

POLICY

INDUSTRY, TOURISM AND INVESTMENT

SUPPORT FOR ENTREPRENEURS
AND ECONOMIC DEVELOPMENT

SUPPORT FOR ENTREPRENEURS AND ECONOMIC DEVELOPMENT POLICY

1. POLICY STATEMENT

The Department of Industry, Tourism and Investment provides programs and services that promote and support Northwest Territories (NWT) economic prosperity and community self-reliance. The Department, through this and other Policies, may support proposals that:

1. Diversify the NWT and community economies;
2. Establish or expand NWT Businesses in support of employment and value added activities;
3. Improve business knowledge and Capacity; and
4. Investigate new Sector business opportunities.

2. GOALS

The goals of this Policy are to:

1. Increase business activity and employment through financial support to business proposals;
2. Improve management skills and business Capacity; and
3. Diversify the NWT economy and promote equitable distribution of benefits among NWT Communities.

3. OBJECTIVES

In developing and applying this Policy, the Department will take into consideration the following objectives:

1. The private Sector is the economic driver of the NWT economy;

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2. Where applicable, funding should be complementary to Programs offered by other agencies, rather than replace such funding;
3. Financial assistance may be provided for proposals that further strategic Sector initiatives designated by the Minister;
4. Assistance will not be provided where existing local business sustainability in a similar market will be adversely affected;
5. The Department's financial assistance Programs will be flexible and responsive to the needs of the business community and to the different economic circumstance of each region;
6. The Department supports Community Economic Development as a means of advancing social and economic development;
7. Results of Program activities will be measured and reported on annually;
8. All requests for financial assistance will be considered in a process that provides for timeliness, objectivity and transparency; and
9. Program information will be readily available to all Residents of the NWT.

4. SCOPE

All NWT Businesses, business associations, individuals, Bands or Community councils applying for financial assistance from the Department. Specific eligibilities are provided for under individual Program elements in this Policy.

5. DEFINITIONS

1. Capacity

Business knowledge, financial, human, or capital assets, which contribute to development of sustainable business initiatives.

2. Community

Is a jurisdiction within the NWT officially designated as a community by the Department of Municipal and Community Affairs.

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3. Community Economic Development

Action taken by Community Residents to promote, encourage and facilitate economic opportunities that enhance social well being in their communities on a sustainable and inclusive basis.

4. Department

Department of Industry, Tourism and Investment.

5. Equity

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

6. Level 1 Communities

The most developed Communities within the NWT. These Communities have well developed Community business infrastructure and air/road transportation links. These Communities are Fort Smith, Hay River, Inuvik and Yellowknife.

7. Level 2 Communities

These Communities have less-developed business infrastructure and air/road transportation links. Level 2 Communities include all Communities other than those listed as Level 1.

8. Market Disruption

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 a business not from that community shall not be considered market disruptive. Assisting a business to significantly access markets in another community, where that market is being served by a business in the other community, could be considered market disruptive.

9. Micro-Business

Any legal activity to provide items for sale or provision of services for a fee, carried out by an individual or business, where revenues are not likely to exceed \$50,000.

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10. Minister

Means the Minister of Industry, Tourism and Investment.

11. NWT Business

A business, that complies with the legal requirements to carry on business in the NWT, and is either:

- (a) a corporation registered and in good standing under the NWT *Business Corporations Act*; or
- (b) a co-operative association in good standing under the NWT *Co-operative Associations Act*; or
- (c) a partnership or sole proprietorship duly registered and in good standing with the Department of Justice, Legal Registries Division, where required, and a holder of a valid NWT municipal business licence, where required.

12. Resident

An individual who has resided in the NWT for six months prior to date of application for funding and continues to reside in the NWT for the duration of the project.

13. Sector

An area of the economy in which businesses share the same or related products or services, such as agriculture, tourism, or arts and crafts.

14. Sweat Equity

Means the documented value of labour that the applicant contributes to the project, calculated based on the prevailing labour rate where the project is located.

6. ACCOUNTABILITY AND AUTHORITY

1. Minister

(a) Policy Authority

This Policy is issued under the authority of the Minister.

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(b) Sector Priorities

The Minister has the authority to designate, from time to time, specific economic Sectors as being priority for Sector Support funding under this Policy.

(c) Operational Guidelines

The Minister has the authority to prescribe operational guidelines for the Policy that includes setting limits on individual contributions, designating Policy categories or Community levels and other procedural matters.

(d) Authority to Delegate

The Minister may, through a letter of instruction, delegate authority to approve contributions, and prescribe operational guidelines for the Policy that includes setting limits on contributions, to the Deputy Minister.

2. Deputy Minister

(a) The Deputy Minister is accountable to the Minister for the administration of the Policy and may approve contributions to the levels delegated by the Minister and prescribe operational guidelines for the Policy that includes setting limits on contributions, as delegated by the Minister.

(b) The Deputy Minister may delegate authority to approve contributions.

(c) The Deputy Minister is the final authority to rule on appeals on decisions regarding applications denied by the Assistant Deputy Minister.

3. Assistant Deputy Minister

(a) The Assistant Deputy Minister, Programs and Operations is accountable to the Deputy Minister for overseeing the operational aspects of the Policy and may be delegated approval authority.

(b) The Assistant Deputy Minister is the final authority on all appeals except for those where the Assistant Deputy Minister was the approval authority.

4. Regional Superintendents

(a) Regional Superintendents are accountable to the Assistant Deputy Minister for the operational aspects of the Policy in the respective Regions and approve contributions to the levels that may be delegated by the Deputy Minister.

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5. Director of Investment and Economic Analysis

- (a) The Director of Investment and Economic Analysis may approve contributions to the levels that may be delegated by the Deputy Minister.

7. DUTIES AND RESPONSIBILITIES

1. Minister

The Minister will table annually in the Legislative Assembly a summary report of contributions, providing the amount of each contribution, the type of investment or project being supported, the name of the business, the business address, and a statement on the measurement of the economic impacts of the Policy against pre-established performance indicator criteria.

2. Deputy Minister

The Deputy Minister will:

- (a) Provide performance indicator criteria for measurement of the economic impacts of the Policy;
- (b) Make recommendations to the Minister on strategic Sectors or any other matter relating to changes to this Policy; and
- (c) Prescribe operational guidelines for the Policy that includes setting limits on contributions, as delegated by the Minister.

3. Assistant Deputy Minister

The Assistant Deputy Minister will:

- (a) Be responsible for maintaining a central registry to collect information required for preparation of the Annual Report;
- (b) Distribute information and promotional material regarding the Policy throughout the NWT;
- (c) Rule on appeals by individuals on decisions on applications made by Regional Superintendents or Director of Investment and Economic Analysis; and

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- (d) Approve contributions under authority that may be delegated by the Deputy Minister.

4. Regional Superintendents

The Regional Superintendents will:

- (a) Distribute approved information and promotional material regarding the Policy to communities in the Region;
- (b) Receive and evaluate applications for assistance under the Policy;
- (c) Approve or decline applications, including determination of whether or not a proposal may cause Market Disruption;
- (d) Ensure all administrative processes including contribution agreements, follow-up, and file maintenance, are carried out;
- (e) Compile information relating to the applications and required for producing the Annual Report and forward to a central registry; and
- (f) Initiate procedures to follow up on contributions for purposes of financial reporting, results reporting, Policy monitoring and assessment.

5. Director of Investment and Economic Analysis

The Director of Investment and Economic Analysis will:

- (a) Receive and evaluate applications for assistance under the Policy that involve NWT-wide activities, or activities involving two or more regions;
- (b) Approve or decline applications including determination of whether or not a proposal may be market disruptive;
- (c) Ensure all administrative processes including contribution agreements, follow-up, and file maintenance, are carried out;
- (d) Compile information relating to the applications and required for producing the Annual Report and forward to a central registry; and
- (e) Initiate procedures to follow up on contributions for purposes of financial reporting, results reporting, Policy monitoring and assessment.

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8. PROGRAMS

1. Entrepreneur Support

(a) Applicants

All NWT Businesses are eligible for assistance for under the Entrepreneur Support category.

(b) Support

(i) Start-up Funding

Assistance may be provided for costs associated with planning, engineering, start-up working capital or other developmental costs deemed to fall within this category by the Regional Superintendent.

(ii) Asset Acquisition

- a. Capital assistance may be provided, in Level 2 Communities only, to assist with the purchase of capital items for operations of the business, as a means to provide Equity necessary to leverage loan financing, or where assistance is not otherwise available to take advantage of a business opportunity.
- b. Assistance provided must support the continuation of a business where lack of new investment would result in job losses, creation of employment directly, or improve efficiency or Capacity of a business required to stay competitive or access new markets.

(iii) Market and Product Development

- a. Assistance may be provided for new market or product development designed to increase sales of NWT products, to promote the NWT as a travel destination, or to participate in trade shows (excluding attendance at conferences).
- b. Assistance may also be provided for the marketing of existing tourism, arts and crafts, and renewable resource products through trade show participation, print advertising, internet marketing, or similar activities.

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(iv) Operational Support

Assistance may be provided to increase business skills and Capacity or to:

- a. Identify and address problems faced by the business;
- b. Develop a recovery or restructuring plan;
- c. Provide emergency relief to effect business recovery; or
- d. Assist with the cost of "winding down" a business which has a minimal net worth and cannot meet its financial obligations and which could hurt other businesses and employment opportunities if allowed to fail in a disorderly manner.

(c) Amount

The maximum funding available for any specific Entrepreneur Support category is \$15,000 per year.

(d) General Condition

All business applicants will be required to demonstrate need and financial sustainability. Equity requirements may be waived in the case of business relief.

2. Sector Support

(a) Applicants

(i) Individual businesses

Individual NWT Businesses operating within Sectors designated by the Minister are eligible for assistance for the Capital Expansion Incentive.

(ii) Business Associations or other organizations

NWT Business Associations, Bands or Municipalities are eligible for the Sector Research Support category.

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(b) Support

(i) Capital Expansion Incentive

- a. May provide a contribution to offset incremental loan interest associated with new capital purchases for expansion of businesses in strategic Sectors designated from time to time by the Minister.
- b. Assistance may be for interest on loans from any Government of the Northwest Territories (GNWT) agency or private Sector commercial lender. Assistance must be negotiated and approved-in-principle prior to loan approval.
- c. Amount:

To a maximum amount of \$15,000 per year for a maximum of 2 years.

(ii) Sector Research Support

- a. May provide a contribution to support Sector-specific research that benefits a group of businesses in a Sector or will provide information critical to development of the Sector or assist in investment attraction, such as product development and packaging or Sector-specific marketing that benefits an industry.
- b. Amount:

To a maximum amount of \$25,000 per year.

3. Community Economic Development

(a) Applicants

All NWT associations, Band or Community Councils are eligible for assistance under the Community Economic Development category.

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(b) Support

A wide range of economic initiatives that support Community Economic Development are eligible for support including the following:

- (i) Feasibility plans for Community-based projects, and evaluation of projects or investigation of economic opportunities that build on a Community's resources, or other competitive advantages;
- (ii) Assist in developing physical infrastructure where the absence of that infrastructure is a constraint to Community business development;
- (iii) Improving access to business information;
- (iv) Activities aimed at developing Community-based or industry strategic plans; and
- (v) Community events that promote economic development, including arts or similar festivals that highlight NWT products or talent.

(c) Ineligible Activities

The following activities will not normally be eligible for funding:

- (i) Infrastructure responsibilities of other levels of government;
- (ii) Land assembly or development of residential lands; or
- (iii) Projects that will effectively benefit only one business.

(d) Amount:

To a maximum amount of \$25,000.

4. Micro-Business

(a) Applicants

All Residents engaged in traditional harvesting activities or arts and crafts production for commercial purposes, or other self-employment activities are eligible for assistance under the Micro-Business category.

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(b) Support

Eligible activities would include purchase of, or payment for:

- (i) Tools, equipment or raw materials related to arts and crafts or traditional economy;
- (ii) Filmmaking equipment or assistance with production expenses for specific film projects; or
- (iii) Other self-employment activities.

(c) Amount

To a maximum amount of \$5,000 over five years.

(d) Exceptions

- (i) Individuals who receive funding under the Micro-Business Policy are not eligible under the Entrepreneur Support Policy for the same project in the same fiscal year. Successful applicants under the Micro-Business Policy may apply under the Entrepreneur Support Policy in subsequent years should their businesses expand.
- (ii) Equity may be in the form of Sweat Equity where the client does not have sufficient cash Equity and income.
- (iii) The primary considerations for funding businesses that qualify in the Micro-Business category will be that:
 - a. The items or goods are required to enable commercial harvesting or production of goods for sale.
 - b. The applicant has shown to be proficient at the proposed activity, or has skills necessary to undertake the proposed activity.
 - c. Funding does not duplicate other available Policy funding.
 - d. The client has insufficient funds from other income to purchase the proposed goods.

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(e) In addition, funding limitations may require that applications are prioritized. Priority will be given to:

- (i) Activities in support of Departmental Sector strategies; or
- (ii) Those applications with the greatest income generating potential for clients who meet the above criteria.

5. Business Intelligence and Networking

(a) Applicants

All Residents or NWT Businesses are eligible for assistance under the Business Intelligence and Networking category.

(b) Support

- (i) This category is intended to provide assistance to individuals not directly involved in marketing specific products and not eligible under the Market and Product Development category. Financial assistance may be available to assist with costs associated with attendance at seminars and trade shows to access information regarding new technologies or business opportunities.
- (ii) Funding may be provided where the individuals attending these events can directly make use of the information obtained or contacts made on behalf of the organization they are representing.
- (iii) A summary of activities and proof of attendance at the event will be required to be provided to the Department.
- (iv) Amount:
Where trip costs exceed \$1,500, assistance may be provided to a maximum of \$3,000 per individual trip per annum with a maximum of two individuals per organization. Eligible costs are limited to event fees, lowest available airfare, and standard accommodation. Expenses including, but not limited to per diems, incidentals, salaries, and honoraria are excluded.

Each applicant must contribute a minimum of \$1,000 towards eligible costs of each trip. Total length of stay will be determined based on the minimum time required for travel and attendance at the event. Approvals will be prioritized in terms of relative value gained from attendance and will be subject to regional budget allocations.

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- (v) Where applicants choose to drive, funding will not exceed the lowest available airfare. Costs are based on the GNWT private car kilometer rates plus hotel costs in transit.

9. GENERAL CONDITIONS AND PROCEDURES

1. General

- (a) The meeting of eligibility criteria for this Policy, in and of itself, does not guarantee subsequent approval of financial support. Financial assistance may be provided to those projects deemed as providing the greatest economic benefit to the NWT
- (b) Applicants must clearly identify the need for funding in terms of being unable to obtain the requested funding through other means or where the terms and conditions on funding are such that the proposed business venture is no longer viable. In the case of capital expansion, economic diversification benefits for the NWT economy will also be taken into account, where funding will be considered as an incentive to development in specific Sectors where the business case is positive but may be marginal.
- (c) Applicants must supply supporting data deemed relevant by the Regional Superintendent for regional applications or Director of Investment and Economic Analysis for NWT-wide applications.
- (d) All recipients of contribution assistance must agree to public disclosure. In addition, recipients are responsible to account for funding received, for demonstrating acceptable results for the project.
- (e) Applicants will grant GNWT access to the project site or premises to inspect all books and other financial statements and to obtain any other information necessary to evaluating the success of the project.
- (f) Applicants who fail to meet their commitments as outlined in the Contribution Agreement will be required to repay contribution assistance.
- (g) Applicants for assistance who are eligible for Federal or Federal/NWT assistance may be required to provide evidence of the decision reached on funding applications from these Policies.

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- (h) The maximum funding provided through this Policy to any applicant is \$30,000 in any fiscal year.

2. Excluded Costs

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

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

3. Contribution Agreement

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

4. Equity Requirements

For a project to be considered, applicants must normally contribute the following minimum Equity that may include Sweat Equity:

- (a) 30 percent in Level 1 Communities, and
- (b) 20 percent in Level 2 Communities.

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5. Payment

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

Payment will be provided when:

- (a) The applicant has accepted the terms and conditions for a contribution as detailed in the Contribution Agreement;
- (b) The required Equity is in place (for Sweat Equity, a commitment that the work will be performed);
- (c) The availability of additional financing necessary to complete the project has been confirmed; and
- (d) Necessary approval by regulatory, municipal and other authorities has been confirmed. This may include meeting health and safety standards, environmental standards, acquiring land use approval, support from Community or regional councils, or any other approvals deemed necessary for the project to proceed.

6. Contracting Procedures

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

7. Funding Priorities

Contribution funding is limited. Within the context of specific Sector priorities established by the Minister, the Minister may direct that priority be given to:

- (a) Balanced development - Increased employment in Level 2 Communities;
- (b) Import replacement - projects which displace imports, including those encouraging Residents to travel or vacation within the NWT;
- (c) Export enhancement - projects which expand exports including increased tourist expenditures by non-Resident travelers; and

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- (d) Community Economic Development – projects that enhance a Community or regional economic development.

8. Confidentiality

- (a) This Policy and all program categories are subject to the NWT *Access to Information and Protection of Privacy Act*. All information and records, including documents, submitted to the GNWT are in the custody and control of the GNWT and thus subject to applicable legislation with respect to Public Accounts as well as the protection and disclosure provisions of the *Access to Information and Protection of Privacy Act*.
- (b) Contributions will be conditional upon the applicant agreeing that the details of the contribution, as required for the preparation of an Annual Report, will be made available to the public.
- (c) Where Market Disruption may be a factor, the Minister may advertise the proposed contribution and/or solicit interventions from competing businesses.
- (d) The Minister may, at his or her discretion, publish job creation, income, expenditure and other benefits statistics in aggregate form where, in the opinion of the Minister, publishing such information will not harm a recipient of financial assistance under this Policy.

9. Appeals

- (a) An applicant who is not satisfied with the decision of the approving authority regarding the amount, if any, of contribution assistance may appeal to the Assistant Deputy Minister, or to the Deputy Minister if the approving authority was the Assistant Deputy Minister.
- (b) Appeals must be in writing and received by the Assistant Deputy Minister, or Deputy Minister if the approving authority was the Assistant Deputy Minister, no later than thirty (30) days following the date that the applicant has received notification of the approving authority's decision.

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- (c) The authority to whom the appeal is made may confirm, vary or set aside the decision of the approving authority if, in the opinion of the authority to whom the appeal is made, there is:
- (i) New information which materially affects the application that becomes known to the applicant between the date the completed and signed application is forwarded to the approving authority and the date the approving authority reviews the application; or
 - (ii) It is determined that the provisions of this Policy were not fairly and adequately applied.

10. Application

Application forms may be obtained from any local office of ITI.

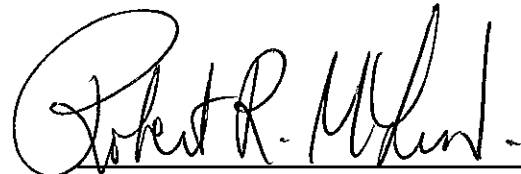
11. Notification

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

10. PREROGATIVE OF THE MINISTER

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

August 13, 2008
Date


Minister
Industry, Tourism and Investment