



## STRATEGIC INVESTMENTS PROGRAM POLICY

### POLICY STATEMENT and PURPOSE

The Department of Economic Development and Transportation (the Department) is committed to supporting economic growth at the foundational level in the Territory. By investing in projects advanced by Nunavut businesses, municipalities, and not-for-profit organizations, the Department will support business development, economic growth, increased employment and key Government of Nunavut strategic priorities.

The Strategic Investments Program Policy (the Policy) establishes the criteria by which a project is selected for funding under the program, and the general terms and conditions for contributions to eligible organizations by the Department of Economic Development and Transportation. Funding is provided under the following schedules:

- **Nunavut Business Investment Fund** – Provides contributions to increase project equity for larger Nunavut business ventures in strategic sectors of Nunavut's economy. (Schedule A)
- **Nunavut Economic Foundations Fund** – Provides contributions to Nunavut organizations and municipalities to help build the foundation of Nunavut's economy. (Schedule B)

### PRINCIPLES

This Policy will be implemented in accordance with the following principles:

- Contributions and funded projects will respect Inuit values and *Inuit Qaujjimajatuqangit* concepts of:
  - *Aajiiqatigiinniq* (decision making through discussion and consensus);
  - *Piliriqatigiinniq/Ikajuqtigiinniq* (working together for a common cause); and
  - *Qanuqtuurniq* (being innovative and resourceful).
- Supported projects will complement and build on available resources and technologies, recognising that local economic development is most effective when based on a community's own natural resources and skills as well as its vision for the future.
- Projects funded will demonstrate economic and environmental sustainability.
- Projects funded will be compatible with Government of Nunavut strategic priorities.
- Public funds will be directed toward projects which are unlikely to proceed without the requested support and which show the greatest potential for creating a positive return, including increased employment, particularly for unemployed and underemployed Nunavummiut.
- Funding will be monitored to ensure positive results, and public accountability.

## Department of Economic Development and Transportation

### APPLICATION

The Policy establishes the general terms and conditions for contributions to projects undertaken by Nunavut's businesses, municipalities, and not-for-profit organizations.

### DEFINITIONS

The following terms apply to this policy:

#### Audited Financial Statement

An audited financial statement prepared in accordance with Canadian Generally Accepted Accounting Principles consistently applied by an accountant registered under either the *Certified General Accountants Act* (Nunavut) or under comparable legislation in the jurisdiction in which the funds were expended.

#### Conditional Contribution Agreement

A contractual agreement signed by the Department and the recipient of a contribution, outlining the obligations and reporting responsibilities of the parties. Contributions under the agreement are conditional on the recipient meeting the terms and conditions set out in the agreement. The Policy will be attached to and form part of the agreement.

#### Debt Financing

Fully repayable financing from an accredited lending institution or a developmental lender focused on Nunavut, Inuit or Canadian companies.

#### Equity Investment

An investment in which the investor takes an equity stake in the applicant's company. Investments are made by an organization focused on Nunavut, Inuit or Canadian companies. The department reserves the right to determine whether a particular form of financing meets these criteria.

#### Stacking

For the purposes of this policy, stacking is the practice of combining two or more contributions from the Department or another Government of Nunavut body to fund a given project.

#### Strategic Priorities

Publicly-stated Government of Nunavut priorities, as outlined in GN and departmental strategies, mandate documents, and business plans.

### ROLES AND RESPONSIBILITIES

#### Minister of Economic Development and Transportation

The Minister is accountable for the overall program funding and results, and will table annually in the Legislative Assembly, or otherwise make available to the public, a summary of contributions detailing the name of each successful applicant, the amount of each contribution, the type of investment being supported, and the community.

The Minister will table or otherwise make available to the public the outcomes of this program, including the aggregated data on the performance relative to the indicators identified in Conditional Contribution Agreements.

## Department of Economic Development and Transportation

### Department

The department head, or the designated lead senior official, establishes and communicates clear and transparent procedures for allocation of funds under this Policy. This will include guidelines that elaborate upon application processes, evaluation criteria, and additional terms and conditions.

The department head will designate the division of the total program budget between both schedules at the beginning of each fiscal year. This amount may be adjusted by the department head at other points throughout the year, in order to better support active projects.

The department head will ensure that all decision-making processes are fair and without conflict of interest.

The department may:

- i) Request that applicants submit additional information appropriate to the nature and amount of the requested assistance;
- ii) Deem an applicant ineligible for funding if the applicant owes money to the government;
- iii) Conditionally approve multi-year projects, subject to availability of funds in subsequent years and receipt of required financial information and other accountability requirements;
- iv) Target specific sectors or strategic areas to receive some or all of the funding available under this policy;
- v) Engage third-party expertise and/or establish review teams to assist in selection and due-diligence review of submitted applications;
- vi) Invite eligible Nunavut businesses, organizations and municipalities to submit proposals that specifically address approved Government of Nunavut strategic priorities;
- vii) Manage program spending to achieve a balance between Nunavut regions, strategic economic sectors, and funding schedules of this policy; and/or
- viii) Decline to fund a project which contradicts or acts in opposition to the letter or spirit of a Government of Nunavut policy or strategy.

### **PROVISIONS**

- Financial resources required under this policy are conditional on approval by the Legislative Assembly and on the availability of funds in the appropriate budget.
- All provisions contained in the *Financial Administration Act* and the Financial Administration Manual shall apply to the financial administration of all contributions under this program.
- Projects funded under this program must meet the necessary approvals by regulatory, municipal and other authorities. This may include meeting health and safety standards, environmental standards, acquiring land use approval, support from community or regional councils, or any other approvals deemed necessary for the project to proceed.

## Department of Economic Development and Transportation

- Eligibility for funding under this policy does not guarantee subsequent approval for financial assistance of any kind. Financial assistance will be provided to those eligible projects determined to represent the greatest benefits to the Nunavut economy. Financial assistance will be provided only to the limit and availability of funding allocated to this policy within the main estimates of the budget.
- Recipients who access funding may be required to provide acknowledgment to the Government of Nunavut. Specific terms will vary depending on the project and will be contained in the Conditional Contribution Agreement.
- If the original objectives of Conditional Contribution Agreement are not being met, the Department may, at its discretion, terminate the agreement.
- The Government of Nunavut's liability is limited to the amount of funding authorized under the Conditional Contribution Agreement; the Government of Nunavut is not responsible for any shortfalls or deficits.
- Transitional: Project proposals received by the Department prior to the approval of this policy may be assessed and approved under the previous version of the Strategic Investments Program Policy, at the department's discretion.

### APPEALS

Applicants have the right to appeal a denial of funding. Appeals will be reviewed by the Deputy Minister of Economic Development and Transportation and should be submitted in accordance with the guidelines. Appeals can be submitted via email to: [edt@gov.nu.ca](mailto:edt@gov.nu.ca) or by mail to: Business Development, P.O Box 1000, Station 1500, Iqaluit, Nunavut X0A 0H0.

### PREROGATIVE OF THE EXECUTIVE COUNCIL

Nothing in this policy shall in any way be construed to limit the prerogative of the Executive Council to make decisions or to take actions, respecting economic development contributions, or any other form of economic development assistance, either direct or indirect, outside the provisions of this policy.

### SUNSET CLAUSE

This policy will be in effect from the date of signature until March 31, 2021.

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**Premier**

## Department of Economic Development and Transportation

### SCHEDULE A: Nunavut Business Investment Fund

#### Purpose

The Nunavut Business Investment Fund (NBIF) provides contributions to Nunavut business ventures in strategic sectors of Nunavut's economy which complement Debt Financing and/or Equity Investments.

#### Eligible Applicants

Eligibility is limited to for-profit businesses operating in Nunavut which comply with the legal requirements to carry on business. An eligible applicant must be one of the following:

- Corporation, registered and in good standing;
- Partnership or sole proprietorship duly registered and in good standing with Nunavut Legal Registries, and a holder of a valid Nunavut business license; or
- Co-operative association in good standing under the *Co-operative Associations Act*.

In addition, applicants must meet the requirements set out in the *Nunavummi Nangminiqaqtunik Ikajuuti* (NNI) Policy for a Nunavut Business with respect to Nunavut ownership and residency.

#### Eligible Activities and Costs

The NBIF may provide a financial contribution needed to complete a financing package to fund an initiative entered into by a Nunavut business.

Factors considered in deciding to fund an initiative include:

- Business viability;
- Sustainability;
- Growth potential;
- The extent to which the initiative supports economic development and job creation; and
- The extent to which projects support Government of Nunavut's and the Department's strategic priorities outlined in the mandate and other relevant documents.

NBIF projects which support implementation of Government of Nunavut and departmental strategic goals will be given priority.

#### Ineligible Activities and Costs

The following activities are ineligible for contribution assistance:

- To retire existing applicants'/shareholders' investment;
- For debt consolidation, refinancing; or
- To purchase capital assets which are already deployed in Nunavut.

## Department of Economic Development and Transportation

### Review Process and Timeline

- An initial review of applications will take place within the department's regional Community Operations offices, or at headquarters in the case of pan-Nunavut projects.
- This initial review of applications will be non-comparative, and will simply determine eligibility under the policy and to ensure completeness of the application.
- Subsequent due diligence review may be carried out by Community Operations, headquarters or by a third party.
- Final review is by the NBIF Review Committee and will determine which applications are approved for funding.
- Prior to approval the department will review the applicant's history with respect to previous contributions received from the Government of Nunavut.

### Supporting Data

Applicants must submit a completed and signed application form. Applicants must provide the following:

- Financing package that includes:
  - Arms-length Debt Financing or Equity Investment in the required proportions; and
  - A client contribution, which can take the form of cash, sweat equity or existing assets.
- Business plan demonstrating potential for viability, sustainability and growth;
- Three-year historical financial statements (if available);
- Evidence that the initiative will provide net economic benefit beyond the financial return to the applicants;
- Evidence that the initiative will create new jobs for Nunavummiut;
- Evidence of a capable and experienced management team;
- Evidence that the requested NBIF contribution will complete the required funding package and result in the project being fully funded; and
- Evidence that costs associated with the initiative are reasonable and that a sound procurement process will be followed for major project components.

The department will record, for program monitoring and evaluation purposes, at minimum the following data, as accepted by the Department as part of its funding decision:

- Projected Return on Investment for the applicant;
- Projected Economic Impact of the project; and
- Projected job creation.

## Department of Economic Development and Transportation

### Amount

- The minimum contribution under this schedule is \$25,000; the maximum contribution is \$250,000.
- The method for determining the maximum allowable NBIF contribution for a given project is as follows:
  - The applicant first calculates the project's Financing Gap.
  - The Financing Gap is the total project costs minus the client's cash contributions to the project and non-repayable contributions from non-GN economic development agencies.
  - The Financing Gap is the total amount of funding that must be secured from:
    - Arms-length Debt Financing or arms-length Equity Investments; plus
    - The Nunavut Business Investment Fund.
  - Once the Financing Gap is calculated, the maximum NBIF contribution is determined using the following table:

<b>Financing Gap</b>	\$50k	\$60k	\$70k	\$80k	\$95k	\$110k	\$125k	\$140k	\$155k	\$170k
<b>Maximum NBIF</b>	\$25k	\$30k	\$35k	\$40k	\$45k	\$50k	\$55k	\$60k	\$65k	\$70k
<b>Financing Gap</b>	\$185k	\$200k	\$215k	\$235k	\$265k	\$300k	\$335k	\$370k	\$410k	\$450k
<b>Maximum NBIF</b>	\$75k	\$80k	\$85k	\$90k	\$100k	\$110k	\$120k	\$130k	\$140k	\$150k
<b>Financing Gap</b>	\$495k	\$540k	\$585k	\$635k	\$690k	\$750k	\$810k	\$870k	\$940k	\$1000k
<b>Maximum NBIF</b>	\$160k	\$170k	\$180k	\$190k	\$200k	\$210k	\$220k	\$230k	\$240k	\$250k

- Where the Financing Gap for a project falls between two of the numbers listed, the Maximum NBIF figure for the lower of the two numbers is used. For example:
  - For a Financing Gap of \$75 thousand, the maximum NBIF contribution is \$35 thousand.
  - For a \$500 thousand financing gap the maximum NBIF contribution is \$160 thousand.
  - For a \$1.25 million financing gap the maximum NBIF contribution is \$250 thousand.
- The portion of the Financing Gap not funded by the NBIF must be funded by Arms-length Debt Financing (loans) or Arms-length Equity Investments.
- Sweat equity, in-kind contributions and existing assets are not considered in determining the maximum allowable NBIF contribution.
- Stacking of assistance with contributions from other programs of the Department is not permitted under this schedule.
- Contributions will not be provided, or may be provided at a lower level, if a financial analysis indicates that there is no need for assistance at the requested level and there is a reasonable expectation that the applicant organization could meet its project objectives without the requested level of NBIF funding

## Department of Economic Development and Transportation

### Payment

- Prior to receiving payment, recipients must report to the Department any amounts owing to the government under legislation or an agreement. Amounts due to the recipient may be set-off against amounts owing to the government.
- Payment will not be made if an applicant owes an amount to the government where payment of the amount could jeopardize completion of the project (i.e. if it is set-off) or the financial viability of the organization.
- Before a payment is made, the recipient must sign a Conditional Contribution Agreement, and meet any payment terms and conditions as contained in the agreement.
- The Conditional Contribution Agreement will include a schedule of payments and holdbacks based on the recipient's cash flow needs as described in the project proposal and substantiated by invoices, receipts, updated internal financial statements, and activity reports.
- The minimum requirement is for an 80/20 payment/holdback schedule; the payment schedule for projects with expenses spread out over time will include a larger number of smaller payments.
- Surplus funds must be repaid to the Government of Nunavut; where a project has not been completed due to unforeseen circumstances the Department may carry over project *approval* to a subsequent year, however surplus funds must be repaid in the interim and a new Conditional Contribution Agreement signed for the subsequent year.

### Accountability

- The Government of Nunavut has the right to conduct an audit of projects, businesses and organizations funded under this Policy.
- All recipients of contribution assistance agree to public disclosure and to allowing agents of the Department access to the project site or premises, to inspect all books and other financial statements related to the project, and to obtain any other information necessary for evaluating the success of the project.
- Recipients of contributions exceeding \$100,000 are required to submit audited financial statements, at the discretion of the Department, along with an audited Schedule of Revenue and Expenses pertaining to the Conditional Contribution Agreement. In addition, interim financial information must be submitted to the Department within 60 days of the end of the Government of Nunavut fiscal year in which the contribution was made.
- Recipients of contributions less than \$100,000 may be required to submit interim financial information to the department within 60 days of the end of the Government of Nunavut fiscal year in which the contribution was made.
- Recipients are required to submit a report on the activities carried out, and the outcomes and benefits achieved by the supported project; the report must address how these compare to the expected outcomes and benefits of the initiative.



## Department of Economic Development and Transportation

- Recipients are required to participate in short, medium, and long-term departmental monitoring and evaluation; specific requirements will be set out in the Conditional Contribution Agreement.
- As part of the medium and long-term monitoring evaluation, recipients must consent to the disclosure by other Government of Nunavut bodies, to the Department, of financial and economic data relevant to the recipient business or organization. The department will conduct the collection and storage of this information in accordance with the Nunavut *Access to Information and Protection of Privacy Act*.
- The recipient undertakes to repay advances, overpayments, interest on overdue amounts, unexpended balances and disallowed expenses, and acknowledges that such amounts constitute debts due to the Government of Nunavut.
- For a period of five years following the year in which a contribution is made, recipients of funds under this program may not sell assets purchased through a contribution under this policy without the written approval of the department head.
- New infrastructure, equipment, vehicles, or other physical items acquired through a contribution under this Policy may not be re-located to any operations outside of the Territory.

### Term

- Contributions are normally made for a one-year period. Multi-year contributions may be considered on a case-by-case basis, but if approved are conditional on available appropriated funds that year.

## Department of Economic Development and Transportation

### SCHEDULE B: NUNAVUT ECONOMIC FOUNDATIONS FUND

#### Purpose

The purpose of the Nunavut Economic Foundations Fund (NEFF) is to build the foundation of Nunavut's economy through accountable contributions to Nunavut organizations and municipalities.

#### Eligible Applicants

Applicants must be registered and in good standing under:

- Nunavut's *Societies Act*;
- The *Canada Not for Profit Corporations Act*; or
- Nunavut's *Cities, Towns and Villages Act* or the *Hamlets Act*.

#### Eligible Activities and Costs

The NEFF may support a wide range of projects entered into by organizations and municipalities, including:

- Events;
- Professional development;
- Education and training; and
- Infrastructure which supports economic development.

To be eligible, projects must support an identified strategic priority of the Government of Nunavut and the Department as outlined in GN mandate, strategy and other relevant documents.

#### Ineligible Activities and Costs

The NEFF may *not* be used for the following activities:

- Expenditures for services or assets previously acquired by the applicant, or a non-arm's-length entity;
- Refinancing of assets purchased prior to the application or approval of the contribution, unless this restriction is waived by the approving authority;
- To cover internal costs not directly related to the project, including payments made to members;
- To cover administrative fees or the Goods and Services Tax (GST); or
- To purchase assets previously purchased with the assistance of the Government of Nunavut or the Government of Canada or other economic development programs; and to purchase items and materials for re-sale, such as stock and inventory.

A project to be carried out by, or which primarily benefits an organization which is eligible under Schedule A but owned by a municipality or not-for-profit organization is ineligible under Schedule B, but may be considered under Schedule A.

## Department of Economic Development and Transportation

### Review Process and Timeline

- In order to identify projects eligible for funding under this program, the department will issue one or more public calls for proposals per fiscal year, inviting organizations to submit project proposals.
- To allow for adequate project planning, the first call for proposals may be issued, and the first round of projects conditionally approved, before the beginning of the fiscal year in which the funds will be disbursed.
- Each call for proposal will set out a deadline for the submission of proposals, which will be at least 30 days after the call for proposals.
- Following the call for proposals and leading up to the submission deadline, the department will endeavour to help proponents identify and interpret the program eligibility requirements and the relevant strategic priorities.
- The department will announce the successful proponents within 45 days of the submission deadline.
- If funds remain uncommitted after the first round of projects have been selected, the department may issue one or more subsequent calls for proposals.
- An initial review of applications will take place within the department's regional Community Operations offices in the case of regional or community projects, or at headquarters in the case of pan-Nunavut projects.
- This initial review of applications will be non-comparative, and will simply determine eligibility under policy terms for further consideration.
- Final review is performed by the NEFF Review Committee and will determine which applications are recommended for approval.
- Prior to approval the department will review the applicant's history with respect to previous contributions received from the Government of Nunavut.

### Supporting Data

Applicants must submit a completed and signed application form and a business plan. Applicants must demonstrate the following:

- The project's potential for viability, sustainability and growth;
- How the project supports the Department's strategic priorities or the economic development priorities of the community in which the project will take place;
- Demonstration that the project will provide net economic benefit;
- Demonstration of a capable and experienced management team;
- Evidence that the project's costs are reasonable and that the project will use sound, competitive procurement methods for the purchase of all goods and services which make up a significant portion of project costs; and
- For the purchase of existing operations or assets, an independent professional valuation appropriate to the operation or asset being purchased and any other information requested by the department to assess possible conflicts of interest.

## Department of Economic Development and Transportation

### Amount

- The minimum contribution under this program is \$50,000; the maximum contribution is \$250,000.
- Stacking of assistance with other departmental and Government of Nunavut programs is permitted.
- Proposals selected to receive contributions under this program may be funded at a level below the amount requested.
- Contributions will not be provided if a financial analysis indicates that there is no need for assistance, and there is a reasonable expectation that the applicant organization could meet their project objectives without GN funding.

### Payment

- Prior to receiving payment, recipients must report to the Department any amounts owing to the government under legislation or an agreement. Amounts due to the recipient may be set-off against amounts owing to the government.
- Payment will not be made if an applicant owes an amount to the government where payment of the amount could jeopardize completion of the project (i.e. if it is set-off) or the financial viability of the organization.
- Before a payment is made, the recipient must sign a Conditional Contribution Agreement, and meet any payment terms and conditions as contained in the agreement.
- The Conditional Contribution Agreement will include a schedule of payments and holdbacks based on the recipient's cash flow needs as described in the project proposal and substantiated by invoices, receipts, updated internal financial statements, and activity reports.
- The minimum requirement is for an 80/20 payment/holdback schedule; the payment schedule for projects with expenses spread out over time will include a larger number of smaller payments.
- Surplus funds must be repaid to the Government of Nunavut; where a project has not been completed due to unforeseen circumstances the department may carry over project *approval* to a subsequent year, however surplus funds must be repaid in the interim and a new Conditional Contribution Agreement signed for the subsequent year.

### Accountability

- The Government of Nunavut has the right to conduct an audit of projects, businesses and organizations funded under this policy.
- All recipients of contribution assistance agree to public disclosure and to allowing agents of the department access to the project site or premises, to inspect all books and other financial statements related to the project, and to obtain any other information necessary for evaluating the success of the project.

## Department of Economic Development and Transportation

- Recipients of contributions exceeding \$100,000 are required to submit audited financial statements, at the discretion of the department, along with an audited Schedule of Revenue and Expenses pertaining to the Conditional Contribution Agreement. In addition, interim financial information must be submitted to the department within 60 days of the end of the (Government of Nunavut) fiscal year in which the contribution was made.
- Recipients of contributions less than \$100,000 are required to submit interim financial information to the department within 60 days of the end of the Government of Nunavut fiscal year in which the contribution was made.
- Recipients are required to submit a report on the activities carried out, and the outcomes and benefits achieved by the supported project; the report must address how these compare to the expected outcomes and benefits of the initiative.
- Applicants are required to participate in short, medium, and long-term departmental monitoring and evaluation; specific requirements will be set out in the Conditional Contribution Agreement.
- As part of the medium and long-term monitoring evaluation, recipients consent to the disclosure by other Government of Nunavut bodies, to the department, of financial and economic data relevant to the recipient business or organization. The department will conduct the collection and storage of this information in accordance with Access to Information and Protection of Privacy legislation.
- The recipient undertakes to repay advances, overpayments, interest on overdue amounts, unexpended balances and disallowed expenses, and acknowledges that such amounts constitute debts due to the Government of Nunavut.
- For a period of five years following the year in which a contribution is made, recipients of funds under this program may not sell assets purchased through a contribution under this policy without the written approval of the department head.
- New infrastructure, equipment, vehicles, or other physical items acquired through a contribution under this policy may not be re-located to any operations outside of the Territory.

### Term

Contributions are normally made for a one-year period. Multi-year contributions may be considered on a case-by-case basis, but if approved are conditional on available appropriated funds in subsequent years.