

ACR Aboriginal Programs Project Program Template

Program Area:	3.0	Business Development
Sub Program:	3.3	Programs Sponsored by Government and Non-Profit Agencies
Template:	3.3.4	Access to Financing and Management Support
Sponsor(s):	<i>Business Development Bank of Canada</i>	

1. Objective

To assist Aboriginal entrepreneurs and businesses by providing access to capital and management support.

2. Description

The Business Development Bank of Canada (BDC) is a financial institution wholly owned by the Government of Canada. BDC's Aboriginal financing can provide support to businesses that have a commercially viable business proposal, an acceptable level of management expertise and have demonstrated a financial commitment.

The Growth Capital for Aboriginal Business loan product is specifically designed for Aboriginal business. It offers flexible debt-to-equity ratios and does not focus on security regarding exit strategies on loans. The Royal Commission on Aboriginal Peoples presented some recommendations that BDC has modeled on such as micro-credit and locally-based advisory services. BDC has peer-lending pilots and a unique lending initiative that combines financing with management training and ongoing mentorship. In addition to product development, BDC regularly reviews policy related to all its business solutions to ensure they are marketed appropriately to Aboriginal entrepreneurs.

3. Implementation

BDC offers a number of services that may be of interest to Aboriginal entrepreneurs and businesses:

- **Growth Capital for Aboriginal Business loan product.** BDC's specialized financing increases access to capital for Aboriginal entrepreneurs wanting to expand an existing business or start a new one, on or off a reserve in Canada. Under the Growth Capital for Aboriginal Business loan product, an Aboriginal person can access up to \$100,000 for an existing business and up to \$25,000 for a start-up. Interest rates and security requirements are determined on a project-by-project basis and the payments of principal may be deferred for the first year. In addition, stepped and seasonal payments are available where appropriate. There is also business management support through a special alliance with CESO Aboriginal Services, which includes ongoing mentoring and business management counseling for the first two years following loan approval. The costs for management support can be incorporated into the financing package.

- Security for a loan can include band council resolutions and other letters of support when the business is located on reserve land, realty mortgages, security agreements providing a charge on chattels, and personal or corporate guarantees.
- **Community support funding formula.** BDC has a community support funding formula built into the Growth Capital for Aboriginal Business loan agreement as an added incentive for good loan performance on loan payments. BDC will refund a portion of the interest paid on a loan to a community organization or charity chosen by the borrower. It will be calculated at the rate of 0.5% of the average loan balance with a minimum amount of \$100 and paid annually after the first year of the loan. To qualify, the loan must be operating satisfactorily and be fully current.
 - **Peer lending.** BDC has initiated a pilot project for peer lending in northern Manitoba with seed funding of \$40,000 to provide small high-risk start-up loans to local people through a lending circle of community members. BDC expects to recover its initial investment (principal) at some point, while the lending circle gets to keep the interest earnings from its loans.
 - **ESpirit.** ESpirit, an annual national internet-based Aboriginal youth business plan competition was instituted in 1999 and over 2000 Aboriginal youth across Canada have participated. Teams of young aspiring Aboriginal entrepreneurs create business plans with the aid of seven business education modules online, then produce a video about their business and set up trade booths promoting their business and present their business plans at a gala event organized by the BDC. The program costs \$400,000 - \$500,000 annually. The BDC has had Aboriginal Business Canada (ABC), Atlantic Canada Opportunities Agency (ACOA), Indian and Northern Affairs Canada (INAC), Western Economic Diversification (WED) and Royal Bank of Canada as partners for the annual ESpirit competition. BDC also publishes a quarterly newsletter called SOAR which profiles Aboriginal role models.
 - **Management consulting.** BDC works with Aboriginal businesses, Aboriginal organizations and First Nation communities to assist them in developing strategies for growth, evaluating potential for development through growth readiness assessment and achieving quality standards such as ISO certification. BDC helped the Membertou First Nation in Nova Scotia earn ISO certification. The Membertou First Nation is a very progressive community that has entered into partnership agreements with SNC Lavalin, Lockheed Martin, Sodexo (food service for off-shore drilling) and Clearwater Foods. Membertou is the first First Nation in North America to earn ISO certification.

BDC has recruited over fifty Aboriginal business consultants to work with community members. They focus on the effectiveness of BDC products and services, work with and grow with the client. BDC will provide management training and mentorship in partnership with local Aboriginal agencies, e.g. Aboriginal Capital Corporation, where it is determined that the borrower would benefit from this. It becomes part of the loan agreement. In addition, BDC has appointed an Aboriginal person to its board of directors.

4. Measurable Criteria

BDC's loan portfolio and consulting activity in the Aboriginal market has grown to around \$12 million in loans approved annually for Aboriginal businesses across Canada.

5. Budget

The BDC Aboriginal banking unit's annual operating budget is \$1 million.

6. Partners and Sponsors

BDC is committed to partnership in serving the Aboriginal market as reflected in the Aboriginal banking unit's motto, "Partnership - The Key To Success". BDC has signed agreements with Apeetogosan Métis Development Inc. in Alberta, Wakenagun Community Futures Development Corporation serving Aboriginal communities along James Bay, and Pwi-Di-Goo-Zing Ne-Yaa-Zhing Advisory Services in north-western Ontario to deliver a unique micro-credit lending approach under the Aboriginal Business Development Fund to Aboriginal clients. The Aboriginal Business Development Fund combines lending with management training and ongoing mentorship. It is administered by a community-based financial institution.

Agreements have been signed with North Central Community Futures in Northern Manitoba, the Prince George Native Friendship Centre and Na-Me-Res in Toronto to deliver peer-lending pilot initiatives. In addition, BDC has partnered with ABC, ACOA, INAC and Royal Bank of Canada in the BDC-sponsored ESpirit Aboriginal youth business plan competition. The BDC has entered into other partnerships including one with the Fort Whyte Centre in Winnipeg to promote entrepreneurship for Aboriginal youth.

7. Experience with the Program

Strategic partnerships have been a key to success. Community-owned enterprises such as development corporations have proven to be good partners with which to identify new approaches and creative ideas to respond to the needs of the Aboriginal market in a responsible commercial manner. Customer satisfaction levels are just over 90%, which is exceptional for the industry. BDC currently has \$50 million committed and outstanding in loans to over 170 Aboriginal businesses across Canada.

8. General Applicability

This may be of interest to companies wanting to encourage the growth of Aboriginal entrepreneurs and businesses as part of a business development strategy.

9. Additional Information or Support

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