

SPECIAL ARDA REVIEW

VOLUME II
SYNTHESIS OF SUBMISSIONS
IMPLEMENTATION ISSUES
DREE
Saskatoon
August 1, 1976

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SPECIAL ARDA REVIEW, Volume II.
Synthesis of Submissions

Volume II
IMPLEMENTATION ISSUES

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SPECIAL ARDA REVIEW

VOLUME II - SYNTHESIS OF SUBMISSIONS

IMPLEMENTATION ISSUES

INTRODUCTION

1. This report is one of several major documents prepared during the review of the Special ARDA program in the Western Region. It attempts to synthesize many of the submissions, analysis and reports dealing with Special ARDA under the general heading "Implementation Issues".
2. The heading "Implementation Issues" was selected as many submissions and reports prepared for the review dealt extensively with the operational aspects of the Special ARDA program. As a consequence the following four subheadings have been selected to form the major parts of this report:
 - A. Program Guidelines
 - B. Financial Matters
 - C. Technical Assistance
 - D. Advisory Committees
3. All reports that have been included in this paper are identified by source (i.e. provincial DREE offices, branch or division; other government agencies; native organizations) in the left margin of each page. A listing of all reports received for the review, as well as documents included in this report, is attached as Appendix A.
4. Other major documents relating to the review of Special ARDA include Volume I, Summary Report; Volume III, Project Status and Tabulations, 1971-1976; and Volume IV, Project Tabulations - Supplementary Tables, 1971 to September, 1976. These reports, including the present report, are the principal documents prepared for the review of Special ARDA by the Department of Regional Economic Expansion in the Western Regional office.

SPECIAL ARDA REVIEW

Synthesis of Submissions

August 1, 1976

I IMPLEMENTATION ISSUES

These include the following items:

- A. Program Guidelines
- B. Financial Matters
- C. Technical Assistance
- D. Advisory Committees

A. PROGRAM GUIDELINES

1. DREE Reports

DREE
British Columbia
Office

(a) British Columbia

The effectiveness of the current operating guidelines can be gauged by how well they have contributed to the fulfillment of the objectives of economic development and social adjustment. The guidelines have deficiencies which have left these stated objectives largely unfulfilled.

While it is conceded that the original target of the program was rural development, the geography of British Columbia is such that much of the prime economic base, for status Indians at least, is thereby excluded. The guidelines, dealing with commercial projects, would locate potentially viable opportunities in areas too far removed from markets and where sources of capital and labour are few. Altogether, the rural bias in the program has meant that relatively few successful projects have come about. We are suggesting that the guidelines are effective in restricting the influence of the program to rural areas; however, this restriction in turn lessens the effectiveness of the program.

DREE
British Columbia
Office

The guidelines are also effective in preventing any true risk capital flowing into projects. Procedures relating to project approval, payment of assistance, and auditing are too cumbersome. Projects which ultimately receive assistance are only the most viable, secured and normally well funded. The guidelines impose the use of very blunted administrative machinery in efforts to respond to often fleeting opportunities.

There are recent indications that the guidelines may also hinder effective monitoring of and follow-up assistance to approved projects. Explicit observation techniques should be introduced along with remedies where downstream difficulties are encountered. For instance, it is clear that mechanisms for assuring effective project management are not now available. Assigning funds for applicants to hire outside management is unsatisfactory. Possibly an overt role will have to be assumed by program representatives in the day-to-day development and functioning of approved projects.

The Special ARDA Agreement suggests that some projects with more social than economic impact can be assisted as well. These projects are in the area of recreation, transportation, communication infrastructure, and training. The guidelines, however, eliminate virtually all possible opportunities. Limiting eligibility to small isolated and economically depressed communities makes project cost-benefit unattractive. In addition, by defining what constitutes community improvement, the guidelines prevent a positive response to a wide range of good proposals.

Essentially, the guidelines are effective but in mostly negative terms. In some areas, they restrict interpretation, while in others, they are too broad to provide meaningful guidance. More emphasis is necessary on assessing how a project can contribute to meeting program objectives and less on whether the project fits the guidelines.

DREE
British Columbia
Office

Partially because of the guidelines and partially because of the inherent economic bias against native people, interim and long-term financing problems have plagued the effective delivery of the program. New means must be derived to inject the assistance more promptly and with greater surety.

(b) Manitoba

DREE
Development and
Analysis
Manitoba Office

(1) Background to Comments on Guidelines

- (a) A brief resume of the program's evolution is useful in providing the background against which current guideline issues can be examined.
- (b) The program was conceived as an incentive program for the employment of disadvantaged people, especially those of native ancestry. Through consultation with the provinces and native groups, the scope of the program was broadened with the addition of components that would lessen isolation, provide community recreation facilities, and in recognition of the social and economic circumstances of the client group, would provide financial support beyond simple capital investment. Notwithstanding these embellishments, the program did not function initially due to operational guidelines that were, to all intents and purposes, transposed from the RDIA program. With modifications to the letter and interpretation of the guidelines, the program began to function, but not entirely as initially conceived.
- (c) More recently rather than being viewed solely as a program to promote the employment of and improvement in incomes of native people, it also has come to be more and more perceived as a tool of entrepreneurial development for disadvantaged people of native ancestry.

DREE
Development and
Analysis
Manitoba Office

However, this is not inconsistent with the intent of improving the income and employment options of the client group since native entrepreneurship is one means by which native employment and incomes may be increased with considerable potential for external social benefits. However, whether this moves towards a tool of entrepreneurial development for disadvantaged people as a realistic or desirable course of action is a question which can only be resolved by exploring the attitudes to and expectations of the program, both on the part of its clientele and government.

(d) It has been stated that Special ARDA could exhaust its budget on projects that employ native people, but encouragement of applications from native entrepreneurs is a priority. If the development of entrepreneurship by disadvantaged people can be considered an additional goal of the program, given the present Agreements and administrative guidelines which govern the program's operation, it is reasonable to argue that:

- (1) only the more knowledgeable, aggressive and financially capable of the client group are in a position to take advantage of the program;
- (2) the number of individuals are limited;
- (3) the social processes via which such individuals are produced is lengthy.

Consequently, because applications may now be coming from applicants who cannot meet the requirements of the program,

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Manitoba Office

"problems" are appearing, often in the form of inability to provide the required equity, to create sufficient employment, and to obtain complementary financing. Special ARDA may be charged with being unresponsive.

- (e) On the other hand, a review of the number of Special ARDA projects that have received assistance subsequent to the modifications of the guidelines but which have failed or are in difficulty, could lead to a conclusion to the contrary, namely Special ARDA has "relaxed" its requirements excessively, i.e. the guidelines are too low.
- (f) To the extent Special ARDA is working with unproven entrepreneurs and entrepreneurs emerging from the program's target group of disadvantaged people, problems that appear as "guideline" issues may be unavoidable problems that arise in working in this milieu. In other words, if the program's objectives are to be achieved, its design, content, and operation must be appropriate to the circumstances in which it is to function.
- (g) The consensus of Special ARDA personnel, and the suggested consensus of the Advisory Committee, was that virtually all applicants lack the managerial ability to successfully operate an enterprise. If the Committee recognizes this, it is obvious financial institutions and other involved agencies and departments also see this shortcoming, which could, in their eyes, substantiate their unwillingness to financially support the applicant. Difficulties in obtaining capital support are compounded

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Manitoba Office

by the fact that the program's client group typically lack financial resources, have limited access to conventional financial systems, and when they do, due to cultural biases and discrimination, they are at even greater disadvantage than other "budding" entrepreneurs who generally encounter considerable obstacles from conventional lenders. (The large number of government programs and agencies created to address the financial and developmental problems of small businessmen attest to this.) Thus, what appears to be a financial problem may be more a social and management problem that produces a picture of high risk enterprises.

(h) Analysis of criticism of Special ARDA commercial from extreme ends of the spectrum -

(1) it is too rigid and, therefore, unresponsive to clients' needs, and

(2) it has been too lax and supported unviable operations

- have a common element. Both indicate shortcomings in the area of applicant's managerial ability. However, if the government wishes Special ARDA to serve as a tool for entrepreneurial development among disadvantaged people, the program must provide an explicit focus for assessing management capabilities of applicants and delivering or arranging for assistance in the development of managerial skills. Similarly, expectations must be realistic. The obstacles to small business development are many; in dealing with disadvantaged clientele, they may be overwhelming.

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Manitoba Office

(2) Guideline Issues

(a) Management

From the foregoing, managerial ability has been identified as a key issue, one which may be at the roots of other problem areas. Section L of the guidelines states:

L. Management

(15) Applicants will be required to establish that their projects will be managed by qualified persons. The costs of training disadvantaged persons to acquire such qualifications may be included in the eligible costs of a project.

One of the most consistent features of approved projects is the absence of demonstrated managerial capabilities. However, the importance of management cannot be overstated - 89 percent of business failures can be attributed to mismanagement. ⁽¹⁾

A number of steps could be incorporated to reduce difficulties associated with management capabilities (or lack thereof). First and foremost, an explicit assessment of the applicant's management skills is an essential starting point. Once identified, efforts should be focussed on providing whatever is required to ensure the enterprise has the highest probability of success. In this process, two general roles are apparent for Special ARDA. Firstly, in addition to assessing the economic viability of a proposal, Special ARDA would conduct a parallel assessment of management capabilities. The two

(1) Baillie, A. C., "Promotion, Entrepreneurship in Canada", Business Quarterly 37, No. 2, p. 23.

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Analysis
Manitoba Office

analyses would be integrated to produce a realistic picture of the proposed venture. The second stage relates to the delivery of support services and programing deemed necessary to enhance the project's prospects for viability. It is not necessarily implied that Special ARDA per se would provide such; rather Special ARDA could play a coordinating role whereby it would integrate the commitments of support from whatever agencies and programs as are deemed necessary. For example, possibilities include management pretraining, "shadow management" and "aftercare" monitoring, diagnostic, and remedial programing.

(b) Geographic Designation

In the operation of the program, there are designations for both remote rural communities and rural communities. In the former, there is a wider range of eligible projects with the additional program elements to accommodate projects to improve access to earning and employment opportunities and community recreation projects. Clientele in the southern rural areas of the province have claimed that Special ARDA should be uniform in content and application across the province and, consequently, have argued that they, too, be eligible for support under these broader provisions. However, with no activities having been approved under the provisions of these sections, in practice, the remote rural designation (which, in Manitoba, corresponds to a north-south delineation) has become a root issue since operationally the program elements that have actually been delivered are almost identical.

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DREE Manitoba acknowledges that the unique and extreme circumstances of disadvantaged people of native ancestry in remote rural (northern) communities warrant special treatment, but questions whether Special ARDA is the most appropriate delivery mechanism. Since Special ARDA was designed, there has been increased concern regarding economic development and social adjustment of residents of northern areas which has resulted in a comprehensive Northlands Development Agreement under the GDA. The basic thrust of the Northlands strategy is to increase participation of remote northern residents in social and economic development. Similarly, DREE has placed priority on projects that create direct employment, and consequently, a decision has been made not to provide support for recreation projects, although it was suggested that they might be considered under the Northlands Agreement. Although these components of Special ARDA are encompassed under the proposed Northlands Agreement, the Northlands strategy views a reactive program of the nature of Special ARDA as an integral facet of the Community Economic Development Initiative. If these future directions are followed and supplementary support to remote rural communities to attack problems of isolation and access are provided via the Northlands mechanism, the charges that northern (remote rural) applicants are favored relative to southern (rural) applicants become defused. Special ARDA would be a uniform economic development program throughout all eligible areas.

The rural designation of eligible areas is also imposed by the enabling legislation of the Special ARDA agreements,

DREE
Development and
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Manitoba Office

the Agricultural and Rural Development Act; thus, if it is deemed appropriate to focus Special ARDA type programming on disadvantaged people of native ancestry who reside in urban areas, the legislative base must be changed or, alternatively, a different legislative base must be utilized. It is acknowledged that major social problems are arising from increasing urban concentrations of people of native ancestry who, due to economic and social disadvantage, cannot function successfully in the urban environment. However, whether a Special ARDA type vehicle is the appropriate mechanism to address this problem is open to question. The basic issue in rural areas is to provide jobs where the people are located and thereby enhance their economic and social circumstances. Special ARDA achieves this by assisting entrepreneurs, many of native ancestry. In urban areas, employment opportunities are available; the problem is not one of job creation but rather is one of facilitating access for disadvantaged people to these jobs. Thus, it is argued that support to entrepreneurial ventures in urban areas should not be provided by Special ARDA or its successor. Where DREE initiatives may be usefully applied in urban areas and in the creation of social programs that will enhance cultural identification of people of native ancestry in urban settings and thereby reinforce the social fabric that is a prerequisite to stability and successful participation in the urban society.

(c) Ethnic Designation

The focus on the Special ARDA program is on disadvantaged people in rural areas, particularly those of native ancestry, and therefore, the guidelines

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Development and
Analysis
Manitoba Office

require that the "majority of the persons to be employed or assisted in the project should be persons of Indian ancestry". It is argued that this ethnic criterion should be retained, if not in letter, at least clearly in intent, to provide an unequivocal focus on people that are, taken collectively, highly disadvantaged and that are, as a group, concentrated heavily in the west. Any broadening of eligibility would dilute the impact upon this group. In view of the social and economic circumstances of people of native ancestry, a sound case can be made for engaging in economic development programming that incorporates some forms of positive discrimination. In other words, program application must be on a selected target group whether it be defined by a combination of ethnic, geographic, or socio-economic characteristics.

(d) Employment

Section K of the Guidelines specifies that Commercial Undertakings should create at least three jobs. During the period May 1, 1975 to January 31, 1976, six applications were rejected on these grounds, four of which may be otherwise proceeded. In Manitoba, this criterion is interpreted flexibly, however, with all projects being eligible if there is demonstrated potential for community benefits. As structured currently, the program is not to assist owner applicants to acquire assets to provide employment solely for themselves.

A case can be made for easing this requirement where it can be shown that the assisted project provides a beneficial service to the community. It

DREE
Development and
Analysis
Manitoba Office

may be that an operation on a scale sufficient to provide three jobs is not possible (e.g. limited market in an isolated community), but if operated on a smaller scale, it could be viable. The activity may even only provide an income supplement to the applicant (just as Primary Producing Activity assistance often serves this function); however, the principle justification for assistance must be the benefits to the community. It is conceivable that those benefits could range beyond the mere provision of a service. Furthermore, it may be instructive to assess the applicant in terms of his options and the "opportunity" cost of his time and labour. As well, it may be sufficient to stipulate that the size of grant be appropriate to the scale of the project (perhaps guidelines are required for level of assistance for different jobs in different sectors) yet be sufficient to get the enterprise underway.

Small-scale operations may also fall short of the Guidelines income generation requirements. This is particularly applicable to family-operated businesses where "free" family labor is used. Again, where significant community and social benefits are involved, Special ARDA is and should continue to be sufficiently flexible to accommodate such cases.

Some thought should be given to the aspirations and abilities of potential applicants. A program that would accommodate smaller scale operations may be appropriate to applicant's ability and resources.

(c) Saskatchewan

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Saskatoon

(1) Use of RDIA Regulations and Procedures

The incentives grant procedure was adapted to the Special ARDA program especially with respect to the regulations and guidelines. In some ways, this has facilitated implementation and, in other ways, has created problems. The situation is summarized below:

(a) Advantages

- (1) The industrial granting process has been refined to the point where few technical errors are made in the assessment of projects.
- (2) The staff in the DREE Incentives Division has developed a competence in their "project evaluation" processes which has added an important dimension of credibility to the program.
- (3) The device of providing a grant can bolster the confidence of the entrepreneurs who might be much more worried if the funds were being obtained by a loan which they have to pay back at some stage of the development of the business. The guaranteed loan has not been used.
- (4) Participation by government in the business does end at a specific time providing a sense of relative independence to the entrepreneur after the crucial start-up phase is completed.

(b) Disadvantages

- (1) Commercial viability criteria lead to an overemphasis on financial analysis in the evaluation of project applications.

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Saskatoon

- (2) While equity requirements have been more flexible than those applied normally under RDIA guidelines, some believe that they are an undue constraint upon the application of the program, especially to Metis and non-status Indians.
- (3) The granting mechanism is far too limited as a device for assisting small business in the context of an adequate business plan.

The recommendations at the end of the chapter attempt to overcome these disadvantages. The experienced staff should be able to adapt readily to a different set of guidelines, especially with the assistance of the additional staffing recommended.

- (4) The financial auditing of a small business periodically over a thirty-six month period is a necessary but insufficient device to ensure continued social and financial viability of the enterprise.
- (5) Firms applying for RDIA grants can usually handle their own communications with the department, whereas the entrepreneurs of the small businesses applying for assistance under the Special ARDA Program have particular needs including comprehensive and intensive counselling. This applies to several stages of the "project evaluation" process.

2. Other Agencies

DIAND
Saskatchewan
Region

(a) Exclusion of Urban Indians

- (1) It was felt that the program should equally apply to Indians in urban areas. This will help to alleviate the problem of overcrowding on the reserves.
- (2) The Indians in urban areas are also desiring to improve their situation via the formation of small businesses.

3. Native Organizations

Métis Society
of
Saskatchewan

(a) Métis Society of Saskatchewan

The Métis Society wishes to acknowledge and commend the government for its recognition of the problems of the Métis people, particularly as they relate to the lack of capital, and for the development of the constructive philosophy and policy embodied in the introductory sections to the agreement. However, at the time the agreement was being negotiated, the representatives of the native people had serious concerns about the restrictions and conditions being suggested by government, and as a result, the actual signing of the agreement was held up for some time. The final agreement which was signed by the province, although inadequate from the point of view of the native organizations, became still more inadequate when a whole series of rules and regulations known as "guidelines" were applied on a unilateral basis by the Department of Regional Economic Expansion without prior consultation with the provinces or with the Indian organizations.

(1) Problems with Special ARDA Program

(a) Response Mechanism Only

One of the most serious shortcomings of the present Special ARDA program is that it is basically a response program, i.e. it responds to requests for assistance with economic development projects. There are no development services available to assist people to identify their

Métis Society of
Saskatchewan

economic development problems and needs, to assist them to identify their economic opportunities, and to prepare them to participate in taking advantage of these and putting forward their proposals for financial assistance and help to the federal government.

(b) Training

The present agreement, although it does make some provision for training, where other training programs provided by the province and the Department of Manpower and Immigration do not apply, basically fails to recognize the nature of the problems faced by native people, i.e. the serious social and cultural deprevation and the need for extensive predevelopment training activities, before laying on training programs designed to develop job skills and trades skills which are required by people to participate in specific economic development projects.

(c) Support Services

The Special ARDA agreement, in general, does not make any provision for the support services that are required either in the preproject development stages, in the project development stage or in the implementation and follow-up stages. As a result, many project proposals are poorly developed and thought out, many problems are encountered in putting projects in place and implementing them and a good number of the projects that have been implemented have been discontinued because of the lack of the necessary support services to ensure their success.

Métis Society of
Saskatchewan

(d) Restrictions in the Agreement

There are a number of serious restrictions in the agreement which create problems for anyone trying to make use of the resources available under the agreement. These include the following:

(1) The Earned Grant System

Capital is available on an earned grants basis. By that, we mean that the individual who is putting an economic development project in place has to raise the money to do that through some other source, either on his own or through the commercial lending markets, before he can actually qualify for any grants that have been approved for his project. Even then, he is never sure that the project will satisfactorily meet all of the sometimes vague and complicated conditions set out in letters of commitment by DREE. As a result, many people who propose projects and have them approved are not able to proceed because they cannot raise the development money needed to begin a project. They did not have access to capital before the Special ARDA program was started and are not likely to have access to the capital with the program, particularly because of the uncertainties that are introduced and the conditions that are set down for grant payments.

(2) Equity

The present arrangements call for the individual or group who are proposing a project to have an equity of 20% of their own capital.

Métis Society of
Saskatchewan

In today's economy, it costs an average of approximately \$100,000 to create one job. This means, if one individual wants to set up a small business (which you cannot do under the agreement), he would have to have at least \$20,000 equity of his own. If he had this type of equity, he probably could raise the money he needs satisfactorily through the commercial lending markets. Since no project providing less than three jobs is considered under the Special ARDA program, minimum capital requirements on the average could reach \$60,000 to start up even a small enterprise. This creates almost insurmountable obstacles for native people who are trying to raise the equity to take advantage of the program.

(3) The Delivery System

The system for delivering the services and in particular to deliver the money is very awkward and cumbersome. No grant monies are paid out until the project is in place and in operation for 30 days. There then has to be a request for an audit following which there may be a recommendation from the auditor for a grant payment. This is a long drawn-out process which takes time and further adds to the difficulty of any entrepreneur who makes use of the Special ARDA program.

In addition, as identified above, there in essence is no system for the delivery of the necessary professional, technical and other support services and training required in projects which can be funded under Special ARDA.

Métis Society of
Saskatchewan

(4) Conditions of Letters of Approval

The letters of approval as indicated above set down a number of conditions which often are not particularly precise and which create great uncertainty for the project and in particular for any lending institution which is contemplating providing interim financing. For example, a number of letters that we have seen contain the condition that the project sponsor must satisfy DREE that they have developed adequate management skills and procedures as a condition of the grant. No criteria are set down as to what is adequate, who would make this judgement, or the role of auditors in making recommendations on this matter as a condition for the release of money.

(5) Geographic Limitations

The Special ARDA agreement has a number of geographic limitations. One of these limits projects to areas that are more than ten miles from any center with a population of 25,000 people. In other words, the application of the Special ARDA agreement is basically limited to rural areas. There is a further limitation that the area in which the project is carried out must have a native component in the population of at least 50%.

Outside of the northern administration district in Saskatchewan, there are not too many native communities which would meet that criteria unless there were Indian reservations. It is also a well-known fact that approximately 50%

Métis Society of
Saskatchewan

of the native people in Saskatchewan now live in the larger urban centers and that percentage of native people in the urban centers will gradually increase in the future. It is also a known fact that many of the more serious problems of social disintegration and economic deprivation exist in these major urban centers. The agreement in its present state does not address itself to this very substantial group of people at all. As a matter of fact, we have estimated that because of the way the agreement reads and the various restrictions that are in the agreement, that the agreement possibly applies to no more than 10% to 15% of the native population of the province.

Manitoba (b)
Métis Federation

Manitoba Metis Federation

- (1) ARDA should service native people no matter where, even in larger centres.
- (2) We should be free to waive the three (3) people employees where a small business will only support a man and his family for a better living. Maybe as he gains confidence or the business grows, the fatal three (3) may move in.

B. FINANCIAL MATTERS

1. DREE Reports

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British Columbia
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(a) British Columbia

Partially because of the guidelines and partially because of the inherent economic bias against native people, interim and long-term financing problems have plagued the effective delivery of the program. New means must be derived to inject the assistance more promptly and with greater surety. Following are some alternatives:

(1) Advance Payment of Grants

This would eliminate the need for interim financing; however, the lack of control in this method would probably jeopardize some of the projects and result in a much higher failure percentage. Program delivery and project development would improve; however, the inherent weakness in this method makes it one of the least desirable methods.

(2) Progress Payments of Grants

This method would reduce the need for certain levels of interim financing if payment was made as costs are incurred. Program delivery would be improved and projects could be established sooner, thereby eliminating some of the problems associated with interim financing. This method would be an improvement over present method of disbursing funds after an audit and considerable delay.

(3) Loan Guarantees (Interim Financing)

Loans in the amount of the grant could be guaranteed so that the monies could be made available to the client immediately rather than the long wait under the present system. This method would eliminate the problem of interim financing arrangements faced by most clients and, in some cases, causing a withdrawal of the offer of financial assistance. A better rate should be negotiable reducing some of the finance problems in arranging for interim financing.

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(4) Loan Guarantees (Long-Term Financing)

The other financing needed for the project could be in the form of a loan guarantee so that the client could proceed immediately with his project, thereby eliminating costly delays and, in some cases, not even becoming established because the client is unable to obtain the necessary balance of financing through the usual channels.

(5) Finance Package

A complete package including grant funds, equity funds and loan guarantee funds could be disbursed to a controlled bank account with appropriate signing officers. Funds could then be used as necessary with little delay. Program delivery would be improved, and increased costs normal to present methods could be eliminated. Monitoring of the project and development would be improved. The establishment of the project could proceed in an orderly fashion.

(6) Guaranteed Loans (Provincial Government)

Provincial government would guarantee loans to projects receiving a Special ARDA grant. This would increase the involvement of the provincial government and eliminate the problem of acquiring the necessary other financing through conventional channels. The provincial involvement is desirable, and monitoring of the projects would be increased by this involvement and the involvement of the lender.

(7) Interim Financing Costs

These costs could be included in working capital calculations and paid to the client at the time working capital is disbursed. These costs would be recognized, identifiable and would not be a burden on the client or jeopardize the project unduly.

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(8) Cost-Sharing Losses

An agreement between DREE and the provincial government whereby losses due to loan guarantees would be shared. This would increase provincial participation, increase the monitoring functions of the project and increase acceptance by the lender.

(9) Guarantee Loans (IEDF Program)

The other financing necessary in a Special ARDA project could be guaranteed under the IEDF Program. This would make the money more readily available to the client, increase Indian Affairs participation in the project and increase monitoring of the project through the lender.

(10) Complementary Financing

Clients cash equity, Indian Affairs contributors, IEDF loan funds and guaranteed loan funds to be in place first, thereby greatly reducing or eliminating interim financing requirements as well as long-term loan requirements. Clients vested interest should improve the chances of the project surviving. Indian Affairs involvement would be increased. Orderly disbursement of funds as they are required and monitoring should be improved.

(11) Flexible Payment Schedule

In response to the needs of a particular project, the offer could schedule payments in a wider variety of ways. For instance, a project may require a 30% grant advance (to joint payees), with 60% payable at audit and a 10% holdback.

(b) Manitoba

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(1) Equity

It is suggested that the program's equity requirement serves several functions:

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- (a) It establishes the seriousness of the applicant's interest (i.e. he is serious if he is willing to put up equity).
- (b) It indicates some degree of personal commitment to the success of the project (i.e. something to lose).
- (c) It enhances the viability of the project by adding to resources available to it.

Given the disadvantaged circumstances of the program's target group and the typically poverty level of marginal family incomes that this implies, the provision of 20% equity for commercial projects is beyond their financial capabilities, and it has been argued that the program's equity requirements are unrealistic. From May 1, 1975 to January 31, 1976, of 42 rejected or withdrawn Commercial Undertaking applications, three were attributed to an inability to provide equity. These figures may understate the severity of the problem since potential applicants may refrain from applying when advised of equity requirements. No Primary Producing Activity application has ever been rejected on the grounds of inability to provide the 10% equity; indeed, group equity is suggested to be in the range of 75% to 80% of assistance authorized. The obvious conclusion is that, in Manitoba, "equity" problems are limited to Commercial Undertakings.

The operation of the program suggests that several interpretations of the equity requirement have been made to make this requirement less of an obstacle:

- (a) Contributed equipment is accepted as equity.
- (b) Contributed labour ("sweat equity") is accepted as equity.
- (c) Subordinated personal loans are accepted as equity.

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In addition, in the case of status natives, grants from DIAND's IEDF have served as equity.

In many instances, the functions served by the equity requirements (outlined above) have been effectively circumvented since the "opportunity cost" of resources committed is zero and/or there may be no personal sanctions for failure. A harsh interpretation would suggest that in these cases, the equity requirement is contradictory - in letter, it is there, but in reality, it does not matter; for example, all money in the enterprise may be public money. Those applicants who do not have access to supplementary and immediate sources of equity understandably feel that Special ARDA does not provide equal treatment (all three Commercial Undertaking rejections were from Metis applicants). It could be argued that they could approach conventional lending agencies for personal loans to serve as equity, but given their limited personal economic resources and undemonstrated financial responsibility as required by such lenders, this is an improbable solution.

The basic issue is to determine under what circumstances equity is required and in what amounts. If in effect some applicants do not place any personal financial resources on the line, is it possible to have no equity requirement? Should equity be required only when the applicant has it? Obviously, further thought is required to resolve the question of when equity is required, but it is possible to contemplate reducing the equity requirement but it must be asked if this would be meaningful to applicants who typically have very small personal financial resources. Would 10% be less of an obstacle than 20%?

If an equity requirement is to be part of a future Special ARDA program, several configurations should be investigated:

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(a) Flexible equity requirements. Possibilities include:

- (1) Floor levels (10%?).
- (2) Ceiling levels (20%?).

Precise level would be recommended by Committee assessing each application in terms of:

- (1) Applicant's financial and other personal resources.
- (2) Benefits to community from the project.
- (3) Degree of risk and consequences of failure.

(b) "Equity grants" held in trust for employees who would earn equity over a period of time and thus share in ownership.

(c) Loans to shareholders, possibly interest-free and/or forgivable, that would be then contributed to the enterprise as equity.

(d) Crown participation as a shareholder.

The pros and cons of different possible equity configurations need to be investigated more intensively. The important point is to acknowledge that there are alternative methods of providing equity and to note that equity requirement as it now stands is in many cases a facade. The implications of alternate equity arrangements must also be considered. For example, how would a reduction in equity affect the applicant's ability to secure complementary financing.

In summary:

(a) Most applicants lack personal resources sufficient to supply any significant degree of equity.

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- (b) In many projects, the bulk of money is public money; applicant's equity is often minimal.
- (c) There is a need to investigate:
 - (1) Under what circumstances equity should be required.
 - (2) How much should be required.
 - (3) Innovative mechanism for providing this equity where applicants cannot.

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(2) Financing

Problems regarding financing link all of the above together. The native representatives feel that if the original goal was to provide a lending agency of last resort, that goal should not be sacrificed at any price. The legislation and guidelines must impose realistic expectations in terms of the ability of the target population to have saved or to raise equity. A lowering of the equity requirement with a further allowance for Ministerial discretion on recommendation of the Committee will be recommended. There is no question that this will be very helpful and will likely be perceived as a "victory" by the native groups. Furthermore, no data exist to show a direct link between success of project and size of equity or ability to procure it.

We intend to recommend much closer linkages between the CEDF (Provincial), IEDF and other relevant lenders. It is apparent that our relationships here are not as close as they might be. This is to the detriment of the morale of analysts in all agencies and adds to the inconvenience and frustration of our mutual clients. Higher costs are incurred directly because of the lengthy wait that is now becoming routine for these mutual applicants. It also detracts from the overall objective which guides all these agencies.

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The ability to underwrite or guarantee loans is a long-term objective we would wish to pursue with the Department of Finance. The "repayable grant" for which there is some precedence under RDIA may also be worth some consideration. Our Minister might also wish to consider encouraging partnerships (in which DREE applied part of a Special ARDA grant to match for a Métis or Indian applicant the assets of a white partner to be) and providing for the procurement of existing businesses that have proven viable and for which the native applicant would stand a good chance of success.

The last two suggestions touch on another issue. Part of the overall objective for Special ARDA is employment generation. Data exist to suggest that between 700-1000 jobs have been created or improved in each of the last two years because of Special ARDA's assistance. These figures in themselves are impressive but are even more so when we consider that the jobs that Special ARDA is assisting to create or improve belong to people who have never before figured in the provincial labour force. Another objective for the program, however, is improvement in income. The question of partnerships or the procurement of existing businesses shifts the focus more heavily toward the latter and emphasizes native entrepreneurship - not a problem but would imply a conscious shift in emphasis by DREE and a less simplistic quantitative evaluation approach in the future.

(c) Saskatchewan

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(1) The Financial Process

(a) General

To illustrate the complexity of financing which can be involved in a Special ARDA project, the following logging industry item from British Columbia will suffice.

The financing includes:

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- (1) Indian reserve timber equity valued at \$458,000.
- (2) The Department of Indian Affairs and Northern Development loan of \$35,000.
- (3) A Band Loan (based on stumpage fees) of \$63,000.
- (4) The First Citizen's Fund provided \$50,000.
- (5) The Department of Indian Affairs and Northern Development equity contribution is \$600,000.

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- (6) Manpower grants for training purposes amount to \$100,000.
- (7) Loans from WCDC of IC of \$5,000.
- (8) Another Department of Indian Affairs and Northern Development Loan of \$50,000.
- (9) Bank - \$700,000 to January, 1975; \$800,000 during 1975.
- (10) Working capital at \$25,000 to January, 1975, and \$150,000 for 1975.
- (11) Special ARDA cumulative grant at \$187,000. The length of the project is 12 years.

A second example less complex in terms of the numbers of financial institutions involved indicates the importance of contingency funds being available. It is a cow-calf operation and involves a bank line of credit at \$20,000, a Farm Credit Corporation loan of up to \$100,000 dependent upon Special ARDA commitment, the Indian Economic Development Fund loan at \$47,000 with interest at 7% for 15 years, a Special ARDA grant of nearly \$150,000. An irrigation system including pumps and dikes was an important component of the client's equity. During the first months, the system broke down and it was necessary to purchase additional equipment. Contingency funds would appear to be essential as it should not be the intention of Special ARDA to support marginal projects in a marginal manner.

(b) Bridge Financing

Until March 31, 1974, bridge financing was required for most of the 153 projects which received the Letters of Offer and accepted them. Bridge

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financing appears to be a continuing requirement as long as DREE payout is not available until the project is well under way. A tentative observation, based upon only a few interviews with clients, indicates that receipt of the Letter of Offer is something of a milestone in the process of application and project evaluation. It can come as a shock at this point to find that no funds are yet available for purchase of equipment which may be necessary to start up, to pay wages and salaries, or to purchase production materials, etc. Many clients cannot borrow from conventional lending agencies because they do not have the security required. The Letter of Offer does not constitute satisfactory security, as the conditions have not necessarily been met at this time.

It is therefore recommended, to obviate the necessity of interim financing, that the DREE Letter of Offer be accompanied by a cheque for that portion of the payment which is needed to permit start-up. The amount should be determined from the plan of financing included with the Part II Application.

(c) Equity Requirements

Originally, it was intended that the equity requirements of projects would not be obtainable from another program. The planners believed that personal involvement is necessary on the part of entrepreneurs to ensure adequate motivation. The explanatory notes presented to native organizations in 1971 stated, "Everyone agreed that it was essential that the applicants must have a personal involvement. There must be some sacrifice on the part of

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the owner or owners of the enterprise. It is our belief that this is a key factor to making a project successful." Some native leaders, especially Metis have suggested that the equity requirements are too difficult because their people simply do not have the funds.

How many projects by Indians and Metis were turned down because of failure to raise the required equity? This factor has not generally been recorded. Assurance that equity in some form has been provided by the entrepreneur is important if the motivational assumption accepted by the planners is valid. The same principle has been generally applied to native housing programs such as those administered by the Department of Indian Affairs and Northern Development through CMHC and between CMHC, Provincial Housing Corporations and various Metis groups. It is a principle accepted by most on the creditor side of the financing process.

(1) Alternatives to Equity

- (a) Assessment of attitudes of the recipients may be useful. Some factors which may provide the motivation requisite to success of a project are "desire to succeed", "desire to increase income", "a desire to produce and sell a product", "desire to be of service to the community", "a desire to use personal capacities for leadership, etc."
- (b) Forgiveness of loans can also be a stimulus to entrepreneurs where a loan has been a part of the government input.

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(c) Waiving of interest can be useful if conditioned upon satisfactory fulfillment of the conditions of the loan.

(d) Analysis

(1) Finance and Credit

As small business enterprises are proposed, there are now several sources of funds, but notably not the conventional sources. They include provincial loan funds, Indian Affairs loan funds, DREE Special ARDA grants, the British Columbia First Citizen Fund, etc. The normal business channels such as Chartered Banks, the Industrial Development Bank, the Small Business Loans Act, Farm Credit Corporation, etc., and are generally not available for the majority of small businesses envisaged in Canada's rural west and on Indian reserves.

One of the functions of the counsellors would be to advise entrepreneurs about alternative forms of finance which may be available to them. The financial maze will discourage many, however, and it will be known often that most of these normal sources of funds will not be available because of lack of business history, lack of experience, unsubstantiated credit worthiness and other significant risk factors. Preliminary requirements for most businesses will be feasibility studies, including production and marketing, planning for a reasonable time, and management training programs and skill training for employees, assessment of physical plant requirements, salaries, overhead, sales and advertising costs, and an assessment of the

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appropriate mix of grants, loans, guarantees, equity requirements, extraordinary prestart costs. This preliminary assessment should be followed through until the business develops to a point where revenues exceed expenditures for a sufficient time to forecast repayment ability based on their business history. This is likely to be at least five years.

Extend the counselling service to businesses assisted by DREE beyond the term of the grants until the independent viability of the product is indicated.

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(2) Options for Financing Relating to Special ARDA

(a) Special ARDA - Financing

The Special ARDA program has matured over the past two years and has remained reasonably respectable with native clients. It is not and cannot be everything to everyone of native ancestry; however, it does aid in the financing of useful enterprises for 5 to 10 percent of the target population. The high rate of cost inflation and interest rates has had a greater effect on projects in northern areas than it has in the south as any goods or services purchased for the north must pass through more agencies and transportation companies than southern projects, each adding their markup and, therefore, increasing cost to the projects.

The size of Special ARDA projects has varied widely with the larger grant amounts being requested in British Columbia for major forest development enterprises. Saskatchewan and Manitoba projects have been geared to smaller primary producing activities as well as service and manufacturing areas.

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While it is not generally considered when talking about financing, the major problem facing Special ARDA in the future is likely the management skill level, financial or otherwise, of the client. The majority of smaller type enterprises on the average will cease operation within five years, and a large number of these so-called failures are a direct result of mismanagement.

With most of the recipients of Special ARDA assistance, there is inherent an average or lower level of management skill to operate the enterprise even if all of the financial constraints can be overcome.

The major problems inhibiting success in Commercial Undertakings (native or otherwise) can be summarized as follows:

- (1) Lack of management skills.
- (2) Ignorance of the consequence of failure.
- (3) Disadvantage of location.
- (4) Shortage of working capital.

It is a natural reaction to consider the Commercial Undertaking portion of Special ARDA in mainly financial terms; it is our feeling, however, that the financial areas are likely less important to the success of the program than the level of development of management skills. It is, therefore, most important that the Special ARDA staff, as well as other provincial and federal agency staff, upgrade their approach by encouraging management skill training of a relevant nature, provide for much greater aftercare, and generally orient their approach to their clients on an entrepreneurial support basis.

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(b) Equity

To ensure a successful operation, the entrepreneur should have a sufficiently large personal stake in the enterprise to really motivate him to succeed. The requirement for 20% equity in a project has been identified as a major problem inherent in the program by some of the native groups as they maintain that this prevents some worthwhile projects from being developed.

The requirement for equity is still valid, but if the native leaders feel that this is a constraint, we can consider lowering the requirement for the equity to 10%. This, however, in real terms, is not likely to change a great deal in the operation of the program.

(1) Recommendation of Options

- (a) That the equity requirement in Commercial Undertakings be lowered to 10%; or
- (b) That it be stated that a tangible equity must be provided without mentioning any definite percentage but that the principal be involved so that the applicant has a sufficient personal stake in the particular project under consideration.

(c) Interim Financing

When the Special ARDA program was originally negotiated, it was anticipated that most of the interim financing would be provided by provincial agencies. In Saskatchewan, this has, in the main, been the case. In Manitoba, reluctance to become involved in such high risk ventures that are initiated by a federal department is evident. In British Columbia, the province does not play an active role in any area of the program.

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The cost of interim financing has become a major consideration as during initial stages no cash is being generated by the enterprise and the cost of borrowing interim financing continues.

By the addition of a Section "F" to the provincial agreements to provide guarantees for bridge financing for Commercial Undertakings, commercial lending institutions would be guaranteed against loss of interim financing funds providing the loans have been serviced in a reasonably proper manner.

(1) Recommendation of Options

- (a) - The committee in conjunction with DREE staff could have the ability to guarantee banks' participation in interim financing with the province and DREE sharing the losses.
 - DREE could make provision within the program for advance payment of grants.
 - The new agreement could be negotiated with the province so that the province is in fact responsible for interim financing and DREE grant contributions.
- (b) - A development corporation could be set up in each province which would operate a Special ARDA type program and could provide (if adequately financed) an interim financing role as well as arrange long-term financing.
 - The cost of interim financing be borne by the Special ARDA program.

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(d) Banks

There has been some participation by chartered banks in Special ARDA projects; however, this has not been nearly as significant as we would prefer to see. There must be a concentrated effort to encourage bank participation in more projects.

This can likely only happen if the program officer is able to spend more time with clients on the packaging of projects and in concentrating on normal sources of commercial financing.

There is also a need for high level discussions with banks to explain the Special ARDA program and to encourage participation.

(1) Recommendation

- (a) Concentration on packaging by Special ARDA program officers.
- (b) That high level consultation with banks take place before the implementation of the longer term agreement.

(e) Special ARDA Review - Complementary Financing Alternatives

Experience has shown that native applicants for Special ARDA (SARDA) assistance frequently encounter problems in their attempts to obtain complementary financing, particularly interim or bridge financing, and are often unsuccessful in their efforts. These problems are largely due to the fact that SARDA projects are not necessarily economically viable (from an investment return point of view) and the applicant often lacks a track record of proven management expertise. Also contributing

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to the problems is the traditional reliance by the native people on government development funds, both federal and provincial, and too often it is easier to go directly to governments for assistance and so avoid approaching the commercial lenders. Government agencies and personnel have been inclined to accept this situation, and many proposals for assistance are developed on the assumption that financing is not available from commercial sources and that all of the required funding will be provided by governments.

The most desirable, and perhaps most practical, alternatives to this present practice would be to involve commercial lenders in SARDA projects in such a manner that their services would be as readily accessible to native applicants as government development funds. The following three possible methods of achieving this objective are presented for discussion:

- (1) Loan guarantee (by federal government).
- (2) Third party administration of grant payments.
- (3) Administration of grant payments and loan guarantees by provincial governments.

(1) Loan Guarantee

Because of the credit considerations inherent in SARDA projects, a guarantee against loss (or a portion of the loss) such as is provided under RDIA would not catalyze the needed financing. The type of guarantee required would need to be a guarantee of performance (prompt payment) and would likely need to

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provide coverage on 100% of the face amount of a loan. DREE would have to negotiate ground rules by which the banks or credit unions would provide advances and take security under this type of guarantee. It is envisaged that applicants would have to provide security for interim loans and also provide evidence of progress to obtain advances. In the event of default, the commercial lenders could demand full payment from DREE (providing the agreed upon criteria were met) and would surrender their security to the Crown upon payment.

It will be appreciated that considerable time and discussion would be required to negotiate criteria for loan guarantees of this type which would be mutually acceptable to the department and the commercial lenders. It should also be made clear to all concerned that any plan to provide credit to SARDA type projects would need to be not only acceptable but attractive to banks and credit unions to get meaningful participation. The basis for provision of such loans would need to be fair and simple - any tendency to be cumbersome would negate lender interest.

In consideration of loan guarantees, it is recognized that such support falls within the mandate of the Department of Finance. Any program of intervention would normally require their blessing, but in the SARDA projects under discussion, it would just not be practical to deal with this department on a project-by-project basis. One possible way of providing guarantees without encountering this type of difficulty may be by the following method.

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Under Section 5(c)(1) of the agreements, it is possible for the SARDA Committee to recommend, and for the Ministers to approve, financial assistance to applicants for planning and preparing projects. This procedure is often used to finance feasibility studies, accounting expenses, project engineering costs, etc. Advance assistance of this kind is treated as a project in itself, but if the project proceeds as planned, the advance financing is incorporated into the overall costs of the enterprise as pre-operating expenses. If agreement could be obtained that arrangements for interim financing were a necessary part of planning and preparing a project, then a similar procedure could be set up to provide a guarantee to commercial lenders to advance the required funds.

In effect, the amount required for the interim financing of a project would be estimated and a proposal submitted to the SARDA Committee for recommendation and approval of this pre-operating cost of planning the project. After approval is obtained and the funds committed, the required guarantee could be given to a commercial lender who would make a loan and provide advances as the project progressed. Security on the applicant's assets would be taken for the loan. In the event the applicant defaulted on the loan, the lender would be repaid from the funds already committed for this purpose and would surrender the security to DREE thereby giving the department some recourse upon default. If,

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on the other hand, the project proceeded as originally planned and the applicant repaid the interim loan, the total assistance approved for the project would simply be reduced by the amount of the unexpended commitment.

It is considered probable that Section 5(c)(1) of the present SARDA Agreements could be interpreted to permit this suggested procedure and, certainly, future agreements could specifically include such arrangements for interim financing as a necessary part of planning and preparing projects. Negotiations with the provincial governments concerned would be necessary to establish an understanding of this suggested procedure and to obtain their agreement to cost-share any losses incurred (note: Section 5(c)(1) calls for 100% federal participation for native applicants).

(2) Third Party Administration of Grant Payments

In the event that a satisfactory loan guarantee program could not be worked out, consideration could be given to the establishment of a procedure whereby the SARDA grant payment would be paid at the time of offer to a commercial lender who would hold the funds in escrow until the terms of the offer were fulfilled. Any interim or bridge financing requirements could be satisfied by the lender making a loan and providing advances as the project progressed. Normal security on assets would be taken. In the event of default, any loans would be repaid from the funds held in trust and the balance of the grant, along with an assignment of securities held, would be returned to the Receiver General.

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In effect, this procedure would mean that a third party (e.g. a bank or credit union) would administer the terms of a letter of offer. The willingness of commercial lenders to accept this responsibility and their fees for providing such a service will require considerable investigation and discussion. It should be noted that SARDA projects require a great deal of followup and aftercare such as management assistance and, although the program permits contracts with the private sector for this purpose, understanding and flexibility in conducting inspections and audits is desirable and commercial lenders normally do not have such a capability.

(3) Administration of Grant Payments and Loan Guarantees by Provincial Governments

Another alternative solution to the interim financing problem would be to obtain greater provincial government participation, particularly financial involvement, by providing loan guarantees in the program. This could be achieved by obtaining their agreement to accept responsibility for the delivery and payout of all (except status Indian projects) assistance authorized by the Ministers. Provincial government delivery would permit the assistance offered to be paid out progressively as needed by the individual projects and a mix of loans, loan guarantees and grant assistance could be made available in a manner satisfactory to both governments and the native clients.

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The provincial governments would, of course, provide all necessary loans and loan guarantees and DREE would provide the federal share of grant assistance which would be payable through the province to the client. The experience with provincial delivery of assistance to primary producing projects in Manitoba has been satisfactory insofar as the provision of interim financing is concerned. In the case of status Indian projects, DIAND would be the implementing agency and would assume the responsibilities of the provincial governments as outlined above.

This alternative would have advantages in that:

- (a) The provincial governments (and/or DIAND) would be much more involved financially in the program.
- (b) The provincial governments (and/or DIAND) would be responsible for all inspections and audits.
- (c) The provincial governments (and/or DIAND) would be responsible for all followup and aftercare of projects.
- (d) DREE staff would have much more time to devote to the development and analysis of projects.

The disadvantages would be:

- (a) Provincial government identification with the assistance provided would be increased considerably as they would

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deliver the cheques and much of the direct development assistance. (Note: Ninety percent of assistance so far provided has been from federal funds.)

- (b) The capability and willingness of provincial governments to assume the increased role and responsibility in SARDA is seriously questioned. Experience in Saskatchewan in the past in this respect has not been satisfactory and British Columbia does not have the staff resources at the present time.

If this alternative proved to be acceptable, negotiations with the provinces and DIAND could be undertaken to arrange for cost-sharing of losses incurred.

(f) First Citizens' Fund in British Columbia

Discussions should take place with the province of British Columbia in order to dovetail the First Citizens' Fund and Special ARDA for the provision of equity and other financing with the objective in mind of working collectively to promote native enterprises.

The purpose of the First Citizens' Fund is to encourage new, imaginative, and constructive projects and programs in the fields of education, the arts, cultural and recreational affairs, communication and economic improvement amongst British Columbia's 40,000 North American Indians.

It is not designed to support or replace existing programs financed by the Department of Indian Affairs of Canada or any other provincial departments or agencies.

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It is intended to be a program of self-help designed, initiated, and administered by bona fide British Columbia Indian bands, organizations, and individuals, with minimal administrative costs and organization.

(g) Loan Guarantees

Loan guarantees to chartered banks for long-term financing could be a potential source of financing that would enable the non-status Indians to enter the larger projects. Treaty Indians have available the IEDF guarantee which covers most of their projects so DREE would not likely be asked to guarantee for this group.

(1) Recommendation

- (a) That the loan guarantee program be applicable to Special ARDA.

(h) Indian Economic Development Fund

This program has been highly visible and useful in Special ARDA projects that relate to Treaty Indians. There is, however, no program of this nature which allows access by Metis or non-status people to this type of funding. The options that we might explore are the options of widening the scope of the Indian Economic Development Fund to include non-status Indians or that a comparable loan fund be set up to serve these clients.

(i) Northwest Territories Loan Fund

While the provision of funds for development in the Northwest Territories in the past has been skimpy, the pressure applied by Special ARDA and RDIA programs in the Northwest Territories will render the fund even more inadequate.

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We should, therefore, consider setting up a special fund in conjunction with the Northwest Territories government which will allow for increased availability of loan funds.

(1) Recommendation

- (a) That we explore with the Northwest Territories government the setting up of a special fund to finance Special ARDA and RDIA projects.

2. Other Agencies

DEAND
Saskatchewan
Region

(a) Acquisition of Existing Business

- (1) The agreement should not be used for the purchase of existing businesses as other programs are available for this purpose.
- (2) Problems are also being encountered in regard to individual Indians taking over bus routes from large non-Indian owned firms.
- (3) DREE should cover a percentage of the cost of purchasing off-reserve farms or existing business.

3. Native Organizations

Métis Society
of
Saskatchewan

(a) Metis Society of Saskatchewan

(1) Restrictions in the Agreement

There are a number of serious restrictions in the agreement which create problems for anyone trying to make use of the resources available under the agreement. These include the following:

Métis Society of
Saskatchewan

(a) The Earned Grant System

Capital is available on an earned grant basis. By that, we mean that the individual who is putting an economic development project in place has to raise the money to do that through some other source, either on his own or through the commercial lending markets, before he can actually qualify for any grants that have been approved for his project. Even then, he is never sure that the project will satisfactorily meet all of the sometimes vague and complicated conditions set out in letters of commitment by DREE. As a result, many people who propose projects and have them approved are not able to proceed because they cannot raise the development money needed to begin a project. They did not have access to capital before the Special ARDA program was started and are not likely to have access to the capital with the program, particularly because of the uncertainties that are introduced and the conditions that are set down for grant payments.

(b) Equity

The present arrangements call for the individual or group who are proposing a project to have an equity of 20% of their own capital. In today's economy, it costs an average of approximately \$100,000 to create one job. This means if one individual wants to set up a small business (which you cannot do under the agreement), he would have to have at least \$20,000 equity of his own. If he had this type of equity, he probably could raise the money he needs satisfactorily through the commercial lending markets. Since no project providing less than three jobs is considered under the Special ARDA program, minimum

Métis Society of
Saskatchewan

capital requirements on the average could reach \$60,000 to start up even a small enterprise. This creates almost insurmountable obstacles for native people who are trying to raise the equity to take advantage of the program.

(c) The Delivery System

The system for delivering the services and in particular to deliver the money is very awkward and cumbersome. No grant monies are paid out until the project is in place and in operation for 30 days. There then has to be a request for an audit following which there may be a recommendation from the auditor for a grant payment. This is a long drawn-out process which takes time and further adds to the difficulty of any entrepreneur who makes use of the Special ARDA program.

In addition, as identified above, there in essence is no system for the delivery of the necessary professional, technical, and other support services and training required in projects which can be funded under Special ARDA.

(d) Conditions of Letters of Approval

The letters of approval as indicated above set down a number of conditions which often are not particularly precise and which create great uncertainty for the project and in particular for any lending institution which is contemplating providing interim financing. For example, a number of letters that we have seen contain the condition that the project sponsor must satisfy DREE that they have developed adequate management skills and procedures as a condition of the grant. No criteria are set down as to what is adequate, who would make this judgement, or the role of auditors in making recommendations on this matter as a condition for the release of money.

Métis Society of
Saskatchewan

(e) Geographic Limitations

The Special ARDA agreement has a number of geographic limitations. One of these limits projects to areas that are more than ten miles from any center with a population of 25,000 people. In other words, the application of the Special ARDA agreement is basically limited to rural areas. There is further limitation that the area in which the project is carried out must have a native component in the population of at least 50%.

Outside of the northern administration district in Saskatchewan, there are not too many native communities which would meet that criteria unless there were Indian reservations. It is also a well known fact that approximately 50% of the native people in Saskatchewan now live in the larger urban centers and that percentage of native people in the urban centers will gradually increase in the future. It is also a known fact that many of the more serious problems of social disintegration and economic depreivation exist in these major urban centers. The agreement in its present state does not address itself to this very substantial group of people at all. As a matter of fact, we have estimated that because of the way the agreement reads and the various restrictions that are in the agreement, that the agreement possibly applies to no more than 10% to 15% of the native population of the province.

Manitoba
Métis
Federation

(b) Manitoba Metis Federation

- (1) If we are sincere, the loans should be five-year interest-free and arranged through MDC. Quite often, a person is snowed under with debt before he even starts.
- (2) The 20% equity a native entrepreneur is supposed to have is just not available.

C. TECHNICAL ASSISTANCE

1. DREE Reports

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Analysis
Manitoba Office

(a) Manitoba

(1) Project Origin and Followup

Below are comments on project origin and followup. "Hard" data are difficult to come by, and consequently, the following are general impressions.

(a) Project Origin

Manitoba has not yet completed their documentation of PPA's, but expectations are that the provincial Department of Northern Affairs will be indicated as the origin of applications. Initially, that department publicized the program through "informational" meetings in communities; currently, it is responding to requests for such meetings at which the program, its objective, its operation, and its benefits are explained. Usually, a subsequent meeting is held in the community if an application is to be made. Although the department may be advised of a community's interest by a number of sources (e.g. the Manitoba Indian Brotherhood, the Manitoba Metis Federation, Department of Mines, politicians, DIAND, etc.), this information does not always appear on file; often the first records relate to meetings held in the community by the department.

(b) Project Development

(1) For about 90% of CU's, Special ARDA staff does the project development. Generally, the exceptions are projects in which the provincial government plays a major role. The provincial Department of Northern Affairs is involved to the extent of developing training packages.

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Development and
Analysis
Manitoba Office

- (2) In PPA's, the provincial Department of Northern Affairs does project development in conjunction with local producer groups.

(c) Project Followup

- (1) For CU's, project followup is done by Special ARDA staff, but we must be careful about what we mean by "followup". Special ARDA officers provide some management counselling during their regular visits to clients, but these may be too infrequent to be truly effective. Special ARDA, however, lacks the resources to provide the comprehensive followup required, and consequently, the prime focus of after approval client visits remains to ensure the conditions of the letter of offer are met.

Similarly, when other agencies are involved, particularly in financing (e.g. CEDF), there may be a monitoring of the project but usually from the perspective of protecting their investment rather than a developmental perspective. No one agency has responsibility for aftercare, and as a result, there is no comprehensive aftercare associated with CU's - e.g. monitoring, problem diagnosis, provision of remedial assistance, etc. A number of government departments and agencies attempt to fill this function, but generally, these tasks are performed in an "ad hoc" uncoordinated and often inadequate manner.

- (2) Followup for PPA's is more straight forward in that the grants are "one shot". The Department of Northern Affairs has undertaken two sample surveys to evaluate

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Analysis
Manitoba Office

the impact of Special ARDA assistance. Both surveys indicate that improvements in measurement of after-grant performance of recipients would provide a better understanding of the program's effectiveness and would assist program managers and planners. In the sense of resource management, the Department of Renewable Resources and Transportation Services is also involved.

(d) The Future

- (1) In the future, projects will continue to originate from the same source as in the past. However, if the Northlands Agreement achieves what it is intended to, more applications should be generated from community-based organizations. As well, if primary assistance is authorized for sectors other than fishing and trapping, additional government departments could assist in stimulating applications.
- (2) Because of its financing function, in the past, Special ARDA has played a catalytic role in developing project packages involving a number of departments, and this function could be required in the future. As suggested in (1) above, if the Northlands Agreement stimulates interest in commercial enterprises and PPA's, particularly from community-based organizations, there will be increased demand for project development. Conceivably, this could range from opportunity identification to feasibility analysis to project formulation including financing. The role Special ARDA is to play in accommodating these demands is something that should be determined in this review.

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Development and
Analysis
Manitoba Office

- (3) Although there is general agreement in Manitoba that there is a need for aftercare and followup once projects are in operation, the problem of the delivery of such assistance is unresolved. Two questions need to be answered. What type of service could be delivered effectively? and how and by whom should it be delivered? Indications are that the province wishes to expand its role. Northern Affairs has made initiatives re management training that could easily expand into an attempt to deliver broader aftercare services. As well, an expanded role for CEDF has been suggested in some quarters. There are a number of agencies operating in this sphere (e.g. CASE, DIAND, FBDB, provincial Department of Industry and Commerce, Co-op Development), and rationalization and coordination of effort would appear essential if effective sources are to be provided. The role Special ARDA would play needs to be developed very carefully.

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Manitoba Office

(2) Operation/Administration

An assessment of internal administration would support the contention by clients that there is a lot of "red tape". Several concrete suggestions now under consideration could effectively change that and give the program a more active profile.

An information package, written in two languages, with carefully articulated eligibility rules and instructions for completing an application would likely be welcomed. In fact, native representatives on the Special ARDA Committee have requested such a package.

DREE (b)
Regional Analysis
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Office
Saskatoon

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(1) The Staff Role

(a) Program Officer

The importance of the experience of Program Officers seems fairly clear. Whether Program Officers are employed by the province or by DREE, their qualifications, experience, and sensitivity to client "needs" and "concerns" are probably equally important.

One qualification required of a Program Officer is his/her ability to do financial analysis. Personal suitability in human and social relationships is also important. A person ... cont'd page 56

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Western Regional Office
Saskatoon

with an abrasive personality with a "purist" approach to applying regulations or with any sort of negative attitudes towards natives or other disadvantaged persons would be unacceptable.

It also seems important that the Program Officer be capable of assuming full responsibility for completing the analysis, the counselling, and the liaison with other agencies on behalf of the client. The efforts that the client are required to make should be primarily the conventional ones directly associated with the business, such as establishing a relationship with the bank manager, dealing with equipment suppliers, negotiating with real estate agents, and arranging employment for prospective employees. The client should not be required to sort out the relationships between the various provincial and federal agencies concerned. He should not have to deal with the representative of DREE and the provincial representative and the Department of Indian Affairs and the Farm Credit Corporation, and the Industrial Development Bank, etc. The Program Officer should handle all this interdepartmental and federal/provincial liaison work. This requires smaller case loads for the Program Officers.

In Manitoba, this probably means the provincial department concerned would act as the Program Officer throughout the "evaluative" process. In Saskatchewan, this principle should be discussed further with the relevant provincial senior management to determine the extent to which they are prepared to make a commitment of staff with the qualifications mentioned above, and if not, the DREE Special ARDA Office should be expanded accordingly.

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In British Columbia, the DREE Special ARDA staff should be expanded in order to handle the administration completely. It is more important that the program operate efficiently than to be concerned about the amount of participation by the provincial and federal departments.

In Alberta, the Northwest Territories and in the Yukon Territory, the same principle should apply in terms of the early commitment and adequate staffing by whichever agency is responsible for the administration of the program.

(b) Specific Staffing Proposals

(1) New Staff Positions

Appropriations are recommended for five additional Program Officers in the next fiscal year in each of British Columbia, Saskatchewan, and Manitoba, who will serve under the Director-General of DREE in British Columbia, and the appropriate provincial department in each of Saskatchewan and Manitoba. A similar provision would be needed for Alberta and Territories. Three hundred thousand dollars will provide for the salaries and expenses to be administered under a Sub-Agreement of the General Development Agreement in each province. During the following fiscal year, two additional Program Officers would be required in each province. It is expected that the initial staff would need two years to familiarize themselves with the task of working with the disadvantaged persons and businesses and their problems, defining with them their priorities for new businesses, evaluating project proposals and assisting in coordinating training projects and

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business program planning. In year three of staff development, provision is needed for two more Program Officers in each province.

(2) Business and Industrial Location Consultant

The wide variety of isolated communities inhabited by disadvantaged persons and business calls for an intensive effort in provision of community socio-economic analysis specialists in the preproject development phase. This program would permit feasibility studies, industrial and business surveys for reserves, Metis settlements and small villages, planning, financial projections and market surveys.

Feasibility studies, industrial and business surveys, short and medium term consulting services (average cost \$15,000 each).
1976-77, \$200,000; 1977-78, \$200,000; 1978-79, \$300,000; 1979-80, \$300,000; and 1980-81, \$300,000.

(3) Contractual Management Services

Provide business counsellors for all business enterprises initiated by disadvantaged natives or other disadvantaged groups forming companies, co-operatives, partnerships, and entrepreneurs. These counsellors could be appointed under short-service contracts, handle more than one project concurrently. Most such specialized consultants would be utilized to establish book-keeping systems, financial projections, industrial engineering, legal advice, personnel service,

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sales development, cost control, advertising and public relations, real estate negotiations, purchasing, design, product improvement, or other functions related to business growth and stability. An important function of such counsellors would be the training of the entrepreneurs to operate the business independently.

Estimated business counsellors fees and expenses average \$20,000. 1976-77, \$300,000; 1977-78, \$420,000; 1978-79; \$540,000; 1979-80, \$540,000; and 1980-81, \$540,000.

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(2) "Management Guidance/Finance Program"

(a) Introduction and Background

After five years of operation of the Special ARDA program, several problem areas and gaps in programming have become apparent. The purpose of this paper is to discuss these shortcomings and to propose the establishment of a Management Guidance/Finance Program which could provide a solution to the problems and fill existing program gaps. The proposed program would be complementary to Special ARDA and other assistance programs now offered by the provincial and federal governments.

A major criticism of Special ARDA by the native people has been their lack of involvement in both the design and operations of the program. While they basically support Special ARDA and have participated in the advisory committees, they have always taken the view that the lack of comprehension of the needs, abilities, aspirations and expectations of people of native

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origin has contributed in large measure to Special ARDA's difficulties and project failures. Increased and more effective participation by native people is desirable and needs to be incorporated into the delivery of the program in order to achieve its objectives, be acceptable and result in meaningful economic progress for the client group.

This lack of comprehension is perhaps most evident in the insistence by native representatives that it must be recognized that there are many benefits, in addition to profits, that accrue to people of native origin when they become involved in commercial developments. Historical circumstances have prevented many of these people from acquiring business management skills. Therefore, the learning process and the acquisition of managerial skills are positive features of this type of involvement. The Special ARDA program experience to date has indicated a distinct need for a support service which could provide assistance to individuals to identify opportunities, plan projects, prepare applications and offer advice or guidance during the ongoing operations of an enterprise. The experience to date has also demonstrated that neither provincial nor federal government assistance programs have proposed that they could play an important role in this area through better and more understanding contact with the native clientele.

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Another constraint to the effective operation of Special ARDA has been the equity requirements of the program. Native representatives have emphasized that not enough consideration has been given to the fact that people of native origin have had little opportunity to accumulate capital. While the equity provisions of Special ARDA have been administered flexibly, the restrictions have tended to rule out the eligibility of many potentially worthwhile projects, particularly those proposed by non-status Indian people. The native associations have taken the position that, while they recognize that an applicant must have a commitment to and be implicated in a project with his own resources, a method must be found whereby projects can be considered on their individual potential and merit even though sufficient equity is not available.

Another major shortcoming of Special ARDA, which has been identified by both native representatives and program staff, is that there are inadequate provisions in the program for bridge and interim financing. Applicants frequently encounter difficulty in their attempts to obtain such financing. The problem is largely due to the fact that applicants lack a track record in proven management expertise, that commercial lending institutions function within rather conventional lending criteria and a problem of communication has existed, or simply that conventional lending sources are not physically present in proximity to the location of many projects. There have been strong indications from commercial lending institutions that they are not prepared to take risks as interim financiers in Special ARDA projects without a guarantee from government.

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These constraints and other considerations, such as the obvious needs for economic support services in urban centres and a coordinating agency through which Indian people could effectively use all financial services available, indicate that a different developmental approach should be adopted. The new approach proposed will provide a mechanism to deliver the requisite business, technical, financial and other services on a basis that would be sensitive to the specialized situation of native clientele.

(b) Program Objectives and General Outline

The objectives of the management guidance/finance program are to increase participation by native entrepreneurs in commercial development and to assist them to become more sophisticated in their approach to economic development.

The proposed program is a unique, integrated delivery system, of both managerial guidance and financial assistance, which involves native people in both management and operations. Both the guidance and financial capabilities are complementary. The program is intended both to supplement and augment Special ARDA and other programs and to provide assistance in areas for which adequate programming does not exist, such as in urban areas.

This new approach combines financial assistance, or the attraction of potential financial assistance, with a management development and monitoring system, in a mode that gives greater assurance that management is developed, trained and assisted, in conjunction with existing assistance programs, to exploit economic development opportunities intelligently and with maximum benefit to all concerned.

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The components of the program are:

- (1) Selection - to assess an applicant's capabilities and requirements in order to stream applicants at the outset into programs which best suit their needs;
- (2) Feasibility Analysis - to measure the economic viability of a client's business or proposal;
- (3) Guidance, Development and Monitoring - to guide in practical business acumen, to develop management capacity of the individuals, and to monitor performance; and
- (4) Finance - to provide equity and/or loan or loan guarantee financing. The objective would be to have only short to medium term financial involvement in projects.

The proposed program has been substantially based on a similar program developed by The Manitoba Institute of Management Inc. The MIM, starting with a pilot project in Dauphin, Manitoba, and subsequently in several communities in Manitoba and Saskatchewan, developed a program which was instituted and tested successfully in Barbados. In order to take maximum advantage of the experience of MIM, it would be desirable to engage their services at the establishment stage of such a program.

The important features of the program are:

- (1) Counsellors develop a close relationship with the client and represent the client's interest in assisting the client to present his case to lending organizations.

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- (2) The client is assisted only in those areas that assistance is required. Resources are brought to bear, from whatever source available, to train or counsel a client. It is envisioned, for example, that the CASE program of the FBDB be used, that seminar packages be utilized, etc.
- (3) The emphasis is on giving a client the tools, and the push in some cases, to resolve his own problems.
- (4) The client must pay a nominal fee for all guidance, development and monitoring services.
- (5) Financial involvement by way of equity, loans and/or loan guarantee would be limited and rolled over as quickly as possible.

The details of the program are provided in Section D of this proposal.

(c) Program Implementation Strategy

The program as outlined in the preceding section and detailed in the following section of this report could operate in a more or less similar fashion using a number of delivery mechanisms.

An important consideration in considering the most feasible vehicle is the importance attached to implementing this program with an image independent of government. This view is held for the following reasons:

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- (1) The target group collectively, because of the particular history involved, has developed an attitude to government that is not consistent with the objectives of the proposed program. The program is geared to showing these persons how to resolve their own problems in developing economic initiatives and how to deal effectively with conventional financing sources, rather than to rely on government to provide solution, and financing for them.
- (2) The program should be operated with a minimum of bureaucratic constraints and on as professional a basis as possible, at arms length from the day to day political processes.

It is proposed that a Native Development Corporation, jointly financed by the federal and provincial governments, would be an appropriate delivery vehicle. Such a corporation could create a credible image which may otherwise be difficult to achieve.

The affairs of the Corporation would be governed by an autonomous Board of Directors, appointed by both levels of government, which would have strong representation on behalf of the native people. It is envisaged that the Directors would have extensive business experience and a good knowledge of the particular needs and problems of Indian people. Operations would be managed and carried out by competent business persons capable of providing the guidance needed by native owned enterprises. Native personnel would be trained and used whenever possible to endeavour to provide effective and understanding relationships with the native clientele. It would be expected that the Corporation would work in close cooperation with the Department of Regional Economic Expansion and the appropriate provincial government department.

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The Corporation could be modelled generally along the lines of the Newfoundland and Labrador Development Corporation.

Although the terms of the founding agreement would be subject to negotiation, we would propose that the following basic changes from the N-&LDC founding agreement be made:

- (1) The share capital be divided equally between Canada and the province;
- (2) The Board of Directors of the Corporation shall consist of not less than five, nor more than nine directors; Canada to be represented by a majority of at least one. Of the directors appointed, each of Canada and the province must appoint at least one person of native ancestry to the Board;
- (3) The funding for both loan financing and equity investment shall be provided equally by Canada and the province, without separation into different funds;
- (4) The administrative and operating costs shall be borne entirely by Canada. These costs shall not be determined net of interest, dividends or guidance service fees received;
- (5) Interest, dividends and guidance service fees shall be separately accounted for as a reserve for losses on loans or equity investment. To the extent that such reserve may be insufficient at the end of each fiscal year to cover loan or equity investment write-offs, provision should be made to delete

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the net debt of the corporation to the shareholder governments. To the extent that such reserve may from time to time be more than sufficient to cover loan or equity investment write-offs, an equal distribution may be made to each of the shareholder governments; and

- (6) The Corporation shall not be limited to any maximum debt/equity ratios in the provision of financial assistance.

Budgetary Implications

In order to approximate the budgetary implications, we have attached a suggested organization based on an annual activity level somewhat as follows:

Client Activity:

| | |
|-------------|----------------------|
| Counselling | 100 clients |
| Financing | 40 to 50 clients |
| | \$1.5 to \$2 million |

This approximation is based on a review of the average experience in each of Manitoba and Saskatchewan since inception of the Special ARDA program.

The operating budget of an organization as suggested would require \$5 - 600,000 per annum.

Assuming that the organization would be established for an initial period of five years, the budget requirements would be (\$000):

| DREE Industrial Incentives and SARDA | | <u>Operating Costs</u> | <u>Financing Fund Requirements</u> | | <u>Total Funding</u> |
|---|--------|----------------------------|--|-------------------|--------------------------|
| | | | <u>New</u> | <u>Roll-over*</u> | |
| Western Regional Office Saskatoon | Year 1 | \$ 600 | \$2,000 | (\$ 680) | \$1,920 |
| | Year 2 | 600 | 2,000 | (1,440) | 1,160 |
| | Year 3 | 600 | 2,000 | (1,600) | 1,000 |
| | Year 4 | 600 | 2,000 | (1,760) | 840 |
| | Year 5 | 600 | 2,000 | (1,920) | 680 |
| Subsequent repayments | | | | | <u>(260)</u> |
| Total 5 year cost | | | | | <u>\$3,000</u> |

(d) Program - Detailed Outline

The objective of the Management Guidance/Finance Program is to provide some form of required assistance to all eligible clients who come forward. The program is designed so that deliberate steps are taken to ensure that systems and procedures optimize the opportunity to provide help. The initial, or selection, procedures are carefully organized to identify the true nature of an applicant's problems and to assess management's ability to take effective action to correct them. The initial selection process streams the client into the range of services that is most appropriate for the firm at that point in time. Given a genuine need for financial assistance and a capacity to perform, a counsellor then prepares the applicant for a loan, provides for monitoring to ensure that the appropriate management actions are incorporated and, most importantly, provides a management development and assistance program throughout the period of the client engagement. In all cases, the emphasis

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is on assisting the client to do the right things on his own, to the extent possible.

Schedule I outlines the program systems flow and briefly outlines the elements of each component of the system. A brief description of each component can be seen on the following page.

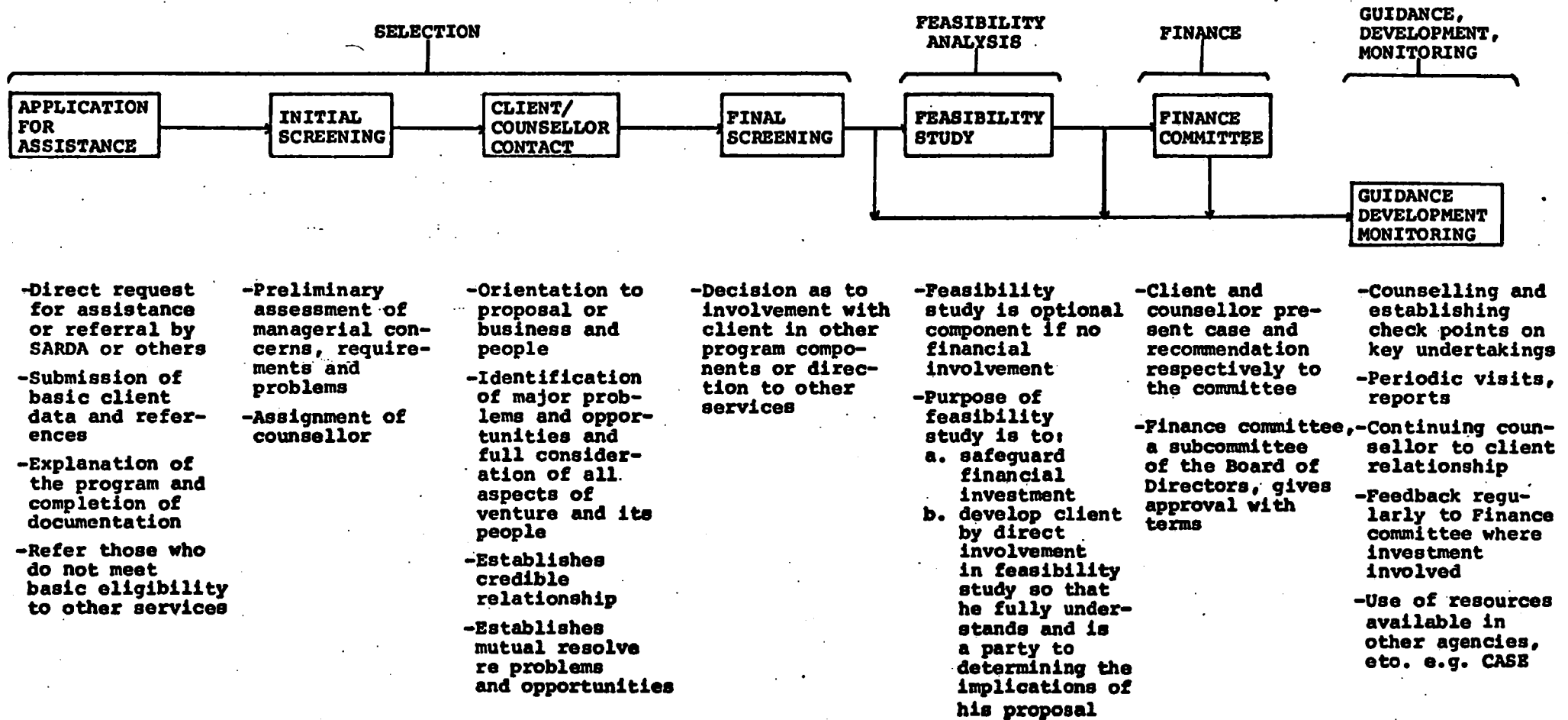
(1) Selection

The objective of the selection component of the program is to stream applicants at the outset into programs which best suit their needs. If the applicant is not basically eligible for the program, he would be steered to an appropriate source of assistance. The streaming would occur somewhat as follows:

- A company may have a specific problem requiring resolution. In terms of financing and management capability there is no particular concern. Since the program is unsuited to this type of applicant, he would be better served in a more traditional consulting capacity where his specific problem can be resolved.
- A company may have difficulties managing but it really does not require financial assistance. The applicant may be streamed into the guidance component. He need not necessarily receive financial support.
- A company may have both management and financing needs. In this area, the full program has application.

MANAGEMENT GUIDANCE/FINANCE PROGRAM - SYSTEMS FLOW

PROGRAM COMPONENTS:



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These determinations are made after an initial meeting, or meetings, of the counsellor and the client. Only after a careful assessment of both the management strengths and weaknesses and the identification of major problems and opportunities of a business venture is a plan of action within the other program components established. An important element at this stage is for the counsellor to establish a credible relationship with the applicant and to set the stage for a mutual resolution of the problems. The program as proposed envisions a team approach to problem resolution, with the counsellor providing the tools, with assistance as required, and the applicant providing his own solutions. The guidance is provided to develop the applicant's management capability to the extent required to successfully operate the particular business concerned and to do this as quickly as possible. It is not intended that long term repetitive guidance or assistance be provided.

The MIM has developed a "Management Style and Business Profile" questionnaire format and a "Profile of Management Style" evaluation format which can assist the counsellor in the screening process. These are reproduced in Attachments I and II respectively. The general format could be adapted to the particular requirements of this program. The "Profile of Management Style" particularly is a very interesting approach to evaluating management capabilities. The research to support this approach is also presented in

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Attachment II. It should be pointed out that, although the MIM research has indicated that the "Profile of Management Style" is a valuable predictive method of identifying likely management behaviour, it is not an iron-clad indication in that most businessmen are able to adjust their responses to reflect their own style favourably. The major benefit has come about by introducing the logic to counsellors who then tend to view all clients in relation to the model. By observation, the counsellors have quickly been able to identify the true nature of a client's profile and respond to him accordingly in their subsequent counselling.

(2) Feasibility Analysis

The feasibility analysis component of the program is used to determine venture viability. This capability may be used for or by any client but must be used in all cases where a loan guarantee, loan or equity financing is proposed to be provided.

The reasons for a feasibility analysis component are as follows:

- Program funding, or funding from another available source, may be required by way of loan guarantee, loan or equity. Whoever the lender, a feasibility analysis that is well prepared assists in assuring a lender that the financing he provides can be repaid within the limits required.
- The applicant may be about to make a substantial contribution of his own.

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- It is important that a client be in a position to begin a new venture with reasonable assurances of success so that he proceeds with deliberation.
- If a venture is not viable, it should not be undertaken.
- It avoids failure of projects which is costly not only from a private and public financial but a social point of view.

A very important part of this component of the program is that the Client will deliberately be involved in the feasibility analysis. In fact, to the extent possible, the client will do the analysis on his own with only guidance from the program counsellor. This is considered important in developing the client's managerial competence. Beyond this, it is a means of enhancing his enthusiasm if the venture is judged viable, and as a means of "self-abandonment" should the venture be judged non-viable. Neither of these situations is likely to occur if the client is not a full partner in conducting the study. It is envisioned that in those cases that are judged not viable, the client will willingly abandon the project after being party to the logical processes involved in reaching this conclusion.

To the extent possible, the program is intended to operate in such a way that counsellors help the applicant do what is required rather than do things for the applicant.

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The Manitoba Institute of Management Inc. have developed, and copyrighted, a "Self-Administered Feasibility Analysis" which would be useful in this component of the program.

(3) Guidance, Development and Monitoring

At this stage of the program, it will already have been demonstrated that management potential exists (selection component) and in many cases that the venture makes economic sense (feasibility analysis component). In some cases financial assistance may have been approved.

The objective of monitoring and development is to gradually introduce the client to a series of management systems and concepts and to obtain feedback to measure the success of the client's development of managerial capabilities and to ensure that the financial investment is being effectively utilized.

The assumption with respect to managerial development is that a learning curve phenomenon will occur for each client. Basically, the beginning point will be in most cases characterized by little or no understanding and subsequent points will be characterized by increasing understanding and motivation. The priority of developing the various management skills would be determined according to the needs in each case and a pattern of gradual but persistent introduction would be established

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by the counsellor.

A great deal of flexibility will be required in this area. The counsellor will have to draw upon his own resources as well as those of others. For example, the resources available from within the CASE program may be very useful in developing a particular applicant. Available seminar packages for certain aspects may be used, or seminars developed, for groups of clients at one time.

There are two major elements of the monitoring component - financial monitoring and operations monitoring.

With respect to financial monitoring, most clients will require assistance in establishing simple but informative accounting systems. In this regard The Manitoba Institute of Management Inc. has developed a basic accounting module referred to as the "One Book Accounting System" together with various variation modules for several industry sectors. The basic module is based on a very simple accounting system that seems well suited to the needs of most of the program clients. As well as being relatively simple, it has been established in such a way that a client can be relatively easily staged in his development from basic accounting entries through to profit and loss statements, balance sheets and other subsidiary ledger accounting procedures.

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The operations monitoring is based on a determination of critical factors in each company and information feedback on these factors, which tend to be common to each industry sector. For example, food costs account for 40% to 50% of the costs of operating a restaurant. If volume is sizeable, a small variation in food costs can have serious effects on profits. Improved or controlled performance in this operational area has a key effect on results. Operations monitoring is therefore geared primarily to the critical factor areas of each business.

Two important elements of the guidance, development and monitoring component of the program as explained above are that:

- (1) The program will be laid out at an early stage with the client, based on his particular requirements, and carried out with a counsellor selected for his capabilities and experience with the project and his empathy with the situation.
- (2) The client will be charged a nominal fee for all services rendered. For example, a flat per diem fee of \$10 may be suitable for personal counselling and a flat \$20 per person for each seminar attended.

(4) Finance

The finance component of the program provides the capability, where it is not otherwise available, to financially assist a feasible project in getting successfully implemented.

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This capability is intended to be supportive of other government programs to assist disadvantaged persons, particularly of native ancestry, such as the Special ARDA Program. Since the principal problems experienced to date in such programs have revolved around the lack of availability of loans from conventional sources, particularly for purposes of bridge financing before grants are received, and equity capital availability, it is proposed to empower this program with the capability to:

- (1) make direct loans, secured to only the level of the loan
- (2) issue loan guarantees
- (3) provide equity in a form that can be easily withdrawn when a project becomes sufficiently profitable.

Restrictions may well be imposed to the provision of financing only in cases where conventional sources are unable or unwilling to provide financing, where the repayment can reasonably be expected within 3 to 5 years, and when the amount does not exceed a certain level.

Since one of the objects of the program is to develop managerial capability by introducing the client to conventional business practices, and conventional financing sources, it is envisioned that the program counsellors will assist clients to present their projects to bankers and other conventional lenders in as many cases as possible. This in many instances

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will be the first time many of the clients have talked to a banker, for example. Armed with the confidence achieved through analyzing this project in a logical, conventional fashion, it is anticipated that in many cases the client will be successful in obtaining bank loans, etc. It is of interest that MIM, in their Barbados project, found that "the banking sector in Barbados has developed a more positive attitude towards the eligibility of small business ventures (based on viability assessment) for risk capital support."

An important factor in establishing the loan capability of the program will be to ensure that the capability is exercised not on a "security" basis but rather on a developmental basis. Security should be taken only to a value of 100% of the loan so that other available security of the client is not tied up. Interest rates should be nominally above the cost of money to the program.

The capability to provide equity capital as well as, or instead of, loans is considered a useful vehicle in the following instances:

- (1) When the client does not have sufficient equity to satisfy the requirements of other programs or lenders.
- (2) When the client has a good potential for repayment of the financing provided, but not in a pattern that is a requisite to a loan.
- (3) Where the program does not exceed an equity contribution of 49% of the total equity funding.

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The equity capital provided shall be restricted to:

- redeemable preference shares with the following principal features:
 - preferential right to a fixed cumulative dividend at the established rate for loans.
 - frozen right of the client to create other forms of capital stock
 - redeemable at any time with payment of the issued value and accrued and unpaid dividends
 - no right to vote at meeting of shareholders unless dividend on preference shares is six months in arrears; then one vote for each share held

and to

- shareholders loans that are subordinated to all other liabilities, with the following principal features:
 - interest rate at the established rate for loans
 - convertible at the request of the shareholder to redeemable preference shares, as above, when interest is in arrears for more than three months
 - principal repayable on demand.

In summary, the equity financing is intended to provide minority participation in equity only where

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required and then only for as short a period of time as possible. Certain safeguard provisions must, of course, be written into the instruments used to provide equity capital.

2. Other Agencies

(a) Training

- (1) Training should be undertaken prior to the individual being established in the business.
- (2) There is a tendency to train more people than is necessary for a given period of time. After the training period is over, a realistic number of individuals are then cut back. This causes much concern among the Indian people.
- (3) Delays are experienced when DREE and Canada Manpower are involved in the same project. This problem could be avoided by DREE and Manpower setting guidelines in training project workers.
- (4) The agreement could outline training in special areas that could be carried out, which are not being provided by other federal, provincial, DIAND, and Canada Manpower mandates.
- (5) There is also a need to conduct followup training in regards to updating the individual's skills in order that he may more efficiently carry out the program.

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(b) Delivery Systems

- (1) It was felt that DIA and DREE must harmonize and coordinate delivery systems. There is presently confusion and unnecessary repetition in regard to the processing of applications.
- (2) A better delivery and monitoring system should be established. DREE should better outline what they expect from the DIA.
- (3) An agreement should be made whereby funds would be directly submitted to the DIA on approved projects, thus eliminating the delays caused by two funding agreements.
- (4) The system does not work as well as it could due to the lack of staff working in the field.
- (5) Problems are also encountered in fund distribution because funds have to be expended before DREE will pay out the money. This causes delays in implementation and places a burden upon the client.

3. Native Organizations

Métis Society (a) Metis Society of Saskatchewan
of Saskatchewan

(1) Problems with Special ARDA Program

(a) Training

The present agreement, although it does make some provision for training, where other training programs provided by the province and the Department of Manpower and Immigration do not apply, basically fails to recognize the nature of the problems faced by native people, i.e. the serious social and cultural deprevation and the need for extensive predevelopment training activities, before laying on training programs designed to develop job skills and trades skills which are required by people to participate in specific economic development projects.

Métis Society of
Saskatchewan

(b) Support Services

The Special ARDA agreement in general does not make any provision for the support services that are required either in the preproject development stages, in the project development stage or in the implementation and follow-up stages. As a result, many project proposals are poorly developed and thought out, many problems are encountered in putting projects in place and implementing them and a good number of the projects that have been implemented have been discontinued because of the lack of the necessary support services to ensure their success.

(2) Recommendations for an Effective Program of Socio-Economic Development

(a) Basic Development Principles

- (1) Native people must be trained not only as workers in economic enterprises which they control but must also be trained to take responsibility for leadership, management and all other aspects of the development projects and program.
- (2) Training programs must recognize a very broad need for leadership development and training in areas such as basic life skills, work skills, management skills, etc.
- (3) Native people should always have access to outside independent expertise against which they can check the views and recommendations of government-supplied experts.

Métis Society of
Saskatchewan

(b) Development Services

If a program of social and economic development is to be effective, it must make provision for the following:

(1) Organizing services to disadvantaged groups which will assist them by:

- (a) Raising their levels of awareness and helping them identify their common problems and needs.
- (b) Promoting development goals and efforts by native people.
- (c) Helping them to identify, select and develop leadership.
- (d) Assisting the groups to identify their economic problems and needs and to examine alternate solutions, set economic priorities, etc.
- (e) Helping them organize to develop economic solutions and implement economic plans.

(2) Information and communication services to Metis people and organizations:

- (a) Regarding economic development programs and resources available.
- (b) About other resources and services relating to social and economic development.
- (c) Interpreting to the groups how these resources can be used to assist them.
- (d) Helping the groups gain access to information.

**Métis Society of
Saskatchewan**

- (e) Helping the groups communicate with officials in existing social and political institutions.
 - (f) To provide for an exchange of information and experience between groups.
 - (g) To assist the groups to interpret their aims and objectives to the general public.
- (3) Coordinating services to Metis people to help them:
- (a) Gain access to and acquire professional and technical expertise and resource persons.
 - (b) To ensure that such resources are available to them in ways in which they can understand and use.
 - (c) To ensure that resources are made available in ways which will lead to comprehensive development and rational plans for development.
- (4) Providing follow-up services:
- (a) To ensure that the resources for the development of management structures and management skills required for socio-economic development are made available.
 - (b) To ensure that plans for socio-economic projects once developed are submitted and interpreted to funding sources.

Métis Society of
Saskatchewan

- (c) To ensure that local groups co-operate with funding agencies in the evaluation and development of proposals.
- (d) To assist groups to proceed with the implementation of projects in keeping with project plans.
- (e) To assist groups to have access to and make use of the necessary technical, professional and management services required to ensure the success of their projects.
- (f) To ensure that economic development plans are related to and lead to the other social and cultural development necessary to improve the overall quality of life of Metis people.

(c) Support Systems

Support systems would include the following:

- (1) The technical and professional resource pool.
- (2) Special resources available in universities; research institutions, technical institutes, etc.
- (3) Professional and technical people in the private sector.
- (4) Professionals required occasionally who could be borrowed or seconded from the government system for specific assignments.

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- (5) Coordinating mechanisms to ensure the availability of the necessary professional and technical people for social and cultural development and to ensure the coordination and integration of these resources with economic development planning and programming taking place at the community level.
- (6) The native community will also require institutions in the social and cultural areas such as social service agencies, cultural college, etc. as well as the necessary resources and technical and professional people to control development and development input in these areas.

**Manitoba
Métis
Federation**

(b) Manitoba Metis Federation

Special ARDA should be a long-term agreement, seven to ten years, so some people could apply for and get training, i.e.:

- (1) Business Management.
- (2) Bookkeeping.
- (3) Accounting.
- (4) Sales projecting or the knowledge when to call in an analyst and consultants.
- (5) An ongoing consultant setup to assist native people to overcome the red tape and blockages of a generally well-run bureaucratic system.

D. ADVISORY COMMITTEES

1. DREE Reports

DREE
British Columbia
Office

(a) British Columbia

In discussing the future role of the Committee in British Columbia, it might first be helpful to describe the present role the Committee has assumed. While the guidelines would impart managerial capabilities on the Committee, this is a role the members have not yet subscribed to. Regarding the Part I application, the Committee has authorized the Secretariat to determine and react to matters of project eligibility and priority. Where political or social sensitivities appear, the Committee has the opportunity to assess the project initially and formulate an appropriate reaction. In all cases where Part I applications are rejected, the Committee was asked to confirm the rejection. In effect, Part I applications are dealt with by the Secretariat with the Committee assuming an auditing role.

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Development and
Analysis
Manitoba Office

(b) Manitoba

(1) Role of Special ARDA Committee

The legal basis of the Committee and an outline of its role are found in program documents:

- (a) The Canada-Manitoba Federal-Provincial Special Rural Development Agreement requires the establishment of the Special ARDA Committee.
- (b) The Agreement further specifies that the Committee shall recommend for approval projects submitted under the Agreement and "such other appropriate functions, in respect of these projects, as the Ministers may agree".
- (c) The General Operating Guidelines and Administrative Procedures for the Agreement elaborate this function. This may be summarized as:

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- (1) Reviewing applications to ensure consistency with the Act and the Agreement, its objectives and its operating guidelines.
- (2) Ensuring a comprehensive socio-economic evaluation of the proposal has been undertaken.
- (3) Ensuring that the consultation necessary for assessment and project implementation has been undertaken.
- (4) Recommending approval of projects, the level of assistance and the conditions under which assistance should be approved.
- (5) Not recommending approval; deciding a project requires clarification or further elaboration before further consideration.

In fulfilling these program functions to ensure the program benefits native people, the Committee also serves other roles that are largely related to the composition of the Committee:

- (a) A communications mechanism - government departments, federal and provincial, and associations meet regularly. This facilitates discussion not only of matters directly related to Special ARDA but also of related concerns. For example, government departments can make available the latest information on developments in other program areas (e.g. DREE Northlands); native associations can advise of their members' concerns and needs. Of particular merit is the fact that this mechanism provides for two-way communications.
- (b) A mechanism to tap expertise - projects under review typically involve a number of government departments or agencies,

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Development and
Analysis
Manitoba Office

either in assessment, development, or operation. Individual government members have quick access to their respective departments to provide required information and services.

- (c) A mechanism to readily determine the attitudes of native groups and local communities to individual project proposals.
- (d) A mechanism to provide client groups and government departments an ongoing voice in program implementation, decision-making and allocation of resources. The Committee can consider operational issues and attempt to resolve them before they seriously disrupt the program.

The quality and consistency of the Committee's inputs and the development of roles beyond individual project assessment are strong arguments for retaining a Committee mechanism in any future Special ARDA program of the same nature.

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Saskatoon

(c) Saskatchewan

(1) The Advisory Committees

As noted in the description of the planning processes, it was considered essential to ensure "citizen participation" throughout the process of planning and implementation. Because the program was designed to benefit especially native people, the native organizations in the west were selected as the groups whose representatives should be invited to discussions at the earliest possible stages of program development and who should be represented in the actual process of evaluating projects.

The original consultations in 1971 carried out with native organizations' representatives were conferences in which senior

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officers of the department participated with the representatives of at least six native organizations. This was followed by meetings in the provincial capitals at which the thinking of DREE planners was clearly outlined to the native leaders and elicited a significant response.

This process appears to have been a genuine effort on the part of the departmental planners to obtain input from the potential client representatives. There does not appear to be any assurance that native organizations can be fully satisfied by such procedures. Their desire may have been to operate the program independently of a government administration or consult fully in each native community about each component of the proposed program. Federal and provincial governments have not been prepared to extend consultative processes to that degree, with the possible exception of the Indian Act consultations in the late 1960's. If consultations had not been undertaken at all, the Special ARDA program would have been labelled another "imposed program", would have suffered from hostility in these important native organizations, and these organizations in turn would have created very negative public relations for the government on the Indian reserves, in the Metis settlements, and throughout the west generally.

From the department's point of view, the purpose of consultation is to maximize participation and to ensure that policy matters of importance to the natives are not overlooked. The development of joint Advisory Committees of federal, provincial, and native representatives to pass judgement on each application extends this principle even further. While the native organizations have, during the inception of the program, emphasized the need of social development in native communities, they have generally shared the government representatives view that the program

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should be applied only to projects which have potential for economic feasibility. Like the government representatives, they do not want to see a series of bankruptcies amongst native-run businesses. While a business enterprise might have considerable social benefits to a community even if it does not make a profit, the profitability concept seems to be accepted as both a virtue and a requirement for the assistance of native enterprises. Profitability/viability criteria have, therefore, been applied by the Advisory Committees consistently throughout the program at least as far as Primary Producing Activities and Commercial Undertakings are concerned.

A DREE officer in British Columbia involved in planning Special ARDA states, "the Advisory Committee is both the strength and the weakness of the program. It is the strength because it does provide for local support. It is a weakness because it slows down the processing." Special ARDA Managers are unanimous in their insistence that the Advisory Committee fulfills a realistic control function and that input is necessary from the native representatives because their advice provides the main reference to intangible factors such as character, reliability, and community support factors.

The average number of step-time-days from the receipt of the Part II application to the Advisory Committee decision extends from a low of 20 for Primary Producing Activities in Manitoba in 1973-74 to a high of 284 step-time-days in Manitoba for the Commercial Undertakings. This period, of course, includes not only the review by Committee but the analysis of the application by DREE and/or provincial staff. Much of that extra time is taken with the analysis because the program officers

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frequently have to go back to the client for additional information, which more often than not requires a client to undertake more consultation with financial advisors. On at least one occasion in an urgent situation, approval of the Advisory Committee was obtained by telephone with confirmation on a subsequently presented written form.

The Advisory Committee has veto power, operates by majority vote, and may require further project analysis. Advisory Committees have rejected 145 projects to March 31, 1974. The reasons for rejection by the Advisory Committee requires review of their minutes and is recommended as a part of the long-term evaluation.

The special role of Special ARDA appears to be, as perceived by many prospective clients, an unexpected way of receiving help which would not otherwise be available. Furthermore, the service provided is in the form of a grant, i.e. funds which do not have to be repaid.

Then also, the client finds that, while the application is complicated, he can have help in getting it done, and if it is necessary to hire an accountant or a lawyer to do it, the funds for this are provided. In brief, the client perception of Special ARDA is initially positive. Some project-related needs may cause the client to have a sense of urgency, e.g. he wants to purchase his farm machinery as soon as the land can be worked in the spring; a sawmilling operation may require that the logs move to the sawmill before spring breakup. Indeed, the financial feasibility of a project may depend on such time constraints. It is often essential that the application processing, including the sometimes complex negotiations with other financial agencies, be completed within the client's time frame. A simple

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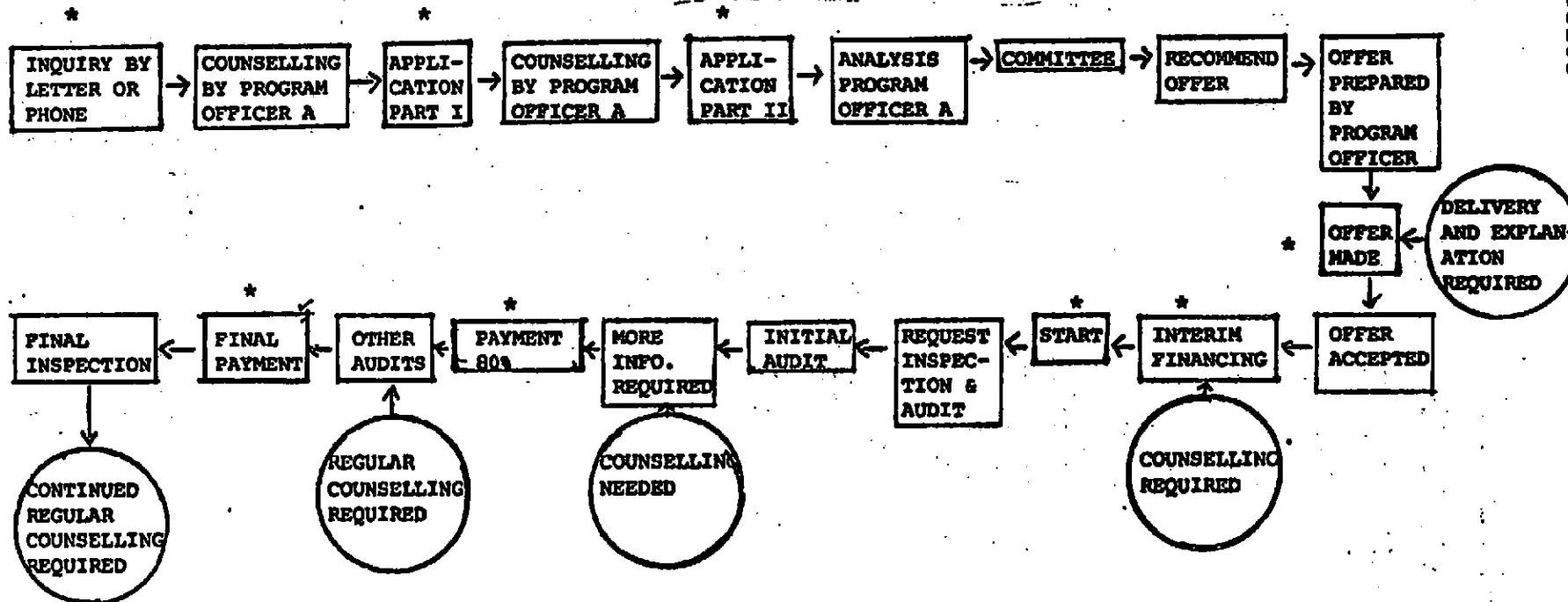
critical path chart could be set out for most projects, but doing so would not necessarily enable the application to be processed more quickly.

The following chart indicates:

- (a) The general process through which all applications must now flow.
- (b) The counselling inputs which need to be added at several points in this process.
- (c) The points at which the client participates and which he waits are marked with an asterisk.

The time savings which may accrue through alterations of the "project evaluation" guidelines at certain points must be reviewed as a part of the evaluation.

SPECIAL ARDA ACTIVITIES PROCESS



BRITISH COLUMBIA - DREE carries out all co-ordinating functions - counselling and interim financing are primary functions of other agencies.

SASKATCHEWAN - DREE carries out all functions to Letter of Offer - provincial agencies and interim financial agency carry it from there except for issue of cheques.

MANITOBA - DREE carries out all functions to Letter of Offer - province carries all subsequent functions including interim finance and delivery of funds.

2. Native Organizations

- Metis Society of Saskatchewan (a) Metis Society of Saskatchewan
(1) Delivery System

Changes must be made to the present delivery systems. One of the major complaints of the Metis Society of the Special ARDA committee is that it has no real authority. It can make recommendations, but final decisions are made elsewhere. In addition, the committee depends on the Department of Regional and Economic Expansion for all of its staffing and, therefore, is greatly influenced by the input it receives from that staff. Furthermore, DREE staff can decide not to bring projects before the committee if they so choose. To overcome this, we would recommend the following:

- (a) A decision-making body on which native organizations would have majority control.
- (b) The native representatives should be elected by the native people or their respective organizations.
- (c) The decision-making body should have all projects brought before it and should be able to make decisions on which projects can be approved, which require further work and which should be rejected because they do not fit into the criteria used for funding.
- (d) The decision-making body should be able to commit funds made available for economic development purposes.
- (e) The decision-making body should have available to it its own independent staff which would provide technical and expert help to individuals, organizations or groups wishing to

Métis Society of
Saskatchewan

develop and put forward projects. These back-up resources should also be available to groups in the implementation and follow-up stages.

- (f) There should be resources available whereby groups can obtain outside expertise and opinions if this is indicated or if they are not satisfied with the help they are getting from staff available within the delivery system.
- (g) Funds should be available directly to the native organizations and their communities to do organizing and training and to develop and implement their own development programs.
- (h) The committee should be given the responsibility to develop the terms of reference and guidelines for the selection and approval of projects.
- (i) The decision-making body should also be responsible for developing the guidelines required for project and financial accountability and control.

(2) Organizational Arrangements

The above proposal suggests the following roles for various agencies involved:

- (a) DREE is the banker for the program delivering lump sum allocations as approved, to decision-making body.
- (b) DREE will also have a role in the decision-making body by having several representatives on that body.
- (c) The province should cost-share the program with the federal government and should have similar representation on the development committee.

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- (d) The development committee should be a semi-autonomous body able to control, make decisions, allocate, disperse and be accountable for the development funds made available to it.
- (e) The committee should have funds which it can use to contract development services with native organizations and/or native communities.
- (f) Native organizations and their native communities should be free to select their staff, train and implement development services in keeping with their needs but within the guidelines prescribed by the development board.
- (g) The development committee should have available to it a technical and professional resource pool as made up from seconded staff and other staff hired specifically for this purpose.
- (h) DREE and the province should second staff from appropriate agencies and departments to the professional and technical resource pool available to and controlled by the development committee.
- (i) The development committee should have available to it funds which it can use to purchase additional services in the private sector as indicated.
- (j) The development committee should have its own secretariat for maintaining contact with the field for the preparation and presentation of project proposals and for follow-up purposes.

APPENDIX A

SPECIAL ARDA REVIEW

Reports and Submissions

August 1, 1976

DREE REPORTS

- 1. Options for Financing Relative to Special ARDA (by A. A. Stubbs, Special ARDA, Western Regional Office, Saskatoon, May, 1976).

Contains sections on Financing, Equity, Interim Financing, Banks, Discussion on Complementary Financing Alternatives, First Citizens' Fund in British Columbia, Loan Guarantees, Indian Economic Development Fund, Northwest Territories Fund.

- 2. An Overview of Special ARDA, A Planning Document for Western Regional Management (by R. W. Nablo and Ke Peterson, Regional Analysis, Western Regional Office, Saskatoon, May, 1975).

Contains Background, Client Participation, The Financial Process, Federal/Provincial Administration, Project Evaluation, and suggested monitoring (Discussion draft).

- 3. Special ARDA Review in Manitoba (by W. Henderson, Development and Analysis, Manitoba Office, March, 1976).

Contains Purpose, Outline (Past and Present) of Program, and Future. Contains a broad discussion of policy, operations and importance of Special ARDA in Manitoba.

4. Submission from R. W. Nablo to L. E. Pratt.

Contains data on Métis and Indian incomes in western Canada and community profiles for northern Manitoba and Saskatchewan. Also included are some thoughts related to conventional location theory which may be applicable in the Western Northlands. May 27, 1976, Saskatoon.
5. Submission from J. D. Collinson, Director General, Manitoba to L. E. Pratt, titled "Special ARDA Review: DREE/DIAND Relationship with Specific Reference to Primary Activities", May 13, 1976.
6. Submission from J. D. Collinson, Director General, Manitoba to L. E. Pratt, titled "DREE Manitoba Comments on Guidelines", April 2, 1976.
7. Statistical presentation of progress of Special ARDA in Saskatchewan (by W. Keyes, Special ARDA, Saskatchewan Office).
8. Submission from R. H. Marshall, Director General, British Columbia to L. E. Pratt on Special ARDA Review, June 2, 1976.
9. Memo from K. Ginsberg, Special ARDA, Manitoba to L. E. Pratt re Special ARDA Review, July 14, 1976.
10. A Proposal to Improve the Results of Economic Development Projects Assisted Under the Terms of Special ARDA Agreements Between Canada and the Provinces of Manitoba, Saskatchewan, Alberta and British Columbia through the Establishment of a "Management Guidance/ Finance Program" Belivered Through a Jointly Financed Federal-Provincial Development Corporation Established in Each Province. (Discussion draft by W. Hagan (Special ARDA) and E. G. Hosea (Incentives), Western Regional Office, Saskatoon, June, 1976).
11. Program Performance Statistics, Statistical Profile, Manitoba Special ARDA Program from Inception to March 31, 1976 (by W. Henderson, Development and Analysis, Manitoba Office, July, 1976).

12. Special ARDA Review, 1971-1976, Project Status and Tabulations (draft) by Development, Western Regional Office, Saskatoon, July, 1976.
13. Project Tabulations, untitled, 1971 - December 1975, (submitted by E. Khan (British Columbia Office) to A. A. Stubbs, June 11, 1976).

OTHER GOVERNMENT DEPARTMENTS

1. Submission from DIAND, Saskatchewan Region, Covers Economic Development Projects on Saskatchewan Indian Reserves in which there is Special ARDA participation, (by A. J. Gross, DIAND, Saskatchewan Region, May 20, 1976).

NATIVE ORGANIZATIONS

1. Position Paper on Socio-Economic Development submitted by Métis Society of Saskatchewan, May 31, 1976.

Includes Problems with Special ARDA Program, Where Agreement has Worked, Recommendations for an Effective Program of Socio-Economic Development and Conclusions.
2. Notes from Minister's Meeting with Manitoba Native Organizations (Manitoba Métis Federation), January 20, 1976.

