

DIAMOND POLICY FRAMEWORK

1.0 INTRODUCTION

The Government of the Northwest Territories (GNWT) supports and encourages the growth of the Diamond Manufacturing industry in the Northwest Territories (NWT). It does so, in part, through initiatives that assist new and existing manufacturers; as well as through planning and delivering programs and services related to marketing of diamonds, promotion of diamond-related tourism, the production of products such as jewelry, arts and crafts, and other related activities.

The GNWT also endorses the production of cut and polished diamonds through arrangements that make rough diamonds available to Approved NWT Diamond Manufacturers located and operating in the Northwest Territories. The GNWT remains flexible in its agreements with Diamond Manufacturers so as to enhance the overall viability and sustainability of the NWT's Diamond Manufacturing industry.

This document outlines the policy framework within which the GNWT operates its activities in support of NWT Diamond Manufacturers.

2.0 POLICY STATEMENT

It is the goal of the GNWT to support the operation and growth of an NWT Diamond Manufacturing industry. To achieve its goal, the GNWT will:

- Endorse the mining of diamonds in the NWT only when agreements are in place so that a portion of the rough diamonds will be made available for manufacturing by Approved NWT Diamond Manufacturers;
- Provide support that assists in the start-up of Diamond Manufacturers where there is the potential for significant employment, and business activity and investment, as well as training opportunities for NWT residents;
- Assist in the marketing of diamonds produced and manufactured in the NWT through such activities as the certification of branded diamonds and other marketing strategies;
- Monitor the production and manufacturing process to ensure that all rough diamonds received from a Diamond Producer are manufactured in the NWT;
- Certify NWT diamonds as being mined, cut and polished in the NWT to verify the origin of the diamond; and

- Actively support other diamond related value-added activities such as jewelry, manufacturing and tourism.

3.0 PRINCIPLES

In establishing activities to support the NWT Diamond Manufacturing industry, the GNWT will be guided by the following principles:

- Diversification of the NWT economy should create greater opportunities and economic prosperity for NWT residents;
- Economic benefits available from the NWT's non-renewable resources should be maximized to provide value for NWT residents and the NWT economy;
- Diamond manufacturing must be organized and operated in a manner that is economically sustainable;
- The level of industry support from the GNWT should be related to the benefits and opportunities provided to NWT residents;
- Branding of diamonds that have a certified NWT origin should be managed for enhanced value and improved marketing potential of those diamonds;
- Diamonds mined in the NWT and made available to Approved NWT Diamond Manufacturers, should be cut and polished in the NWT; and
- The GNWT may assume, in the short term and when there is an advantage and benefit to do so, the responsibility for some activities that will, over time become the responsibility of Diamond Manufacturing industry organizations.

4.0 DEFINITIONS

For the purposes of this Policy Framework, the following definitions assist in clearly describing the GNWT's plans and intentions.

Approved NWT Diamond Manufacturer

An NWT Diamond Manufacturer that has been approved by the GNWT as authorized to manufacture NWT certified diamonds.

Diamond Manufacturer

A company that processes rough diamonds into polished diamonds (goods).

Diamond Manufacturing

The process of cutting and polishing rough diamonds to make them ready for sale as polished goods.

Diamond Producer

A diamond mine located in the NWT.

5.0 SCOPE

This Policy Framework applies to the GNWT departments and agencies involved in supporting Diamond Manufacturing activities.

While the GNWT is committed to supporting other diamond-related value-added activities that may be of economic benefit to NWT residents, such as jewelry, arts and crafts, and tourism, the details of such support are beyond the scope of this Policy Framework.

6.0 AUTHORITY AND ACCOUNTABILITY

The authority and accountability for the implementation of this Policy Framework are as follows:

- The Minister of Industry, Tourism and Investment (ITI) has the authority to:
 - Designate Approved NWT Diamond Manufacturers;
 - Direct the development and administration of programs and services available to Approved NWT Diamond Manufacturers;
 - Establish agreements with Approved NWT Diamond Manufacturers that help to ensure the viability and sustainability of the Diamond Manufacturing industry in the NWT;
 - Recommend to the Executive Council agreements with NWT Diamond Producers to ensure a portion of rough diamond production is made available for manufacturing in the NWT; and
 - Approve funding and other support provided by ITI to Approved NWT Diamond Manufacturers.

The Minister of ITI is accountable to the Executive Council in accordance with the *ITI Establishment Policy*. In addition, the Minister of ITI is accountable based on the requirements of the *Legislative Assembly and Executive Council Act*.

7.0 SUPPORT AVAILABLE

Approved NWT Diamond Manufacturers may access a wide-range of GNWT programs and services to support their business activities. These activities include:

Financial Assistance

Financial assistance for the start-up and operation of Diamond Manufacturing can be obtained through existing programs and services provided by ITI, the NWT Business Development and Investment Corporation, and the Department of Education, Culture and Employment. The programs and services, as well as the eligibility for supports from these departments and agencies, may change from time to time.

Marketing – GNWT Trademarks

The GNWT may provide a licence to Approved NWT Diamond Manufacturers that will permit the manufacturer to use certain GNWT trademarks, including the Four-Legged West Facing Polar Bear design trademark and POLAR BEAR DIAMOND™ wordmark.

The GNWT will establish minimum standards that must be met by an Approved NWT Diamond Manufacturer in order for its polished diamonds to be associated with GNWT-licensed trademarks.

Marketing Advisory Board

The GNWT will establish a Diamond Manufacturers Marketing Advisory Board to address common issues among stakeholders of the NWT Diamond Manufacturing industry. The Board will be asked to provide advice in the development of GNWT marketing activities.

Technical and Operating Supports

The GNWT may develop programs and services, including associated definitions, to support the viability and sustainability of the NWT's Diamond Manufacturing industry. These programs and services will be designed to meet the intentions and goals of this Policy Framework, while providing Approved NWT Diamond Manufacturers with operational flexibility.

Technical and operating supports may form part of an agreement between the GNWT and Approved NWT Diamond Manufacturers.

Training

The GNWT will provide advice regarding its existing training programs and services offered through GNWT departments or agencies. In addition, the GNWT will refer Diamond Manufacturers to other sources of support offered by other governments or government agencies.

The GNWT reserves the right and the responsibility to develop additional programs and services in support of the Diamond Manufacturing industry from time to time in order to achieve its goals.

8.0 REVIEW PROCESS AND CRITERIA FOR COMPANIES SEEKING APPROVAL AS APPROVED NWT DIAMOND MANUFACTURERS

Diamond Manufacturers in the NWT may wish to apply for Approved NWT Diamond Manufacturer status. Those that wish to do so should be aware of the following information.

8.1 Review Process

Applicants can obtain the application form and supporting information materials related to Approved NWT Diamond Manufacturer status by contacting:

Director
Minerals, Oil and Gas Division
Department of Industry, Tourism and Investment
Government of the Northwest Territories
Box 1320
Yellowknife NT X1A 2L9

Completed applications are to be submitted to the Director for review and analysis. Such review and analysis will be in accordance with procedures established by the Deputy Minister, ITI at the direction of the Minister.

The sole authority for the approval of the status of Approved NWT Diamond Manufacturer is the Minister of ITI.

8.2 Review Criteria

Applications for designation as an Approved NWT Diamond Manufacturer will be reviewed in accordance with, but not limited to, the following criteria and considerations:

- The validity and reasonableness of the assumptions of the company's business plan;
- The completeness of the business plan;
- Identified requirements for rough diamonds and anticipated sales;
- The magnitude and proportion of capital and/or equity investment the company will be providing for its NWT operations;
- The experience and ability of the company's management team;
- The company's ability to distribute and market its finished product;
- An analysis of the extent to which the company's proposal yields training and employment opportunities for NWT workers, business and investment opportunities for NWT residents and any other demonstrable economic benefits to the NWT;

- The completion of a due diligence check using a standard reporting format and evaluation criteria;
- The company's commitment to locating its management team in the NWT;
- The degree to which the company has obtained funding from sources other than the GNWT including, for example, collaboration with other NWT businesses and/or alliances with Aboriginal organizations and companies; and
- Plans to market and promote the NWT as part of the company's overall marketing activities.

All applications will be reviewed promptly following the receipt of all relevant information necessary to support decision-making.

9.0 ACCOUNTABILITY REQUIREMENTS FOR APPROVED NWT DIAMOND MANUFACTURERS

Those Diamond Manufacturers that are designated as Approved NWT Diamond Manufacturers under the terms of this Policy Framework will be required to sign one or more agreements with the GNWT.

Approved NWT Diamond Manufacturers will be required to enter into a Monitoring Agreement with the GNWT. The purpose of the Monitoring Agreement is to prevent rough diamonds allocated for use by NWT Diamond Manufacturers from being transported and manufactured outside the NWT. ITI will review compliance with Monitoring Agreements on a regular basis.

Approved NWT Diamond Manufacturers may also sign a Diamond Certification Agreement and/or a Polar Bear Diamond Trademark Licence Agreement.

An Approved NWT Diamond Manufacturer must operate in compliance with all agreements to which it is a signatory. As well, required reporting may include, but is not limited to:

- Where support is provided through existing GNWT programs, the monitoring and reporting requirements that are set out by those programs;
- The submission of an annual report to the GNWT detailing the extent to which the company has:
 - Achieved objectives, projections and goals included in the proposal to the GNWT;
 - Manufactured 100% of the economically cuttable rough diamonds purchased in the NWT;
 - Utilized/purchased *Government Certified Canadian Diamond Certificates*;
 - Sold diamonds in association with a GNWT-licensed trademark;
 - Employed and retained the target number of NWT workers;

- Created investment opportunities for NWT residents;
- Supported NWT businesses;
- Created training positions for NWT workers in accordance with the business plan submitted with the company's application; and
- Created other economic spin-offs within the NWT.

10.0 POLICY FRAMEWORK REVIEW

This Policy Framework will be reviewed from time to time. The Minister of ITI will direct the timing as well as the terms and conditions for the review.

11.0 PAYMENTS

Any payments made under this Policy Framework are conditional on the availability of the funds within the departmental budget approved by the NWT Legislative Assembly. There must be sufficient unencumbered balance in the appropriate departmental activity for the fiscal year in which the funds would be required.

ATTACHMENT: Application for Status as an Approved NWT Diamond Manufacturer

**APPLICATION
FOR STATUS AS AN APPROVED NORTHWEST TERRITORIES
DIAMOND MANUFACTURER**

INTRODUCTION

Applicants wishing to apply to become an Approved Northwest Territories (NWT) Diamond Manufacturer must provide a business plan that conforms to the outline below. Should the applicant wish to access additional Government of the Northwest Territories (GNWT) programs, information meeting the requirements of the individual programs may be attached as appendices to the business plan.

BUSINESS PLAN FORMAT

1.0 Title Page

2.0 Table of Contents

3.0 Executive Summary of the Business Plan

- Provide a general explanation of business intentions and goals; the planned location of operations; expected employment levels; training planned for employees and NWT residents; status of discussions with NWT Diamond Producers; start-up and operational timelines, milestones and any associated deadlines; current status of corporate activities; anticipated supports required from the GNWT and any other information felt to be relevant to the description of the planned manufacturing operation.

4.0 Description of Corporate Structure and Organization

- Provide a general history of the applicant/business. This should include a description of the corporate structure and ownership; resumés summarizing the work histories of the corporate principals and key managers; identification and contact information for managers, bankers, lawyers, insurance agents and accountants; definition of the roles and responsibilities of the senior staff within the NWT operations; and indicate business connections (both direct and indirect) of all owners of the company that may influence the transactions that occur within the operation of the company.

5.0 Planned Investment, Financial Information and Analysis

- The applicant is to include a description of the level of investment being made by ownership in the start-up and operation of the manufacturing plant; projected start-up and operating costs and any associated financing schedule and details; projected cash flow statements for the first three years of operation; projected financial statements for the first three years of operation, including assumptions; a break-even analysis; owner-signed and dated net worth statements; and details related to costs associated with anticipated training.

6.0 Manufacturing Plans

- Manufacturing plans are to include a description of the current and planned sources of rough diamonds; the sizes, quantities and qualities required as well as the resulting output of polished goods; estimated costs for buying and manufacturing, and expected selling prices of the product; a general description of the planned approach to manufacturing and manufacturing tasks to be completed in the NWT plant(s); a description of capital requirements and associated costs; and a description of location, size and use of the planned manufacturing facility.

7.0 Marketing Strategy

- The business plan is to describe the intended plans for marketing and selling the polished diamond goods. The description will include a description of the target market, approaches planned to differentiate the company's product from other similar products, as well as an indication of the current approach to marketing and current annual sales. An indication of whether the company plans to participate in the GNWT Diamond Certification Program is also expected.

8.0 Employment and Training

- Estimated overall employment and any anticipated employment growth over time, is to be included in this section of the business plan. Anticipated annual wage costs for the company, as well as an indication of wage levels for various types of positions; expected training to be provided; training investment levels planned by the company and company plans for mitigating employee and trainee attrition are to be included.

9.0 Business Arrangements with NWT Businesses

- A general description of planned collaboration, cooperation, purchasing plans and any other relevant information is to be included in this section. Discussion should focus on overall benefit of the company's plans to NWT businesses and the NWT economy.

10.0 Anticipated Supports From the GNWT

- An outline of the company's expectations with respect to participation in GNWT programs and services is to be included in this section.

11.0 Appendices

- Appendices provide a mechanism to included additional materials that support the application of the company. Specific appendices are listed below, but the applicant may wish to include additional materials.

11.1.1 Letters of support

11.1.2 Evidence of business, banking and personal references

11.1.3 Evidence of security and insurance

11.1.4 Memorandums of understanding

11.1.5 Documentation of corporate registration

11.1.6 Additional appendices as required or desired

Completed applications, any supporting materials or requests for additional information are to be submitted to the:

**Director
Minerals, Oil and Gas
Department of Industry, Tourism and Investment
Government of the NWT
Box 1320
Yellowknife NT X1A 2L9**

NOTE: All applications will be considered to contain proprietary information and will be kept confidential, subject to the provisions of the *NWT Access to Information and Protection of Privacy Act*.