



NORTHWEST TERRITORIES SINED FUNDING

INDUSTRY, TOURISM AND INVESTMENT
DEPARTMENTAL REPORT

JULY, 2008



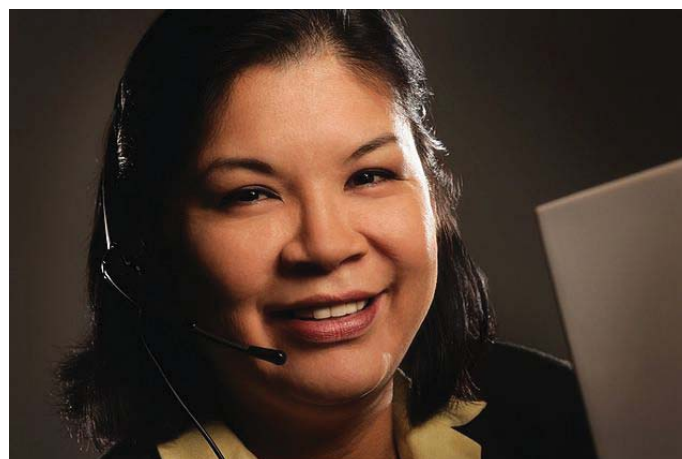
From the top,

*Aurora viewing a prime tourism
asset*

Newly paved highways

*Increasing educated work force
replacing southern hires*

*IEA Photos Purchased from
Adobe Inc.*



SINED RECOMMENDATIONS

- Ultimately, assistance for territorial regional development should be funded by a dedicated, permanent, federal agency. While the Northern Development Division of DIAND is mandated to play a role similar to regional development agencies in southern Canada, the Strategic Investments in Northern Economic Development (SINED) program is the first new regional development investment in over a decade.
- SINED is scheduled to expire this fiscal year. An extension has to be operational by April, 2009.
- SINED addresses a gap in NWT development funding. It should remain a "Strategic Investment Program". Funding and programming are cooperative, and based on multi-year plans.
- There should be no duplication with existing programs. Where possible, assistance should be through existing agencies, such as the NWT Geoscience Office, Community Futures, the Business Development Investment Corporation (BDIC), or through industry associations, such as NWT Tourism.
- Opportunity based funding should remain available where there is no single delivery agent, such as projects related to innovation and/or diversification.

East Arm of Great Slave Lake - Prime and Undeveloped Tourism Area - IEA Photo



HIGHLIGHTS

- SINED was well planned and executed. Rather than duplicating GNWT consultations and economic programming, SINED's design was built on GNWT economic research and stakeholder consultations.
- The three northern territories were the only regions of Canada without a federal investment in regional development prior to the introduction of SINED.
- SINED worked well to complement, but not duplicate existing programs.
- The program is seen as cooperative - "How can we work together to achieve better results".
- Mining remains critical to economic growth and development. Public geoscience research remains a fundamental requirement to stimulate new exploration and development, especially since existing mines are nearing the end of their life cycle.
- Unique products and research are needed to address major NWT development challenges associated with distance and climate.
- The NWT is well positioned to take advantage of Asian trade growth. The Mackenzie corridor could open a new, shorter trade route, into Canada.
- Opportunities exist to build new tourism markets and to expand existing products.
- Many key Northwest Territories (NWT) commodities, including furs, gold, oil, natural gas, tungsten and base metals, are commanding record prices.
- Housing availability, suitability and cost are a major challenge. New models for housing development in "non-market" communities needs to be examined.
- Certain areas of the economy are in "catch-up", and new investment is expected in the trade and service sectors, particularly in relation to resource development.
- Hydro development could displace imported oil and increase local sales and wages. The development of hydro to service small, remote communities is another challenge.
- While the application and administration processes worked well, program funding could be better defined; eg: tourism marketing.

TABLE OF CONTENTS

Recommendations	i
Highlights	ii
Introduction	1
General Development Agreements	3
Second Economic Development Agreement	4
Regional Development Programs in Other Regions	5
Strategic Investment in Northern Economic Development (SINED)	8
Implementing SINED	9
SINED Business and Tourism Programs	10
SINED What Worked	11
SINED What did Not Work	12
SINED Where from Here?	13



Stock Photos of the NWT, Purchased by IEA, ITI

INTRODUCTION

INTRODUCTION

The Northwest Territories SINED program is an economic development program of the Department of Indian Affairs and Northern Development. The following paper highlights observations made by the Department of Industry, Tourism and Investment on the Program's delivery, application and future direction.

The Mining Community of Pine Point - GNWT Archives



BACKGROUND:

The federal government has invested significant regional development funding in the NWT since the 1950s. Initially, these funds were allocated to health and welfare, education, housing, infrastructure and shipments of food and supplies.

Over much of the 50s to 70s, the NWT experienced limited economic development and high unemployment. When jobs were available, potential labour force skills were not well matched to employment needs.

Mining and oil/gas companies tended to hire from southern Canada, and employees were either housed in large camps or in new resource towns like Pine Point, Tungsten or Yellowknife.

During this time, other regions of Canada were experiencing transition problems. In response, the federal government started in the 1970s to invest significant resources in regional development, including creation of the Department of Regional Economic Expansion (DREE).

REGIONAL DEVELOPMENT AGREEMENTS IN THE NORTHWEST TERRITORIES

AGRICULTURAL RURAL DEVELOPMENT AGREEMENT (ARDA)

ARDA was an agreement between the federal and territorial government. It provided financial assistance towards business feasibility studies, business purchase, business establishment, expansion and modernization. Between 1982 and 1989, ARDA funded close to 600 projects for a total of \$24 million, averaging almost \$4 million each year.

GENERAL DEVELOPMENT AGREEMENT (GDA)

The first GDA, signed in 1979, involved a number of federal departments. Under the Program, \$3.8 million was earmarked over three years under four subsidiary agreements. Project funding was cost-shared. The Government of the Northwest Territories (GNWT) contributed 10 percent and the federal government 90 percent to projects.

ECONOMIC DEVELOPMENT AGREEMENT (EDA)

In 1982, the GDA was replaced by a \$20.6 million, four-year EDA which involved three subsidiary agreements and ended in 1986:

- Human resource development for \$5.5 million,
- Domestic market development for \$10.5 million; and,
- Natural resource development for \$4.6 million.

This initial EDA was really an extension of an earlier GDA with the same cost-sharing arrangement and similar programs; 90 per cent of funding was contributed by the federal government and 10 per cent from the territorial government.

REGIONAL DEVELOPMENT AGREEMENTS (CONTINUED)

ECONOMIC DEVELOPMENT AGREEMENT II (EDA II)

The EDA II budget was \$38.3 million over five years from 1991 through 1996. This Agreement differed from past agreements as the NWT assumed a greater share of project costs. The cost-sharing arrangement under this Program was 30 percent for the GNWT and 70 percent for the federal government. This new EDA was also complex, having six subsidiary Agreements. Most of these Agreements had a separate management process in each NWT region. There was also a full-time, dedicated, Secretariat, partially funded by the GNWT.

- Tourism Subsidiary Agreement (\$12 million),
- Mineral Development Subsidiary Agreement (\$7 million),
- Arts and Crafts Development Subsidiary Agreement (\$3 million),
- Applied Economic Planning Subsidiary Agreement (\$2 million),
- Renewable Resource Development Subsidiary Agreement (\$5 million); and,
- Small Business Development Subsidiary Agreement (\$9 million).

Northern Development is part of the Department of Indian Affairs and Northern Mining - Drilling off a face.



REGIONAL DEVELOPMENT PROGRAMS IN OTHER REGIONS

Development. This contrasts with other regions, which have mandated agencies supporting regional development: the Atlantic Canada Opportunity Agency (ACOA), Canadian Economic Development for Quebec Regions, the Federal Economic Development Initiative for Northern Ontario (FedNor), and Western Economic Diversification Canada (WD).

Regional Development Agency Budgets for 2005-2006:

	Program Spending (Millions)	Human Resources (FTE) Full time equivalents
Atlantic Canada	\$448	678
Quebec	401	371
Northern Ontario	83	Not Available.
Western Canada	496	325
Total	\$1,428	1,374

Note: Agencies can also access additional funding from other organizations and agencies.



FEDNOR

The Director General of FedNor signs a contribution for \$181,000 towards economic development initiatives with the community of Opasatika, Northern Ontario.

STRATEGIC INVESTMENT IN NORTHERN ECONOMIC DEVELOPMENT (SINED)

SINED - INTRODUCTION

Unlike other regions of Canada, there is no dedicated federal development agency operating in the NWT; Northern Development is a division of Indian and Northern Affairs. In the NWT, the Director General of DIAND is responsible for Indian Affairs and Northern Development. Issues can arise with development funding; for example, the last regional development program under Northern Development expired in 1996.

Regional development funding was reintroduced in the 2004 federal budget with a new \$90 million program. Of this, \$22.83 million was identified for the NWT under SINED's Targeted Investment Program (TIP). Implementation started in 2006.

Unlike previous regional development agreements, SINED is accessible and efficient. While it is a DIAND program, its structure and program priorities were developed in consultation with the GNWT. For example, tourism funding under SINED reflects the 2010 Tourism Strategy.

Funding under SINED is either by invitation or by expressions of interest.

In the NWT, five strategic investment areas were identified in cooperation with the GNWT. These include:

Geoscience: Funding of \$6 million over three years (2006-2009). Funding is by direct invitation and targeted at the NWT Geoscience Office.

Growing the NWT Tourism Industry: \$6.25 million allocated over three years (2006-2009). Annual funding is provided for marketing while Infrastructure and Product Development funding is by application.

Capital for Small Business: \$2 million is allocated under Access to Capital for Small Business. Funding was targeted to NWT based Community Futures organizations and Aboriginal Capital Corporations.

Transportation and Energy Infrastructure Planning: \$4 million is earmarked for Governments, non-profit organizations, and corporations.

Enhancing Local Capacity to Seize Economic Opportunities: \$4.6 million allocation with applications limited to public governments, non-profit organizations, and corporations active in the NWT.

STRATEGIC INVESTMENT IN NORTHERN ECONOMIC DEVELOPMENT (SINED)

Table 1 shows a partial tabulation of SINED projects approved on a cost shared basis with ITI; data was limited to completed projects as of March 2008. Total funding for these projects was \$9.8 million, with \$7 million or 72% being funding by SINED.

In addition to this program funding, an additional \$1.5 million fund was approved to assist with marketing the North and the Canada Winter Games. Overall there was \$15 million in funding to all clients.

- The GNWT, like many provincial governments, lacks the fiscal capacity to address major regional development challenges. SINED funding provides a needed source of capital.
- The northern territories were the only regions of Canada without a federal investment in regional development prior to the introduction of SINED.

Table One: ITI Projects Approved as of 2006 to March 2008

Project	Years	Budget	SINED Approved	ITI Share
Tourism Measurement Strategy	3	\$644,600	\$231,400	\$413,200
Arts and Crafts Branding and Logo	1	\$78,000	\$57,720	\$20,280
Capacity Building for EDO's	1	\$49,194	\$31,614	\$17,580
Geoscience	3	\$8,000,000	\$6,000,000	\$2,000,000
Community Sawmill Market Assessment	1	\$85,000	\$59,500	\$25,500
BizPal Project	1	\$187,000	\$115,000	\$72,000
Capacity Building for EDO's	2	\$117,746	\$74,556	\$43,190
Regional Economic Impact Models	1	\$100,000	\$80,000	\$20,000
International Air Travel, Tourism, and Freight Opportunities Project	1	\$100,000	\$85,000	\$15,000
South Slave Bison	1	\$235,000	\$100,000	\$135,000
Tourism Opportunities Template	1	\$48,600	\$40,000	\$8,600
Tourism Product Development Program	1	\$100,000	\$100,000	\$0
Outdoor Adventure - Supply Side Analysis	1	\$35,000	\$35,000	\$0
Contribution		\$9,780,140	\$7,009,790	\$2,770,350
Funding Share			72%	28%

SINED WHAT WORKED

- SINED funding has been instrumental in improving geoscience information for the NWT mineral industry. This included new bedrock mapping, geochemical surveys, and related studies – new geology maps and reports, and expanded mineral deposit information (e.g. assay data, locations of new showings).
- SINED funding was critical for the delivery of key elements outlined in the "Tourism 2010" plan, in particular, national marketing of the North as part of the Canada Winter Games, delivery of product development workshops throughout the territory, various research projects and marketing.
- SINED funding supported NWT Tourism (NWTT) to develop a new marketing campaign and web site. Funding was also applied to conducting the first ever "brand effectiveness survey" and other research projects.
- SINED funding enabled ITI to deliver regional product development workshops, which were very well received by industry.
- SINED funding has enabled the completion of some key industry studies, including a review of forestry and its potential, an examination of markets for air transportation, a detailed set of regional economic profiles and streamlining the business application process (BizPal).
- Rather than duplicating, SINED built on the strength of existing research, programs and agencies.
- Because SINED uses existing programs it is also efficient. For example, capital funding was provided to Community Future organizations rather than directly to business.
- Unlike previous EDAs, there is no separate bureaucracy, committee structure or approval process. All decisions are made by DIAND staff, usually in consultation with ITI staff.
- DIAND has established an office of four staff in Yellowknife to manage the SINED Program. While the Program is administered by DIAND staff, there is a good level of trust and cooperation between governments. GNWT staff felt the evaluation of proposals was fair and constructive, with DIAND staff providing feedback and assistance in the preparation stage. Correspondence with DIAND's SINED staff has been straightforward; assistance was readily available in most cases.

SINED ISSUES AND CHALLENGES

ISSUES AND CHALLENGES:

- While expectations were high, the program was slow getting started. SINED was first announced in the 2004 budget, program delivery did not start until 2006.
- Regional development is a long term process. Funding for agencies like FedNor in Northern Ontario has been in place for decades. Development of new products, such as a new tourism market, may require years of dedicated work and investment. The GNWT spent millions over a decade or more, in partnership with operators, to develop the Aurora Japanese market. Four year programs like SINED do not provide sufficient time to assess or achieve results.
- The application process is time consuming and from an ITI perspective, there are many unknowns. Reporting can involve a number of steps, and there are no assurances funding will be approved, even after project completion. It should be possible to broadly approve projects ahead of time, similar to the "invitation process".
- The "contribution agreement" process is easily delayed, resulting in client cash flow and project planning problems.
- Accounting for costs sometimes required including projects not funded by SINED. For example, the entire tourism research program was lumped together as a single project by SINED. and DIAND staff required accounting for all projects whether funded by SINED or not.
- Funding is less than the "present value" of past programs; for example, the present value of the last EDA would exceed \$17 million per year.
- Without involving NWT Tourism, DIAND officials contracted directly for a marketing evaluation; the work produced was not high quality and created some tensions between DIAND, ITI and the sole-sourced consultant.
- Better provisions are needed for carry over funding. In some instances, completion of a project requires the involvement and participation of non-government organizations (NGO's), which do not have the flexibility or resources to meet artificial deadlines.
- DIAND administration costs are deducted from SINED program funding.

SINED EVOLVING CIRCUMSTANCES

EVOLVING CIRCUMSTANCES

- The NWT economy is going through a period of transition.
- While the economy is seeing record economic growth and investment, it remains largely dependent upon three diamond mines and one oil well (Norman Wells).
- The closure of any project would have a significant negative impact on the economy.
- Opportunities exist to build new markets in tourism.
- The NWT is also well positioned to take advantage of new polar trade routes, in particular the Mackenzie route into Northern Alberta.
- Certain areas of the economy are in "catch-up", and new investment is expected in the trade and service sectors, particularly in relation to resource development.
- Housing, availability, suitability and cost are a major challenge. New models for housing development in "non-market" communities should be examined.
- Unique products are needed to address northern challenges such as distance and climate. Research into manufacturing opportunities and their development would be beneficial.
- Hydro development offers significant potential to displace imported oil and increase local value added. The development of hydro to service small, remote communities is another challenge.
- Labour, especially skilled trades, is in short supply. The NWT, like other parts of Canada, is facing increased competition from Alberta's booming economy.



SINED - ITI VISION, PRIORITIES AND RECOMMENDATIONS

VISION

A replacement SINED that will promote and support priority NWT sectors over the long-term, complementing existing Federal and Territorial program funding.

INVESTMENT NEEDS

Geological Science

The Northwest Territories (NWT) mineral and petroleum industries underpin the economy of the NWT, directly accounting for up to 40 percent of the GDP. The near future will be a critical time in the ongoing development of the NWT's mineral and petroleum wealth. For instance, it takes approximately eight to 12 years from initial discovery of an economic diamond deposit to mine production.

Ekati and Diavik diamond mines may cease operations within 10 to 12 years, which means new projects need to be found now to sustain mining and a continued strong economic base.

Exploration is a high-risk endeavour. Some of this risk can be reduced by high-quality, accessible geoscience information. Public-funded work such as airborne geophysical surveys, geochemical surveys, geological mapping, mineral deposit studies, and web-enabled database development contribute to this goal.

Government geological science is public information available to a range of mineral

companies plus other clients such as land-use planners, local prospectors, and regional governments .

Much of the NWT, and its geology, is relatively unexplored. For instance, Olivut Resources has recently announced the discovery of seven kimberlite "bodies" in the Dehcho Region, far removed from the well-known Slave province occurrences.

The Geological Science Office is the Northwest Territories' version of a "provincial geological survey" but is relatively underfunded. Due to the high cost of working in the North, current non-SINED funding from all sources only allow one and perhaps two major field mapping projects annually. This does not satisfy industry demand for new information.

Further, the Government of Canada provides some unique analytical geological science services that can't be accessed elsewhere in Canada. The Government of the NWT (GNWT) would encourage that some mechanism be developed, in a second SINED, that would allow SINED funds to further some of this federal research.

SINED - PRIORITIES AND RECOMMENDATION GEOSCIENCE

Geological science is a long term process, requiring a equally long investment. In some instances, deposits may not be exploited until commodity prices rise enough to attract investment. In other words, an ongoing SINED geological science investment provides both an immediate response capability for economic development, and sets the stage for new, and often unexpected, opportunities. The NWT diamond staking rush of the 1990s represents an excellent example of this.

New geological science knowledge is a priority for further development and diversification of the economy. Renewed SINED geological science funding represents an effective and proven means of capitalizing on this opportunity. Oversight and guidance on all proposed activities should continue to be provided by a technical advisory committee made up largely of industry representatives.

DIAVIK MINE SITE - On of the world's richest diamond mines.



SINED - PRIORITIES AND RECOMMENDATION

TOURISM

TOURISM

The current process for accessing SINED funding for tourism initiatives is relatively straightforward and should continue.

Tourism has a well-established industry group, NWT Tourism (NWTT), who leads promotion of the NWT with support from the Tourism and Parks Division. Industry-wide initiatives for marketing and development should continue to be coordinated through these organizations.

The following are priority areas for investment:

- Diversify the range of packaged product experiences;
- Increase the web-presence of NWT tourism businesses;
- Increase the number of winter and shoulder-season product;
- Develop product suitable for consumption by the business traveler market;
- Expand marketing efforts for meetings and conventions, and support regional centre efforts to develop human resource capacity to capture this market;
- Continue to work with individual tour operators who show high potential for success;
- Expand recreational vehicle camp sites in the North Slave region;
- Build tourism product and infrastructure on the Canol Trail;
- Rebuild the 60th Parallel Visitor Centre;
- Renovate historic buildings at Mission Park in Fort Smith;
- Build an interpretive centre focusing on bison in the North Slave or South Slave regions;
- Promote ecotourism development on the East Arm of Great Slave Lake;
- Expand marketing efforts for high yield experiential tourism markets;
- Ensure that research programs include marketing effectiveness measures and that adequate resources are in place to capture accurate annual estimates of volume and spending for all tourism segments.

SINED - PRIORITIES AND RECOMMENDATION

ENERGY AND BUSINESS

ENERGY

Many NWT communities and all mining developments rely upon diesel generation for electricity. Support for the planning and development of energy infrastructure should remain a priority for any SINED replacement program.

The NWT contains vast hydro potential that offers both an economic opportunity as well as a means to reduce greenhouse gas emissions. Hydro opportunities, developed in partnership with Aboriginal governments, will also support additional resource development through the provision of a clean, secure source of power that is insulated from fluctuating oil prices.

Other renewable energy sources such as wind, biomass, and geothermal all have potential to reduce the north's reliance upon imported diesel. As well, the potential development of the Mackenzie Gas Project will provide the opportunity for some NWT communities to convert from diesel to cleaner-burning natural gas for electricity and home heating.

A sustainable north will require sustainable – and affordable – energy resources. SINED should focus on planning support for this sector to help attract private and public investment.

BUSINESS

The GNWT agrees with the current SINED approach that funding for individual businesses be excluded. The program should focus on identifying value added and diversification opportunities, building business information and supporting existing business development agencies. Funding should look at:

- Improving access to capital via lending agencies such as Community Futures. This should be done in an effective and efficient manner;
- Expanding access to banking services to maximize the flow of wages within communities, including access to ATM services, Internet banking, debit transaction and credit are critical to community business and economic growth;
- Business-support activities such as improving information on sector development opportunities;
- Promoting and supporting development of value-added opportunities and community economic diversification;
- Improved business knowledge through industry-specific workshops, internet services and similar learning mechanisms;
- Expanding "BizPal" services to municipalities will make it easier to attract investment

SINED - PRIORITIES AND RECOMMENDATION PLANNING AND DIVERSIFICATION

PLANNING

Like geoscience, economic and business planning provides the foundation for future business development. Any SINED replacement should include funding for identifying new business opportunities and markets.

Sound economic planning and information is essential to the identification of development priorities. For example, in assessing the opportunity cost associated with a new "protected area".

Economic planning is also critical to policy development. For example, estimating the impact of one or two mines closing on the NWT economy, and perhaps more importantly, identifying. "What new mines or projects will be necessary to offset these losses?"

DIVERSIFICATION

Given the NWT's economic reliance on mining and oil and gas for economic growth, it is important that SINED program recognize and support a broadening of the NWT economy, both on a sectoral level and across regions.

Trade and service businesses are critical to capturing benefits from resource development. While wholesale and business services have expanded significantly, both are relatively small compared to the GDP.

Housing is both an opportunity and constraint. The cost and availability of housing is limiting the availability of business to attract and retain new workers, which also limits spin-off benefits from resource development.

For example, arts and crafts is an economic opportunity for a wide range of artists and crafts persons, existing and new. Support for development of new products, marketing, and recognition of the arts will provide the means to expand revenues for producers in any NWT community.

Agriculture, forestry, and transportation are further examples where opportunities may exist, or in the case of transportation, developments undertaken, that will help expand the NWT economy.

SINED - PRIORITIES AND RECOMMENDATION PROCESS, TIMING AND OTHER BUSINESS

PROCESS

The current process for accessing SINED funding for specific initiatives is relatively straightforward and should be retained. With geoscience and tourism, organizations exist to administer block funding over multiple years.

Overall, SINED should support two approaches to project funding:

Negotiated Funding - Fixed amounts should be negotiated to support geoscience, energy, tourism and "Access to Capital". Each of these areas have organizations and work plans that would benefit from fixed budgets over a number of years. The nature of geoscience work and tourism marketing especially requires a long term commitment and are not suited to annual funding.

Opportunity-based Funding - For many projects the application process works fine. However, SINED should incorporate "banking" days over the year, so that sufficient funds are available to support worthwhile projects when they arrive.

TIMING

SINED funding needs to continue past April 1, 2009 to ensure continuity. This is especially critical in relation to geoscience, tourism marketing and Community Future business support.

OTHER RECOMMENDATIONS

A future replacement for SINED should be a long-term program under a dedicated development agency.

Funding levels should also be reviewed in light of increased demands expected from spin-off opportunities of the Mackenzie Gas Pipeline.



INUVIK NWT -older housing



Foundations in Inuvik - Photo Archives