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Industrial Expansion

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**THE NATIVE ECONOMIC DEVELOPMENT PROGRAM
PROPOSAL DEVELOPMENT GUIDE**

June 1984



HOW TO USE THE PROPOSAL DEVELOPMENT GUIDE

The Proposal Development Guide is divided into two parts:

SECTION I: PROGRAM DETAILS

SECTION II: PROPOSAL FORMAT AND INFORMATION

Use Section I to become familiar with the Program and refer to it for any information required to complete your proposal. Section I will address the following subjects:

- the objectives of the Program
- the Program Elements
- the specific objectives of each Program Element
- who is eligible for assistance
- what activities are eligible for assistance
- the conditions for funding
- the criteria for each Element
- definitions of Program terminology

Section II provides a detailed format to be followed for those wishing to develop a proposal to the Program under Elements I and III only.

Those wishing to develop proposals under Element II are asked to complete the Basic Information Form and attach it to a letter indicating their interest.

SECTION I: PROGRAM DETAILS

The Native Economic Development Program

The Native Economic Development Program has been established to assist the development of economic self-reliance among Canada's Aboriginal people. The Program is open to all Status and non-Status Indians, Metis and Inuit.

A fund of \$345 million has been allocated to the Program by the Government of Canada for over a four-year period beginning April 1984.

A Native controlled Advisory Board has been appointed to oversee the operations of the Program and to advise the Minister on which specific proposals merit assistance.

PROGRAM OBJECTIVES

All proposals will be judged in relation to the overall objectives of the Program. They are as follows:

- To increase and strengthen Aboriginal projects at the community level which have a strong economic focus, increase economic self-reliance and have the potential to be commercially successful.
- To increase the number of Aboriginal enterprises, including financial and economic institutions, which have the potential to be commercially viable and which enhance Aboriginal management skills and economic opportunities for Aboriginal people.
- To increase the access of Aboriginal people to existing economic development resources in the private and public sector.
- To increase the public awareness of the contributions to the Canadian economy made by Aboriginal enterprise.

THE PROGRAM ELEMENTS

In order to meet these objectives, the Program has four categories of action:

ELEMENT I - Native Financial and Economic Institutions

ELEMENT II - Community-Based Economic Development

ELEMENT III - Special Projects

ELEMENT IV - Co-ordination

Each of these Elements addresses specific economic development requirements in Canada's Native community. As such, each Element has specific objectives which potential applicants should review carefully prior to submitting a proposal.

All proposals will be judged on the degree to which they address both the specific objectives of the Program Element under which the request for assistance is being made as well as the overall objectives of the Program.

ELEMENT I: NATIVE ECONOMIC AND FINANCIAL INSTITUTIONS

SPECIFIC OBJECTIVES

Element I will assist in the building of Aboriginal financial and economic institutions by:

- Developing and enhancing capital and equity held by Aboriginal controlled and managed financial and economic development institutions and establishing self-sustaining funds owned by Aboriginal people.
- Developing and enhancing through these institutions, the opportunities for business and investment by Aboriginal enterprises throughout Canada.
- Developing and enhancing through these institutions, the number of successful Aboriginal enterprises and the level of Aboriginal wealth creation.

ELIGIBILITY

A national, provincial, regional or community financial or economic institution which:

- is incorporated either federally or provincially;
- is in compliance with all relevant federal or provincial legislation;
- has as an objective set out in the Articles of Incorporation or Letters Patent to assist and further Native business, industry and commercial development; and
- is owned or controlled by Native people to a level which in the opinion of the Minister is acceptable.

ELIGIBLE ACTIVITIES

Contributions may be made to economic or financial institutions for:

- A. Establishing or expanding a program to provide business and advisory services to Native entrepreneurs.
- B. Establishing or expanding a program to provide financial services to Native entrepreneurs. These include:
 - . loans
 - . loan guarantees
 - . bridge financing
 - . equity contributions
 - . venture capital
 - . equity financing
 - . other similar financial services to enable Native entrepreneurs to establish, acquire, expand or modernize a commercial operation.
 - Eligible costs include capitalization costs.
- C. Establishing, expanding or modernizing any commercial operation under the ownership or control of the eligible applicant.
 - Eligible costs include capital costs and infra structure development.
 - For expanding and modernizing, eligible costs include:
 - a) machinery or equipment which modernizes or increases significantly the productivity of the operation;
 - b) costs associated with expanding existing facilities of commercial operation.
- D. Acquiring any commercial operation.
 - "Acquiring" includes a purchase of the assets of an existing facility if:
 - a) at the time of the application, commercial production in the facility has ceased or is about to cease;
 - b) the cessation or imminent cessation of commercial production in the facility is dictated by circumstances beyond the control of the vendor of the assets;
 - c) the purchase of the assets is a bona fide arm's length transaction and has not been contrived for the purpose of an application under the Native Economic Development Program; and
 - d) the purchase price of the assets for the purpose of assistance under this section is not in excess of the appraised fair market value of the assets.

CRITERIA

In determining the amount of contribution to be provided to an eligible applicant, proposals will be assessed against the following criteria for Element I:

- ° the demonstrated management capacity, the plan for management and the organizational development of the applicant;
- ° the demonstrated potential for the project to be self-sustaining and, where relevant, to be profitable;
- ° the accounting procedures and practices of the applicant;
- ° a business plan for the project which includes the following information:
 - i) the objectives of the project;
 - ii) proposed activities and expected and measurable results;
 - iii) time-phased and costed work plan;
 - iv) the proposed clientele and beneficiaries;
- ° community support for the project;
- ° the degree to which other sources of funding will become available to the applicant as a result of a contribution by the Program;
- ° the degree of investment in the project from other sources, including applicant equity;
- ° the demonstrated market and need for the financial and business services and investments planned by the applicant;
- ° the relationship of the project to federal government national and regional strategies and priorities; and
- ° the relevant social and economic costs and benefits of the proposed project.

ELEMENT II: COMMUNITY BASED-ECONOMIC DEVELOPMENT

SPECIFIC OBJECTIVES

The Program will assist in the development of community economic self-reliance through contributions to an economic animation process and resultant projects in selected Native communities.

ELIGIBILITY

Representative Native communities from throughout Canada will be selected on the basis of analysis, consultation, and proposals.

CONDITIONS

Contributions may be made if:

- a) The proposed project will contribute to the body of knowledge on how the process of community-based Native economic development can best be supported;
- b) The community involved is unable to take advantage of services:
 - i) offered by a Native economic institution funded by the NEDP;
 - ii) offered by the federal, provincial or territorial governments.

ELIGIBLE ACTIVITIES

Contributions may be made for:

- A. economic development planning including the cost of hiring a consultant;
- B. the development of business and management capability;
- C. opportunity analysis;
- D. coordinating and increasing access to other available governmental and non-governmental resources;
- E. proposal development;
- F. meetings and travel directly related to specific economic development activities;
- G. technical and advisory services;
- H. communications;
- I. community animation;
- J. establishing, acquiring, expanding and modernizing a commercial operation* that is:
 - i) community-based;
 - ii) the direct result of an animation project; and
 - iii) has the potential to become commercially successful.

* Includes capital costs and infrastructure development.

CRITERIA

In determining the amount of contribution to be provided to an eligible applicant, proposals will be assessed against the following criteria under Element II:

- ° the learning potential and policy relevance of the proposed project in terms of future government support to Native economic development;
- ° the degree of Native community support for the proposed initiative;
- ° the capacity of the eligible applicant to carry out the project;
- ° accounting procedures and practises of the eligible applicant;
- ° the amount of support, financial or non-financial, for the proposed project from other levels of government;
- ° a time-phased and costed work plan for the proposed activities including:
 - i) objectives;
 - ii) anticipated and measurable results;
 - iii) proposed clientele and beneficiaries;
- ° the relevant social and economic costs and benefits of the proposed project.

ELEMENT III: SPECIAL PROJECTS

SPECIFIC OBJECTIVES

There will be occasions when special opportunities arise which if grasped will have a significant positive impact on Native economic development. Element III is designed so that these projects can be assisted, but only when they are not eligible for other Government support or are otherwise unable to take advantage of such programs.

ELIGIBILITY

Any individual, association, partnership, cooperative, profit or non-profit corporate body or other legal entity that is presenting an eligible project is eligible for assistance under Element III.

CONDITIONS

Contributions may be made where:

- a. the project would not be eligible for funding under any other program element of the Native Economic Development Program or any other federal, provincial or territorial government programs, or is otherwise not able to take advantage of such programs;
- b. the project would not be economically viable without financial assistance from NEDP;
- c. the project would not be undertaken without financial assistance; and
- d. the project would benefit many as opposed to a few individuals.

ELIGIBLE ACTIVITIES

The following activities are eligible for assistance.

A. Scholarships and Specialized Training

Assistance may be made available for establishing and funding scholarships or specialized training programs aimed at increasing business, technical and applied scientific expertise in the Native community.

B. Product or Process Innovation

The Program may assist the development or demonstration of scientifically or technically feasible new products or production processes which offer a good potential for commercial exploitation by Native people.

C. Marketing

Activities aimed at increasing the marketing of Native products or services may be assisted under the Program including:

- i) the publication and dissemination of catalogues or other literature;
- ii) market research and analysis;
- iii) advertising;
- iv) trade shows, seminars or other similar events;

D. Special Studies

The Program may contribute to studies on Native business issues where the study will have significant and direct benefits for Native economic development.

E. Projects and Enterprises*

The Program may contribute to establishing, acquiring, expanding or modernizing a community based economic development project, or a Native owned and controlled enterprise, or both, where such project or enterprise is of high priority in relation to Native Economic Development Program objectives.

- * 1. Eligible costs include capital costs, and infrastructure development.
2. "Acquiring" includes a purchase of the assets of an existing facility if:
 - a. at the time of the application, commercial production in the facility has ceased or is about to cease;
 - b. the cessation or imminent cessation of commercial production in the facility is dictated by circumstances beyond the control of the vendor of the assets;
 - c. the purchase of the assets is a bona fide arm's length transaction and has not been contrived for the purpose of an application under the Native Economic Development Program; and
 - d. the purchase price of the assets for the purpose of assistance under this section is not in excess of the appraised fair market value of the asset.
3. For "expanding" and "modernizing" contributions may be made for the eligible costs of:
 - a) machinery or equipment which modernizes or increases significantly the productivity of the commercial operation; or
 - b) expanding existing facilities of a commercial operation.

CRITERIA

In determining the amount of contribution to be provided to an eligible applicant, proposals will be assessed against the following criteria for Element III:

- ° The objectives and anticipated benefits of the project with respect to overall Native economic development.
- ° Demonstrated management capacity and expertise of the applicant in relation to the eligible project.
- ° The potential for business success where applicable.
- ° The accounting procedures and practices of the applicant.
- ° The amount of support for the project in the Native community.
- ° A business plan including:
 - i) the objectives of the project;
 - ii) the proposed activities and expected and measurable results;
 - iii) a time-phased and costed work plan;
 - iv) identification of market.
- ° The relationship of the project to federal government national and regional strategies and priorities.
- ° The degree to which other sources of funding will become available to the applicant as a result of a contribution by the program.
- ° The degree of investment in the project from other sources including applicant equity.
- ° For projects involving new products or processes, substantiating scientific and feasibility information.

ELEMENT IV: COORDINATION

SPECIFIC OBJECTIVES

Element IV is an activity of the Program that will be used by the Minister and Advisory Board to promote accessibility for Native people to other federal programs and to ensure that those programs are of maximum benefit to Native enterprise.

METHODOLOGY

There are three specific areas of action:

1. Research and Information Dissemination.

- Data on government programs will be developed and distributed to Native people so that they can better access those programs.
- New initiatives affecting Native economic development will be analyzed and monitored.
- An improved information flow among different departments will be developed to assist the coordination of programs affecting Native economic development.
- Existing federal policies and programs will be analyzed from the point of view of their impact on Native economic development.

2. Advocacy

- Native economic development opportunities will be brought to the attention of other departments.
- Improved Native opportunities in government will be sought.
- Other departments will be encouraged to become involved in aspects of NEDP activities in order to create effective funding packages.

3. Formal Recommendations

- The NEDP Advisory Board may make formal recommendations to any federal Minister on how programs and policies can be improved in support of Native economic development.

DEFINITIONS

"CAPITAL COSTS" means such costs as in the opinion of the Minister are the reasonable and proper direct costs of design, acquisition, construction, expansion, modification, conversion, transportation, installation and insurance (during construction) of fixed assets, incurred and paid by the applicant, and includes the cost of directly related infrastructure development, but does not include:

- a. costs related to assets which, in accordance with generally accepted accounting principles, are normally considered a charge against income in the year in which they are acquired;
- b. goodwill; or
- c. the cost of any asset to the extent that, in the opinion of the Minister, it exceeds the fair market value of the asset;

"CAPITALIZATION COSTS" means the amount of money required by the applicant to provide loans, loan guarantees, bridge financing, equity contributions, venture capital, equity financing, and other similar financial services, to Native entrepreneurs;

"COMMERCIAL OPERATION" means a manufacturing, processing or other commercial activity, including primary resource activity;

"COMMUNITY" means a group of Native persons who, in the opinion of the Minister, are considered to be living in one geographic location or are considered to have a commonality of interest;

"INFRASTRUCTURE DEVELOPMENT" Includes:

- a. an activity that provides a framework for the establishment, acquisition, modernization or expansion of a commercial operation;
- b. a service or other activity of benefit to commercial operations; and
- c. construction of access roads, telephone and power lines, sewers and water, and ancillary or incremental waste treatment facilities;

that is directly related and necessary to the project or enterprise, but does not include the cost of land;

"ELIGIBLE COSTS" means costs, including operating costs, directly related to the project and necessary to carry it out but shall not, unless otherwise provided, include capital costs, capitalization costs, and infrastructure development;

"PROJECTS" means an economic development project submitted by an eligible applicant which will assist and further Native industry and commercial development in Canada.

SECTION II: PROPOSAL FORMAT AND INFORMATION

INSTRUCTIONS TO APPLICANTS

Section II is in three parts:

1. The Basic Information Form
2. Suggested Proposal Format
3. Essential Proposal Information

To submit a proposal:

- Complete the Basic Information Form and attach it to your proposal.
- Ensure that an authorized person has signed the declaration and authorization on Page 2 of the Basic Information Form.
- Where practical, use the 'Suggested Proposal Format' as a guide to the drafting of your proposal.
- Ensure that your proposal addresses all of the requirements outlined in 'Essential Proposal Information'.

NOTE

Please retain a duplicate of your proposal for your records.

Further information on any item may be requested.

All proposals submitted will receive a letter of acknowledgement.

Two copies of your proposal are to be submitted.

DECLARATION OF APPLICANT

I certify that to the best of my knowledge and ability:

- a) The information given in this form and the attached proposal is accurate and complete.
- b) This project has not received funding from any government source except as disclosed in this proposal.
- c) Financial assistance from the Native Economic Development Program is a significant factor in the decision to proceed with this project.

Name and title of authorized person

Signature of authorized person

Name and title of authorized person

Signature of authorized person

Signed at: _____ this _____ day of _____ 19 ____.

I, _____ hereby authorize the Minister of Regional Industrial Expansion through his authorized representatives to make such enquiries, undertake such discussions and share such information with other public and private agencies with respect to my application to the Native Economic Development Program as he may in his discretion deem necessary for the evaluation and assessment of the proposal.

All proposals to the Native Economic Development Program will be governed by the provisions of The Privacy Act and The Access to Information Act.

Name and title of authorized person

Signature of authorized person

Name and title of authorized person

Signature of authorized person

Signed at: _____ this _____ day of _____ 19 ____.

SUGGESTED PROPOSAL FORMAT

Where practical, the format outlined below should be used in preparing a proposal to the Program. Conformity with this format will assist in the processing of your proposal.

- Brief Summary Description
- Applicant Background
- Business Plan:
 - a) Project Description
 - b) Investment Requested From NEDP
 - c) Ownership and Management
 - d) Market and Clientele
 - e) Commercial Viability
 - f) Financing
 - g) Risks
 - h) Project Work Plan
- Employment
- Participation by Native Women
- Community Support
- Social and Economic Costs and Benefits
- Land, Infrastructure and other Requirements
- Other Relevant Information

ESSENTIAL PROPOSAL INFORMATION

All proposals to the Program must contain the information specified in this section.

BRIEF SUMMARY DESCRIPTION

- A brief description of the project being proposed including the use of the investment requested from NEDP.

APPLICANT BACKGROUND

- Brief history of the applicant; include type of operation or organization, length of time in existence, corporate history, client group served, activities, services and/or products rendered, number of employees.
- Objectives/goals of the applicant (attach copy of By-laws, Letters Patent, or the Articles of Incorporation in an appendix, if appropriate);
- Name, function, and brief history of sponsoring organization (if applicable).
- Detailed description of type, location and market for business products, programs and/or activities currently provided by the applicant.
- Detailed description of current corporate structure and ownership of the applicant; include information on officers, management and organizational structure of the applicant.
- Information on the degree of Aboriginal ownership and control of the applicant; include percentage owned, managed and directed.
- Copies of all available financial statements for the previous three years (if applicable).
- Detail any federal or provincial assistance received by the applicant in the past three years; (include department and program names).
- Include any additional information on the applicant that you feel is relevant and important (i.e., community histories).

BUSINESS PLAN

a. Project Description

- Provide detailed description of project to be undertaken.
- Give brief history of project i.e. when developed, relationship to other economic or business initiatives, identification of any government departments or other agencies you have consulted regarding this project, any previous funding received for this project.

b. Investment Requested From NEDP

- Outline purpose of investment requested from NEDP; detail specific use to be made of funds requested.
- Provide clear statements of the measurable objectives to be achieved over the proposed investment period.
- o Proposals for research or design studies of either economic/financial institutions or business activities should outline specific areas of research and time required to achieve them.

(Research and design studies for an economic/financial institution should result in a multi-year operational/business plan and implementation plan. These should include organization and management structure, types and detail of services to be offered by the institution, clientele, potential business investments and market opportunities, financing plans for institution and plan for eventual self-sufficiency.)
- o Proposals for capitalization of an economic/financial institution should include specifics of services to be provided and/or investment to be made with funds requested (i.e. include terms of financing for any financial services to be offered, details of business opportunities in the area, etc.)
- o Proposals for capitalization of a business should include details of service/product to be provided and information on production process (if applicable). Indicate any plans for improvements or changes in the product or production process.
- o Proposals submitted under the Innovation Component of Element III should include any necessary scientific and technical information as well as information on trial production and the beginning of commercial production.

c. Ownership and Management

- ° Proposed New Business or Institution
 - Provide detailed description of corporate structure and ownership, including degree of Aboriginal ownership and control.
 - Provide detailed description of management structure and organization systems for new institution or business. Include organizational chart.
 - Provide evidence of the strength and capacity of the management group expected to successfully implement the investment proposal. Detailed information should include names of manager(s), background and experience and/or plans to obtain experience or improve skills. (Include resumés of key personnel in an appendix).
 - Identify the role of any external personnel, such as lawyers, consultants, accountants or other specialists, in implementing investment proposal.
 - Indicate accounting practices and procedures to be used.
- ° Existing business or institution:
 - Provide the same information as requested above, if not already described under "Applicant Background".
 - Indicate if any changes to the current ownership, management and organization framework are intended as a result of the proposed investment.

d. Market and Clientele

- ° All proposals must:
 - Identify clientele served or to be served by business or institution.
 - Indicate need for service or product to be provided.
- ° Proposals for capitalization of a business or institution must:
 - Indicate what volume of goods or services will be sold or provided annually.
 - Where the market is.
 - Who the main competitors are.
 - What amount and percentage of the market might be obtained.
 - Indicate a plan for marketing.
 - **Outline the major assumptions underlying the market projections.**

e. Commercial Viability

- ° Proposals for capitalization of an institution or business must:
 - Provide a multi-year pro forma profit and loss statement, balance sheet and sources and applications of funds statement. Financial projections should be provided for at least a five-year period; monthly the first year, quarterly for the second year and annually thereafter.
 - Detail supporting calculations of all costs identified.
 - Financial information should clearly demonstrate the potential for long term business success and profitability.
 - **Outline the major assumptions underlying the financial projections.**
- ° For research, design and development studies which do not anticipate earning any revenue provide a monthly itemized budget for the time period of the study. Outline any assumptions.

Note: Appropriate levels and types of insurance on key personnel, capital assets and inventory may be required.

f. Financing

- ° Detail the source(s), amount(s) and term(s) of all funding for the project.
- ° Substantiate why there is a need for investment in the project from the NEDP. Provide data such as an indication of alternative sources of funds available and reasons why total or partial funds were not available from these sources.

g. Risks

- ° Identify the major risks and problems associated with your investment proposal and financial projections and outline any plan of action to reduce risks.

h. Project Work Plan

- ° Provide a detailed action and implementation plan with a time schedule to allow for achievement of objectives outlined in this proposal.

EMPLOYMENT

- ° Describe the number and type of new jobs to be created by the proposed project, indicate whether temporary or permanent, full-time/ part-time; include level of incomes and salaries.
- ° Outline the potential to fill new job requirements from within the Native community.
- ° Identify any training requirements, indicating where that training may be obtained and what the probable costs and length of the training period will be.

PARTICIPATION BY NATIVE WOMEN

- ° Describe any consideration given to economic development for Native women.
- ° Describe participation envisioned for Native women in the institution or business.

COMMUNITY SUPPORT

- ° Provide evidence of community support for the project.

SOCIAL AND ECONOMIC COSTS AND BENEFITS

- ° Briefly describe any benefits to the community from the project such as:
 - training and skill development
 - retention of community wealth
 - use of local resources (including human resources)
 - links with other local businesses or activities
 - provision of services locally
 - improvements to local infrastructure
- ° Outline any environmental implications or other social or economic costs the project may have. Elaborate on any possible solutions or consultations with appropriate government agencies (if applicable).

LAND, INFRASTRUCTURE AND OTHER REQUIREMENTS

- ° Describe any major infrastructure requirements associated with this project which are not yet in place; including building roads, land sewage requirements etc. Indicate source of funding for these and expected completion dates.
- ° Indicate compliance with local zoning laws and other legal requirements (if applicable).

OTHER RELEVANT INFORMATION

Please provide any other information you think necessary which would help in the assessment of your proposal.

