has had cash deposited and withdrawn since the BDIC was established – it is an accumulation of the cash position over the years. If the BDIC had paid all its liabilities and receivables to its suppliers, employees and vendors by the end of the fiscal year with nothing outstanding, and in return collected all of its receivables, its cash position would have declined by $794 to $6,190.

What would the BDIC financial picture look like without GNWT support?

As indicated by the last audited financial statement for the year ending March 31 2018, the “Consolidated Statements of Operations and Accumulated Surplus” shows an annual surplus of $1,550,000. Without any GNWT support, the BDIC would have incurred a loss of $2,048 in 2017/18 as follows:

Total expenditures	$5,196,000
Less: self-generated (loans, interest, sales, etc.)	-$3,051,000
Less: Federal Government	-$97,000
Shortfall (2017/18)	$2,048,000

Observations

Across other jurisdictions in Canada, (Manitoba, the Maritime provinces, British Columbia, Saskatchewan, Ontario and Nunavut) the Business Credit and Economic Development agencies are all dependent to one degree or another for government support. One person from the Business Development Bank of Canada (not in Yellowknife) stated that they were self-sufficient. What was not acknowledged was that they are still appropriated money from the Department of Industry to fund their activities; their loan fund is making money. When asked if their organization were self-sufficient, one person from the Atlantic Canada Opportunities Agency (ACOA) stated that they were not supposed to be; the goal is to support higher risk investments and economic development – it is not their purpose to make money to enable them to be self sufficient.

It becomes a **fundamental** question to ask, if the BDIC is the last resort provider of loans, is it fair to ask them to be self-sustaining? Or should they be expected to more self-sufficient when they have available resources. This has to be offset with the query that if available resources are used to keep the BIDC afloat, will it impact their ability to carry out their mandate. BDIC is not able to self sustain themselves as a developmental lender.

The NWT has been experiencing a downturn in the economy. This means that all departments (and crown corporations) have had to accommodate fiscal restraint. Much of the high-cost activity of the government is legislated, such as education, health care, housing and income support. It must be provided. BDIC operates under the *NWT Business Development and Investment Corporation Act*, and while economic development is a priority of the government and for good reason, the objective is mutable, meaning that it is adaptable and can shift to meet economic conditions. However, as the Budget Address 2018-2019 confirms that expenditure restraint continues to be necessary throughout the next year as revenue growth is forecast to be moderate[17] and the 2018-19 Annual Business Plans also state that expenditure growth is projected to outpace revenue growth, it would be reasonable to assume that all Departments and Crown Corporations will have to continue to exercise control in their spending.

Recommendation: That the GNWT continue to fund the BDIC while the BDIC takes necessary measures to contain or reduce their expenditures.

Theme 6: The Future of the BDIC

Future Position of the BDIC

How can BDIC position itself in future, through strategic partnerships, reinvestment, or structural adjustments to respond to the NWT's economic outlook?

Duplication with BDIC programs and others.

BDIC provides the Canada Business Service Centre programming. It is an important service for the NWT. These resources are needed for all agencies (ITI, CF, MDDF are all doing this) but people have said that it is the BDIC who has the real expertise to deliver. BDC believes it can provide support here as well.

The Yellowknife Chamber of Commerce has developed a "*How to Start Your Own Business*" manual for Yellowknife clients as they a demand for the product, although there are booklets available from a variety of sources. They believe that BDIC provides more assistance with market research and business planning services.

[17] Budget Address 2018-2019, Northwest Territories, P. B4

The ITI staff responses indicated there is duplication with the contribution programs (BDIC's BDPF) up to $200,000 intersects with their SEED, Microbusiness program (up to $5000 in 3 years). The policies and criteria differ somewhat. Some respondents said that the ITI and BDIC programs are complementary. For example, if a client uses the SEED Microbusiness program ($5000 over 3 years), then they can apply to BDIC for funding. It was stated that clients often need the two programs to do their work. ITI and BDIC have duplication of some pre-care and aftercare counselling.

A number of interviewees suggested that there is overlap with Community Futures. They suggest that loans under $200,000 are supposed to go to Community Futures, but clients are coming to ITI. They also suggested that up to 3 out of 5 of the loans processed at ITI should be going to Community Futures. The Community Futures do loans under $100,000 and it takes only a week to process A few of the interviewees did not know why the CFs were so different from one another but one person suggested that some CFs are more established than others and have more experience.

There is no duplication with the BDIC subsidiary programs.

What do people think that the BDIC does well?

Business Services: CanNor believes that the Canada Business Service Centre is an important service for the NWT and provides the program to BDIC. CanNor believes that only BDIC has the staff and resources to provide this service. Futurepreneur Canada is an NGO that provides financing, mentoring, and support to aspiring business owners aged 18-39. BDIC reached out to Futurepreneurship to provide services in the NWT. The media in the NWT indicates that this is a success story. One respondent from another economic development agency said, "How many government agencies go out of their comfort zone to go out and try something new?" BDIC has taken innovative approaches to enhance the scope of its mandate.

Subsidiaries: MDDF and CanNor believe that the BDIC subsidiary companies are doing well.

Expertise: ITI regional staff believe that BDIC staff is knowledgeable about loan process, collections, legal issues, property, foreclosures, etc. "They are the experts for these concerns". They said that this expertise is not in the regions.

Regional Co-operation: BDIC is thought to be very cooperative with ITI staff. One ITI respondent suggests that the relationship works very well. It has improved over time after a somewhat adversarial relationship earlier. They suggest however that more planning and collaboration could be done. Another commented that the working relationship is much stronger now than it was in the 1990s.

Loans: ITI and other agencies suggest that the interest rates on BDIC loans are good and the clients can pay off the loans without penalty. BDIC is flexible with loan repayments and they allow payouts without penalty. They seem to be reasonable to work with clients who are in default. They are not willing to "pull the trigger on enforcement." They have a longer-term view in mind for the client. They are willing to wait for their loans to be repaid, which is good for the client. For example, an ITI regional office is finding that the oil and gas companies are pulling out and BDIC is being lenient with those clients.

Web site: ITI staff suggests that the BDIC website has all information available for clients and is up to date. However, the clients did not seem to utilize it and did not feel it was as useful. One respondent suggests that BDIC could be more transparent to the public; for example they should have a Facebook and other social media presence.

What could BDIC improve?

BDIC does not do enough pre-care and aftercare. Other economic development agencies and ITI regional staff try and fill the gap. BDC, CanNor, and MDDF also provide aftercare. CanNor believes that only one agency is the expert in pre-care and aftercare, and that is BDIC. They do a better job than the others. Clients would say that it needs to be improved.

ITI staff suggests that BDIC rarely comes to the regions and that the only time they see them is at conferences. They will come to regional special events and business workshops mainly by invitation. BDIC refutes this by saying that they have made efforts to visit and will continue to do so.

BDIC has the following issues:

- Support for Clients. It is perceived that there little mentorship in the regions (no bookkeepers are available, no one to train entrepreneurs to become managers, etc.). Aftercare and pre-care was mentioned a number of times as needing enhancement. A common understanding of what aftercare should be developed and agreed upon by all parties and then the details of who would do what should be explored along with documentation of the existing gaps in service.
- Capacity Building. Clients have said that they have little access to resources (other than online) to explore or work together so that the client can be more successful. BDC has resources and is willing to collaborate with BDIC and can offer training in Yellowknife but not the regions.
- Two ITI respondents suggest that there is too much BDIC red tape. "The clients have to go through too much to apply for funding". Clients indicated on the survey that the amount of red tape is "moderate".
- The EDOs suggest that there needs to be more communication on the status and the success of contribution clients. If an EDO works with a client and refers the client to Yellowknife, there is little follow up or communication after the referral.
- Speed of processing loans. Some ITI staff indicate that they are referring clients to Community Futures loans because they are processed faster. For example, it was stated that a letter of credit takes BDIC two to three months to process whereas Community Futures only takes two to three weeks. The reviewers do not have the details on this file and cannot substantiate the claim. It would appear to affect loan applicants as well although BDIC, once they have all of the needed paperwork in order, say that there are rarely delays. See Figure 44 for a change in process suggested by the BDIC.

Figure 44: BDIC Proposal for New Credit Facility Program Applications

Current process *(for credit facility applications that are over the regional sanctioning authority limit)*:

1. Client submits application & supporting documents to regional office
2. Region reviews documents to see if any documents are missing
3. Region asks client for any missing documents
4. Client submits any missing documents that were requested by region
5. Region reviews the application package and prepares a regional evaluation
6. Region send the application package along with their evaluation to the BDIC
7. The BDIC reviews the application
    a. If there is still required documentation missing from the application then it is requested from the client (via the regional office)
    b. Missing documentation is provided to the BDIC
8. If it is over $1 million then the application is sent to the third party to do an evaluation
9. BDIC prepares a HQ evaluation
10. All the evaluations (regional, HQ, and Third Party *if applicable*) are sent to the applicable sanctioning authority
11. A decision is made

The processing time recorded is from step 4 to 11 (if region collects all the required documentation. However if there is missing documentation when the file is sent to the BDIC the processing time recorded is from step 7.b. to 11. The problem with this process is that a client perceives the application was complete at step 4 when they provided information to the region and they seemed to accept it as complete (even though it wasn't complete) and it also takes longer because files over the region's sanctioning authority level are reviewed twice one after the other which doubles the calendar time required to review it.

Suggested process - Review Process without regional evaluation):
Client submits application and supporting documents to regional offices.

1. Region scans and emails application package to BDIC along with a brief explanation of any local knowledge/insight region feel needs to be added
2. Both Regional office & BDIC HQ reviews documents and discuss what (if any) documents are missing
3. Region requests any documents that were identified as missing in step 2
4. Client submits any missing documents that were requested by region
5. Evaluation(s) (BDIC HQ and Third Party *if applicable*) are completed at the same time
6. Evaluation(s) (BDIC HQ, and Third Party *if applicable*) are sent to the applicable sanctioning authority
7. A decision is made

Note: the BDIC would communicate and consult with the region throughout the process. It would also allow the region provide good front line service, deferring the approval to the BDIC's office.

Are there areas that the BDIC should be considering in its programs and services that that are not currently addressed? *Meaning - is there something that the BDIC should be doing that it is not doing? Are there activities that the BDIC carry out that are unproductive?*

Capacity The biggest challenges are the capacities of government agencies (federal, GNWT, regions) and the capacities of the actual businesses and communities. "There are a lot of consultants that come to North because of a lack of capacity". "If someone in a community gets an education, they are going to work for the GNWT".

Economic development delivery model for the North. "There is nothing going on in the economy now". "We can't have false economies. We are not developing an economy". "There are initiatives for tourism, agriculture (yet to be proven), and others, but they are not financially viable without government support."

The client should be the focus of economic development delivery program in the North. There are many different delivery agents and it causes confusion at ground level. This is not a problem that is particular to the NWT. Mapping the economic development delivery models in other jurisdictions across Canada proved extremely difficult given the number of public and private agencies involved. Any discussions on "one stop shopping" or "single point of entry" should be accompanied by a common understanding of what this actually means. It could be location, service, or approval and signing authority.

A coordinated approach whereby there is standardization across the territories sounds rational, but often in the north, one size does not fit all and the variation of services can be in response to capacity and regional realities. Depending on how one looks at it, these differences could be considered as adaptive rather than fractured. Realistically, a client should be able to go to one regional/community centre to get funding information from all economic development agencies with their specialties. They should also be able to get precare and aftercare at those regional/community centers (or online with a mentor to assist them). This should be a staggered approach – all agencies need to work together with the client's needs being the foremost consideration.

Comments were received from clients and interviewees on the approach to economic development and client support:

- It was stated that that economic development can only be successful if people delivering it have a good knowledge and community connections. To work in the North, a physical presence is important. "If you don't have a physical presence, you will not be able to deliver the program."
- Clients need mentoring and assistance. Several interviewees and clients mentioned that they (the clients) need assistance with applications, marketing, and aftercare in their communities. Some clients are very computer literate; others may not have an Internet account.
- The role of the service provider in a one-stop community/regional centre is to assist with information and applications where appropriate and to refer the client to the appropriate agency

for application or approval. This approach may have some small approval abilities, but the specialist agency, e.g. BDIC, would conduct the final approvals.

- ITI offers a presence in communities now and pays for an EDO in other communities. They say they know the people in the communities and can easily communicate with them. The regional staff travel to small communities at least once a year, and would like to provide more aftercare and follow-up with clients including BDIC subsidiaries. Their flexibility is good.
- Community Futures also see themselves as being flexible and responsive to the needs of the small communities. Perhaps one of these two agencies (the CFs and ITI) could further coordinate their efforts.
- BDIC needs to “get out more”. One respondent said that it would be good to put a face to a name and it would help community members if they could actually meet and talk with BDIC staff.
- Collaboration and information sharing on a monthly basis between the agencies is essential. In major GNWT initiatives regarding economic development, BDIC should have a place in the discussions and at the very least be included as an observer as the secondary industries and opportunities arising from the different strategies can impact business enterprises.
- Sharing client information: Develop protocols for sharing client information across agencies within the allowances of the *Access to Information and Privacy Act*.

One respondent summed it up by saying “If we don’t work together, we can’t be successful.”

One of the contributions from the Access to Capital Workshop (January, 2018) was the idea of a “comprehensive and effective marketing of individual and combined agencies”. Workshop participants at the time felt that this would lead to more “effective collaboration, layering of services, and partnering opportunities”. A pathfinder tool to help guide clients through the offerings of different agencies would be beneficial. It could be website portals, paper resources, or toll free numbers, but all of the agencies need cooperate and vigorously campaign to increase the awareness of potential entrepreneurs – not only of the services that they offer but what other agencies offer as well. Further mapping exercises are not necessary, but good communication with clients and between agencies is, and the sooner the better. The client needs to be the centre of the economic development model.

Further, clarification of the roles of the agencies involved and the standing agreements between them needs to be entrenched. If the agreements don’t work well on behalf of the client, then amend them. Communication between the agencies is key. The “face” of banking is changing. Traditional lenders are aggressively pursuing new clients and developing new products. New technology and accessibility mechanisms are becoming mainstream they may in the future change the way that economic development programs are delivered. With the landscape shifting, collaboration is critical.

Recommendations:

- *Re-focus the BDIC to concentrate on what they do well, and to encourage them to develop new approaches to entrepreneurship and innovative financing in order to fulfill the program mandate of a developmental lender.*

- *Working in partnership with other agencies, vigorously campaign to increase the awareness of potential entrepreneurs – not only of the services that are offered by the agency but what other agencies offer as well.*

- *Partner on the refinement of a model for the delivery of economic development in the North. Forgo additional mapping exercises and determine what is in the best interest of the client, where they are best served, where the signing authorities lay on what program and how all of the developmental organizations can work together more effectively.*

Communication/Collaboration.
The findings suggest that BDIC needs a more open response to clients, with other economic development agencies and to those providing services on their behalf.

The evaluators found that there needs to be clear universal definitions or common understanding of the following:

Market Disruption. It is not apparent that all of the agencies are using the term in the same way or if there is agreement on how market disruption policies are adjudicated. MDDF suggests that market disruption is a federal government term. For example, if there are two concurrent applications (bed and breakfast vs. small hotel), MDDF has to decide who gets funding and type of funding (loans or grant plus loan). This becomes an ethical issue while balancing value for dollars. ITI has the *Support for Entrepreneurs and Economic Development Policy* Section 5 (8) states “Circumstances when, in the opinion of the regional superintendent, the granting of a contribution will likely adversely and significantly impact the revenue earned by another business within the region. Assisting a business in a community, which is being served by business not from that community shall not be considered market disruptive. Assisting a business to significantly access markets in another community where the market is being served by a business in the other community, could be considered market disruptive”. ITI staff says that they have market disruption policies but that MDDF and BDIC do not.

Aftercare and Pre-Care: Not every one agrees on what these terms mean or what they should mean. BDIC must ensure the needs of the clients are being met and that pre-care and aftercare is available to the clients. Other agencies are offering different types of hands-on counselling or support. There should be agreement or at least documentation between all parties as to what is offered by whom, as not all agencies will provide the same services. This plus client contact is the only way to determine where the gaps in service are.

Relationships

With ITI: The current model of ITI as delivery agents in regions is questioned. One respondent believes that the ITI agent delivering the BDIC programs do not always respect the BDIC guidelines e.g. clients were given different advice from different agencies. Some feel that there is a power struggle and the clients are affected. Another example from the ITI perspective is if a client fell behind in payments and did not submit their financials, someone needs to go to the business and talk to them. There is little BDIC monitoring of their clients. Some clients have come into the ITI office and to ask that their loans be written off/forgiven.

Others see the relationship as good and getting better. They stated that the relationship was fractured in the 1990s, but they are working together now because they have a common goal. "BDIC needs us. ITI is best suited to do the front line delivery because we have the relationships in the regions. BDIC has the oversight and the mandate to do what the commercial banks will not do."

ITI staff, particularly those with less experience, request that BDIC provide some training to ITI regional staff so that they can provide better service to BDIC clients. They don't feel BDIC is using the regional offices as efficiently as they could. Some staff believe they are "caught" in the middle between BDIC and Community Futures. Providing more outreach would be beneficial.

ITI staff suggests where there are subsidiaries in their region, their ITI staff would be willing to provide some support to them. They suggest that the subsidiaries need more business consulting (production, processing, marketing, etc.). An example provided was when the cruise ships come in, the subsidiary may have little or nothing to sell. Both arts and crafts and the tent and canvas businesses have high-quality products and could be marketing and selling more items. They require some mentorship within their communities. Often there are mentors in the communities but the "links" to the businesses are not made.

With other NWT economic development agencies: All economic development respondents need to harmonize and collaborate more. CanNor is launching a contributions program for clients. It was suggested that CanNor will have to work together with the other agencies as it will be another (contribution program) "player in the field." Several agencies are providing programs and services for starting a business, market research, and business planning. Some believe this should be the purview of BDIC.

The Northern Economic Development Practitioners Conference is where most respondents said they get caught up on programs and the direction of each agency.

Sharing client information. The ITI staff suggests that, with the client's permission, more client information needs to be shared between ITI staff and BDIC and other economic development agencies.

They often have the same clients. One suggested process is where clients send an email giving permission to share the information from one agency to another.

Marketing. The clients said they heard mainly about the BDIC's BDPF program by "word of mouth." The clients of the Credit Facilities and VIP programs heard about the programs from the ITI regional staff, which is reasonable. ITI staff said they do not market the BDIC programs but they do inform potential clients of suitable programs, often after they have referenced their own programs.

Other economic development agencies suggest that BDIC needs to improve the marketing of their business development services. They said that BDIC should be the obvious leaders in this area. They need to be accessible for walk-in service in both Yellowknife and the regions. The respondents believe that the ITI staff is doing a good job of this now.

BDIC staff should visit ITI regional offices and their clients in and outside of Yellowknife. It was suggested that the BDIC empower their subsidiaries to promote their own businesses instead of doing it for them.

ITI staff however, suggest that BDIC should focus more on marketing the subsidiaries. Do they want to compete with private enterprise? If so, they have to try harder to compete. ITI regional responses indicate that BDIC should be doing more for the subsidiaries. There were opinions that BDIC can get manufacturing initiatives into communities. For example, Fort McPherson Tent and Canvas has huge potential for a good product, but it is not marketed well. It needs a good website.

Business Service Centre. There were mixed reviews on this. One economic development agency believes that the business service centre delivery is not successful. CanNor partners with BDIC for this service. "The space/environment is not welcoming and the library services are dated. Clients need more digital online services". "The computers are often in use but not by BDIC clients". "The webinars are not well attended and there appears to be little facilitation or guidance for the participants." On the other hand, the clients who responded to the survey believe that the Business Service Centre has value. Services such as the business resource library, video conference sessions and the *How to Start a Business in the NWT* guide have moved online. Further innovation of online business services is encouraged especially for remote NWT communities and the availability and need of online services was repeated by a number of the clients.

Communicating the Mandate. Most of the "other" economic development agencies were not familiar with the mandate of BDIC. Of the agencies in the North, there is a crown corporation (BDIC), federal government agencies (BDC and CanNor), GNWT department (ITI), and a private business (MDDF) utilizing initially federal funds. An ITI Superintendent is not sure what BDIC is supposed to do. They are called the "lender of last resort," but perhaps they should be the first resort if a client is not yet bankable. "Banks are not interested in these small businesses because they don't have security and no presence in the community. This is where BDIC is supposed to step in and be a higher risk lender. BDIC should step in where others do not." This can be a positive if one assumes the position that some success is better than no success. This impression of the BDIC as the "lender of last resort" needs to be changed. While in some circumstances it may be true, it puts the BDIC in an awkward position to try to promote themselves and to function as a business/government agency that operates in the black but will still consider more risky investments. The BDIC is a developmental lender and should present themselves as such.

One Evaluator asked, "If BDIC is eliminated, who would fill that gap?" The economic development agency could not answer the question. One ITI respondent suggested that if BDIC got "out of the loan business" no commercial bank would touch this activity. "Capital is no longer an issue in NWT; capacity, expertise, and support of clients are the issues." Across the NWT there are a number of organizations dedicated to the economic stimulus of the north. Although there have been calls in the past for a single point of entry onto economic stimulus programming, there has been no agreement on what this actually means. For some it means walking into one building and having all services available. For others it means one group managing everything while others see no cross over in the functional areas although each group would have its specialty (for example one group would handle all the loans, while another group would give out all the contributions. In all likelihood, no group will want to give up what they see as their mandate.

- The traditional banks will continue to operate as for-profit institutions that will go anywhere if there is opportunity to make money. If the return on the investment is too low or the overhead of the branch is too high, they will leave, as they have in 37 communities across Saskatchewan. The GNWT has little influence over this.

- The federal government has similar policy objectives as the GNWT in economic development, and while BDC has offices across the nation, CanNor is specifically targeted toward the north and especially Aboriginal assistance. These are federal initiatives that are not likely to change under a Trudeau government.

- Aboriginal Government Developmental Corporations are charged with investing in larger scale endeavours with a view of enhancing the economic situation of their communities and the future of their beneficiaries.

- Community Futures are working on small loans with the communities in their regions. Some have had a longer history than others and they are at various stages of development and sophistication. Pulling the Community Futures funding would send a signal that small communities don't count. Having the community futures take on some of the work that BDIC does is a half measure. While some would be able to absorb the work, there would be probably be requests for funding to offset the workload. There is also the accountability chain – each of the Community Futures answers to a Board and are not accountable to the Minister of ITI.

That leaves ITI and the BDIC. Right now the work is shared between the regional staff from ITI and the staff of BDIC. Where the CFs have the knowledge of the community conditions and opportunities, regional ITI staff also have knowledge of the communities and a regional overview. BDIC has some of the regional knowledge but nowhere to the extent if ITI. This works well on the large loan files. ITI gives a recommendation on the larger loan amounts before it is passed up the chain. The decision coming from BDIC takes the pressure of the staff when a loan is declined. It also protects the staff from potential interference. Through the majority of the interviews with BDIC staff, the Board, the regional staff and other organizations there was consensus that there is a place for the BDIC. The SCEDE members that were interviewed also expressed support for the BDIC.

Options for the future of the BDIC:

Refocus and Revitalize the BDIC (Most acceptable option)

The BDIC stands on shifting ground. Technology is changing and will continue to develop, collaboration efforts are more important given the number of agencies pursuing the same economic objectives; there are possibilities for global sales, increased client expectations for services and assistance, innovative approaches for under-represented entrepreneurs and the economic situation for the NWT is uncertain. There is no need to reaffirm the government's role in developmental lending. BDIC is one vehicle for the GNWT to have an impact on the economy of the NWT. BDIC does not set economic policy but it can develop programs in response to the Legislature's strategic priorities. The BDIC needs to be mobile enough to respond to opportunities.

It needs to regroup by putting the client needs first, recognizing who is in the best position to serve the clients and focus its efforts where is the greatest potential for growth. Collaboration efforts need to be increased and communication with the public and potential clients should be systematic and regular. The Board needs to examine its role, set a new vision for the BDIC and undertake a strategic planning process. In setting a new direction, the BDIC should shift its corporate identify from the idea of lender of last resort, to the more proactive and positive image of a well-connected development corporation and developmental lender.

Specifically:

- Develop a vision and strategic plan from the board.
- Merge the subsidiary arts and crafts type boards (not the Fort McPherson) to save on money and better coordinate their similar interests.
- Consider outsourcing the subsidiary product marketing or at least try for foreign markets. There may be opportunities in Hong Kong and China. Governments are not typically good at retail sales but the BDIC has the orientation and mechanism to make arrangements for commercial sales.
- Some of the credit facilities that have promise, like the venture Investment program are underperforming. Partnerships and funds leveraging needs attention. The BDIC should be looking to develop innovative approaches to entrepreneurship financing for SMEs.
- Rescind the Core BPDF program. ITI has the staff in place and the community knowledge to deliver this program effectively.

- There are a number of organizations that are doing business training across the regions and communities. Could this be coordinated more effectively? Community Futures train people, BDC offers training and there are others like the Aurora College.
- Aftercare and pre-care was mentioned a number of times as needing enhancement. It is not known if everyone has the same idea of what aftercare actually is or what it should be, and there is no indication that what is currently in place is effective. A common understanding of what aftercare should be developed and agreed upon by all parties and then the details of who would do what should be explored along with documentation of the existing gaps in service.

Pros:

- More efficiency if the programs are well defined and the staffing matches what it takes to run a program. It would bring some clarity.

- It would force a strategic plan. Right now there is no strategic plan. This means the BDIC is going from year to year looking for opportunities to try to achieve its mandate but not working towards anything grand.

Cons:

- It is most likely that BDIC and their Board of Directors will feel that their authority and autonomy is being challenged.
- Any major change to programs has to be approved by Executive Council, which might take time.

Expand the BDIC into the Regions. (Least Acceptable)

BDIC would like a regional presence. Without ITI staff, they have little reach into the regions and even less into the communities. The wish is to have a single window of service. This is partially based on Minister Bell's statements to the house when the BCC and the Development Corporation merged. However, it is not clear what was meant. It could have been simply the merging of the two groups and the work that they do, or it could have been a merging of all of the agencies who deal with loans, contributions and economic development.

Pros

- It is the future that the BDIC would like to pursue
- BDIC would have more control over its lending
- Community connections would be strengthened

Cons

- The cost, in an environment of fiscal restraint
- The workload performed by ITI staff in the regions varied from 10% to 40% depending on time of year. It tends to be at the lower end. So there may not be enough work for full time positions.
- Duplication of the services provided by ITI staff and the Community Futures

The system as it is right now works well. There is little justification to uncouple the working relationship.

Merge the BDIC into ITI as a Special Operating Agency (Somewhat Acceptable but not Optimal)

Other jurisdictions have done this, but nearly everyone, including ITI regional staff were reluctant on this idea.

Pros:

- Realignment of the roles and responsibilities of ITI and the BDIC would bring clarity about who does what and where the signing authorities are.
- Strategic direction into the overall trajectory of the BDIC. Where it fits, what gaps can be filled, and it should work closer with Territorial economic initiatives and projections.
  Enhanced communications and a place at the table for BDIC – it is unknown the extent that BDIC is even considered at the economic development forums. Although ITI makes the policy and works with Cabinet on the economic priorities, BDIC is a means to an end – they should be acting on the information relayed but they seem to be often out of the loop.
- Potential savings on overhead from the merge of the two entities

Cons:

- Disruption to staff and business.

- Expenses were reviewed. There may not be as much in cost savings as anticipated. Many of the current expenses are things that would have to be carried over, like the business centers, the costs of goods sold for the subsidiaries, insurance, the lawyer and audit fees etc. It would still cost around $2.5 million a year even without salaries and wages.

- Having BDIC in the department will increase the ITI administration workload.

- The major point is the loss of the “buffer” (the Board) between the decisions that the BDIC makes on loans and contributions and the Minister. As a Crown Corporation they are still accountable to the Minister, but that perceived distance from the rest of the government puts them in a position where they are less likely to have pressure put on them to provide financing.

On the subsidiaries:

- Pending a decision on the subsidiaries, someone will have to manage them. One person keeps all the books – there would be 5 sets of books. Another person does the promotions and the marketing. There are four boards to be supported. Even if they were to be sold, turned over to a Community Future (not likely without accompanying resources), shut down, or offered to a community government, the legislation still has provision for the acquisition for more. If the government agrees that this is a good way to get money into a small community that is fine, as long as that is money well spent and not utilized more effectively elsewhere.