THE COMMUNITIES ECONOMIC DEVELOPMENT FUND: A REVIEW AND EVALUATION OF LENDING EFFORTS, 1971 - 1980

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By

D. G. Wanamaker

A Practicum Submitted in
Partial Fulfillment of the
Requirements for the Degree
Master of Natural Resources Management

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INTRODUCTORY NOTE TO READERS

This report consists of both a review and evaluation of the CEDF program. Chapter 1 provides an introduction to CEDF's legislative mandate, and presents the frameworks developed for analysis, review and evaluation of data. An overview of current CEDF structure and operation is presented in Section 2.1. The balance of Chapter 2, and each of Chapters 3 and 4, presents detailed analysis and review of data (see Figure 1.3).

Evaluation of program effectiveness rests primarily on quantitative analysis reviewed in Chapters 2 through 4. Chapter 5 summarizes and evaluates the major findings of previous chapters. Footnotes are used to reference source data. Thus, the report may be comprehended by reading the first and fifth chapters (ie. data are analyzed using a standard 'double entry' format to ensure internal consistency; detailed examination of source data is possible but optional). Chapter 6 presents recommendations for improved programming which follow from review and evaluation of data.

The report is designed for a broad range of readers. Consequently, quantitative analysis is involved but relatively straight forward. Hypothesis testing was avoided in an effort to maintain a non-technical approach to a complex subject matter.

ABSTRACT

The Communities Economic Development Fund is a provincial crown corporation established in 1971 to, "encourage optimum economic development of remote and isolated communities" within Manitoba. The Fund is both a lender of last resort and a community development agency.

The CEDF program includes lending and non-lending components. Lending activities are extended in response to applications for financial assistance. Non-lending activities are less clearly response-oriented and have included various management organization and support services, some of which have been cost shared under the 1976 Canada/Manitoba Northlands Agreement. This report focuses on lending activities. Non-lending support services, together with results of a field survey of client perceptions, are reviewed in M. L. Scott's, The Manitoba Communities Economic Development Fund--A Social Perspective.

The CEDF program is conceptualized as a system comprising inputs, internal processes, outputs and primary effects of outputs. The study's objectives are to systematically analyze and review weakness, primary effects and changes in lending activities, and to evaluate program effectiveness. Formal evaluation perspectives and criteria are drawn from the Communities Economic Development Fund Act. Operational, distributional and developmental perspectives are developed to represent primary dimensions of programming from a societal standpoint.

It was concluded that, overall, the Fund has been quite effective in executing legislative responsibilities, but that weaknesses in program delivery and orientation do exist. From an operational perspective, CEDF has been very effective in recovering loan monies (maximum financial losses calculated at roughly 20%). Operational weaknesses were considered to relate primarily to interagency/interjurisdictional coordination, diverse physical and socio-economic conditions in the north which act to constrain local business potential, and management abilities of clients.

From a distributional perspective, the Fund has financed and supported a variety of enterprises throughout Manitoba. Program efforts have been equitably distributed in relation to demand for service. Most projects have been sole proprietorships in the tertiary sector. Projects have been distributed over regional centres in the north, as well as smaller, more remote native settlements. In general, communities lacking road transportation received fewer projects than more accessible communities. Current policy restricting loans to reserve projects appeared to be a related factor, and an obstacle to fulfillment of legislative directives.

From a developmental perspective, approximately 70% of projects were new, and a majority of projects continue to operate under original management. The Fund balances dual roles as lender of last resort for disadvantaged individuals, and community development agency for local associations and community development corporations. The Fund's response-orientation, while offering definite advantages, was considered a weakness in that applicant perceptions of economic opportunities appeared narrowly focused in many cases. Recommendations for improved programming aim to extend the range of business opportunities which the Fund can develop, and to increase operational and distributional effectiveness.

ACKNOWLEDGEMENTS

In June of 1980, the Natural Resources Institute was commissioned to conduct an evaluation of the Manitoba Communities Economic Development Fund (CEDF). I am grateful to CEDF's Board, executive and staff for their genuine support of our research. The assistance of CEDF personnel, and the interest shown by many people met during field interviews, are largely responsible for what has been a most instructive and rewarding personal experience. I hope this report will contribute to their efforts.

I wish to thank Novia Carter (Head, Department of Family Studies, Faculty of Human Ecology) and Dennis DePape (Intergroup Consulting Economists) for their perspectives, astute criticisms and support. I am especially indebted to Dennis for his tactful guidance, and his assistance in designing and organizing this report.

Special thanks are due Debbie Norman for her patience and persistence in keypunching what must have seemed an endless stream of information. The efforts of Cathy Norman and Patric MacDonald are much appreciated. Their lessons in programming, and assistance in editing much of the data, were invaluable. To Ed Pachanuk, who constructed map overlays, and Diane Benoit, who typed the text, many thanks for their conscientious work.

I am grateful to the personnel of various agencies and institutions for providing background information on socio-economic conditions in northern Manitoba. The provincial department of Northern Affairs, Special ARDA, the Canadian Bankers

Association (Winnipeg) and Credit Union Central (Winnipeg) all provided important data. Their generosity is much appreciated.

The assistance and support of NRI staff are gratefully acknowledged. Thomas Henley, Walter Henson and Rick Baydack contributed many useful insights and suggestions. To Emilie Novotny and Marie Klaus, special thanks for their typing of tables and administrative support.

Lastly, I extend thanks to Mary L. Scott, a co-researcher who assisted in collecting data. Joint research efforts are always difficult, particulary where personal and academic backgrounds are vastly different. Such efforts may yield corresponding rewards which enrich both the research and the researchers. This has been my experience, and I am grateful to NRI and Mary for having provided the opportunity to participate in such an important learning process.

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GLOSSARY OF TERMS

Application-the request for financial assistance submitted by an applicant. Applications include 133 files recording initial enquiries which were not followed by submission of a loan application form (see p. 26 to 28).

Approval-an application which is reviewed within the program system and is approved and financed (see Figure 2.1).

Client-any individual or group whose application(s) is approved and financed.

Disbursements-the individual components of lending efforts: loans and guarantees.

Joint Finance/Joint Venture-any form of joint financial effort involving extra-Fund investment which is included as part of CEDF approved investment in an enterprise.

Lending Efforts-that subset of program outputs which consists of loan financing.

Program Effects-the socio-economic consequences of program outputs.

Primary Effects-the direct consequences of establishing and/or financing projects. Primary effects are considered to include service, employment and income effects generated by initial establishment of a project.

Impacts/Secondary Effects-the indirect consequences of establishing and/or financing projects. Secondary effects are considered to include employment, income and other socio-economic consequences of project operation. Note that certain problems of political administration and management control (see Section 2.30) are considered inputs to the CEDF program system. Such problems act as feedback links between secondary effects and program outputs.

Program Inputs-the goals, objectives and internal resources combined within a program, and the external influences to which a program responds. Program inputs are considered to include legislation, policy directives, capital authority, manpower, applications and management problems.

Program Outputs-all actions and efforts directed toward clients. Program outputs are considered to include management support and control functions as well as lending efforts.

Program/Program System-CEDF's institutional structure, operation and internal processes.

Project-the enterprise which is supported or created by means of CEDF finance (eg. one CEDF financed consturction project may receive subsequent loans or guarantees to expand from one type of construction into another type. The second approval is then counted as expansion of an existing project, not as a second project).

CHAPTER 1

INTRODUCTION

1.0 The Subject of Evaluation

This report presents results of a study designed to evaluate selected aspects of developmental programming conducted by the Communities Economic Development Fund (CEDF). The Fund is a Crown corporation established in 1971 to act as both a community development agency and a lender of last resort. This report focuses on the Fund's lending efforts, and the effects of those efforts. Results of the study aim to provide information on the effectiveness of the Fund's programming as a second decade of operations commences.

In July of 1971, the Province of Manitoba enacted the Communities Economic Development Fund Act. The purposes of the Crown corporation thereby established were, and remain:

> ...to encourage optimum economic development of remote and isolated communities within the province and to that end,
>
> a) to provide financial or other assistance to
> i) economic enterprises to be established and,
> ii) community development corporations.
>
> b) to emphasize and encourage the expansion and strengthening of small to medium-size economic enterprises which are locally owned and operated, and
>
> c) generally to assist the minister in furthering economic development on behalf of the residents of remote and isolated communities particularly

as regards economically disadvantaged persons.[1]

In addition to the developmental and distributional goals cited above, s.11(7) of the Act instructs CEDF, "... to maintain a reasonable diversity in the location and type of economic enterprises, as reflected in the total amount loaned and outstanding at any time."[2]

The balance of the Act deals largely with operational aspects of CEDF's mandate. Of chief importance is the Fund's response orientation. Lending and organizational efforts are extended to prospective clients in response to applications for financial and developmental assistance. S.11(3) of the Act defines 12 general considerations to be included in assessment of applications.[3] Considerations range from technical and financial requirements of a project proposal, through projected economic, social and biophysical effects of extending financial support to a project.

1.1 The Study's Purpose

Developmental programming tends to be experimental. Because such programming occurs in socio-economic rather than laboratory environments, the many 'experimental variables' involved can not be strictly controlled. Similarly, 'experimental outcomes' can not be predicted with precision and programming must be adjusted to account for unexpected problems

[1] Communities Economic Development Fund Act. Statutes of Manitoba, 1978. C.155 s. 3.

[2] Ibid., s. 11(7).

[3] Ibid., s. 11(3).

and consequences. It follows that conscientious management of development programs requires periodic evaluation of objectives, and program effectiveness in meeting objectives.

This study is designed to provide information to CEDF managers on the characteristics and effects of the Agency's lending efforts. The study analyses key elements of the lending program and is intended to provide insights and perspectives which may be useful in planning and implementing future CEDF activities.

1.2 Evaluation Framework and Scope

Public expenditure programs may be conceptualized as systems.[4] In the broadest terms, a public expenditure system will consist of inputs, internal processes, outputs, effects of outputs, and impacts of effects. Inputs will include program goals, manpower and financial capacity. Internal processes consist of operational procedures for applying manpower and money to program goals. Outputs are comprised of the efforts made as a result of internal processing of inputs. Each such effort constitutes an event which will produce primary effects and secondary impacts.

Within the general structure of public expenditure programs, various approaches to evaluation have been developed to meet a range of information requirements. Carter and Wharf

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[4] Osbaldeston, G. F. Evaluation of Public Programs: A Treasury Board Viewpoint. Treasury Board Secretariat, Government of Canada, 1973.

distinguish three principal types of evaluation.[5] In descending order of complexity and methodological difficulty, these concern:

(1) Assessment of Program Efforts--the kind and quantity of activities developed to satisfy the program objectives are reviewed and discussed.

(2) Assessment of Program Effectiveness--the contributions of program efforts to the fulfillment of program goals are analyzed.

(3) Assessment of Program Efficiency--the costs of achieving goal fulfillment are quantified.

Assessment of both program effectiveness and program efficiency relies on a review of program efforts. Lending efforts comprise the subset of outputs which are the focus of this study. Managerial support ('non-lending' effort) is an important component of CEDF operation and is central to the following analysis; but it is not measured, and is considered in relation to the economic requirements of program efforts.

Assessment of program effectiveness aims to determine the degree of goal fulfillment which results from program efforts; the degree to which "outputs" have satisfied program goals by producing desired "effects". Unlike assessment of efficiency, program effectiveness can be represented quantitatively without the exacting requirements of a cost per unit output measurement. To the degree that program elements can be enumerated, effectiveness can be approximately 'measured'.

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[5]Carter, N. and Wharf, B., p. 18. Evaluating Social Development Programs. Canadian Council on Social Development, Ottawa, 1973.

The Communities Economic Development Fund Act consists of three components which have been characterized as operational, distributional and developmental. The study adopts these three aspects of CEDF's mandate as perspectives from which program elements are reviewed, and program effectiveness is evaluated. Each of the three perspectives encompasses different characteristics of inputs, outputs/efforts and effects.

From an operational perspective, CEDF is response-oriented.[6] Applications for financial assistance represent fundamental inputs. Characteristics of applications for assistance largely determine the kind and quantity of program effects. Equally fundamental, the Fund's capital authority ultimately determines the upper limit of financial assistance which CEDF can offer.[7] Problems encountered in project management, and level of repayment of term finance, represent 'second round' inputs which follow from CEDF investment efforts.

From an operational perspective, program outputs are represented by the value and financial composition of investment, as well as the number of applicant referrals to other sources of assistance. Primary operational effects are represented by overall pattern of expenditures resulting from

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[6] To the degree that the Fund takes an active role in directing the enquiries of community groups and institutions (eg. requiring or counselling formation of a community development corporation as a condition of finance) CEDF programming is not strictly response-oriented.

[7] Note that the availability of management support services is an equally important limiting factor. No attempt was made to directly measure the importance or effectiveness of 'non-lending' program efforts.

investment of finance. The impact of application refusal, and the effectiveness of referral services, were not assessed. Figure 1.0 presents the variables and measurement used to represent program elements from an operational perspective.

Perspective One: Operational Characteristics

Program Elements	Variables	Measurement
a) Inputs	-applications	frequency
	-capital authority	dollars (current)
	-loan/guarantee repayment	dollars and frequency
	-management problems	frequency
b) Outputs	-approved finance	frequency, dollars, term, interest rate
	-joint finance	frequency and dollars
	-applicant referrals	frequency
c) Effects	-expenditures	percent dollars

Figure 1.0 Framework for Review and Evaluation of Operational Characteristics.

From a distributional perspective, program elements are represented differently. Legislation directs the Fund to offer assistance to remote and isolated communities. Inputs are therefore represented by characteristics of applications and frequency of management problems according to geographic location. The Act further directs the Fund to "maintain reasonable diversity in the location and type of economic enterprises". Sectoral characteristics of applications and management problems represent program inputs from this second distributional perspective.

The distribution of program outputs is represented by the composition and value of approved finance over geographic location and economic sector. The Act specifies that assistance is to be offered to community development corporations (CDC's). In order to distinguish efforts directed toward CDC's and other community organizations, program outputs are accounted according to proprietorship,[8] as well as location and sector. The number of projects and distribution of expenditures are used to represent primary program effects from a distributional perspective. Figure 1.1 presents the analytical framework from a distributional perspective.

Perspective Two: Distributional Characteristics

Program Elements	Variables	Measurement
a) Inputs	- applications	frequency over geographic location
	- management problems	frequency over economic sector
b) Outputs	- approved finance	dollars and frequency over geographic location
	- joint finance	dollars and frequency over economic sector
		dollars and frequency over proprietorship
c) Effects	- expenditures	percent dollars and frequency over geographic location
	- projects	percent dollars and frequency over economic sector
		percent dollars and frequency over proprietorship

Figure 1.1 Framework for Review and Evaluation of Distributional Characteristics

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[8]An overview of level of application according to proprietorship is presented in Table 4.3. Owing to the relatively few numbers of applications from community organizations, detailed review of inputs according to proprietorship is not presented.

In general terms, the Act explicitly states the means by which development is to be promoted. Economic enterprises which are locally owned and operated are to be established, expanded and strengthened.[9] The types of economic enterprises for which applicants sought funding (ie. new, expansion, refinance or purchase of existing enterprises) are used to represent inputs from a developmental perspective. Similarly, outputs are measured by the composition and value of investment according to type of enterprise.[10]

Primary developmental effects are represented by the frequency of project funding and composition of expenditures according to type of enterprise. In addition, continued project operation is used to approximate the degree to which developmental goals have been advanced by CEDF. The developmental goal of "optimum economic development" includes distributional components. Frequency of continued operation is therefore considered in relation to location, sector and proprietorship as well as type of enterprise. Figure 1.2 illustrates this third analytical perspective.

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[9]Assistance to "economically disadvantaged persons" is considered quantitatively in M. L. Scott's, An Evaluation of the Manitoba Communities Economic Development Fund--A Social Perspective.

[10]With one exception (representing an association of local interests) local ownership has been a prerequisite for financial assistance.

Perspective Three: Developmental Characteristics

Program Elements	Variables	Measurement
a) Inputs	-applications -management problems	frequency over type of enterprise
b) Outputs	-approved finance	dollars and frequency over type of enterprise
	-joint finance	
c) Effects	-expenditures	percent dollars and frequency over type of enterprise
	-projects	frequency of continued operation over type of enterprise, location, economic sector and proprietorship

Figure 1.2 Framework for Review and Evaluation of Developmental Characteristics.

Evaluation of program effectiveness varies according to the evaluation perspective adopted, the variables measured, and the form of measurement. From a broad societal standpoint, each of the three evaluation perspectives is important as an expression of social and legislative goals. The Fund, the applicant and the client may be expected to adopt more narrowly focused effectiveness criteria according to the particular interests which each pursues. Social goals are assumed to encompass the particular interests of applicants, clients and CEDF.

From the applicant's standpoint, program effectiveness is represented by the Fund's ability to match business needs with appropriate sources of assistance, financial or otherwise. The outcome of loan applications is used to represent the applicant's perspective as well as to review the socio-economic environments in which the applicant and the Fund pursue developmental goals.

From the client's perspective, the Fund is effective to the degree that financing is secured, and required technical/ managerial support is forthcoming. The level and type of financial support, together with the incidence of managerial problems and client ability to sustain operations, are used to represent effectiveness criteria from the client's perspective.

As society's agent in promoting broad social goals, and particular applicant and client interests, CEDF's own effectiveness criteria are both developmental and distributional. In addition to extensive interest in assisting the applicant/ client, CEDF is concerned with operational effectiveness, where operational effectiveness is represented by the level of loan repayment as well as transactional effectiveness.

The Act explicitly states, in general terms, the means by which economic development is to be advanced. Establishment and operation of local economic enterprises by economically disadvantaged persons are the implicit ends of development. The relationship between ends and means is not clearly outlined by legislation.[11] Applicants, clients and projects are unique, and the effects of project establishment are experienced across diverse physical and sociological environments. Similarly, the aspirations and capacities of individual communities would be expected to determine highly variable views of "optimum" economic development.

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[11]Most fundamentally, the relationship between individual welfare, economic enterprises, and community economic development.

Quantitative assessment of effectiveness is necessarily limited. Technically, program effectiveness could be 'measured' in relation to specific objectives (as, for example, where a target figure of numbers of loans or projects is developed as a baseline against which effectiveness can be calculated). In the absence of a 'developmental plan', program effectiveness cannot be simply calculated.

Rather, program effects are systematically documented and placed in the context of social goals, applicant demands, and the Fund's ability to pursue social goals and meet applicant demands. The degree of success, or program effectiveness, in meeting legislative requirements is represented by the data presented. Assessment of the degree to which individual remote and isolated communities have advanced, through the efforts of CEDF, from an "underdeveloped" to a "developed" condition, is beyond the scope of this study.

1.3 Objectives and Outline of the Report

The purpose of this evaluation is to provide information which will be useful to CEDF management and staff in their consideration of future program efforts. To this end, the four specific objectives of analysis are as follows:

(1) To identify possible weaknesses in current programming by systematically documenting,

   (a) the constraints under which commercial economic development strategies must operate, and

   (b) the obstacles to financing and successfully operating northern businesses.

(2) To review the economic effects of lending efforts in terms of operational, distributional and developmental characteristics.

(3) To examine changes in the pattern of lending over time, to identify possible causes of such changes, and to examine factors which may influence future program efforts.

(4) To evaluate program effectiveness from operational distributional and developmental perspectives, and to offer corresponding recommendations for improvements.

Each of the first three objectives corresponds to a separate chapter. The final objective is addressed in the last two chapters. All three evaluation perspectives are contained in each chapter and are represented according to the frameworks outlined in Figures 1.0 to 1.2.

Chapter 2 is concerned with program inputs, and less extensively, with internal processes. Economic limitations confronted by CEDF and applicants are reviewed in sections 2.1 to 2.3. Management problems faced by the Fund and its client's are examined in sections 2.4 to 2.6. Chapter 3 concerns system outputs and presents a summary of lending efforts, together with interpretative reviews of effects of lending. Chapter 4 describes changes in program elements over time, and examines extra-program 'input factors' which have, or may be expected to influence program efforts. Interpretations of analytical results presented in Chapter 4 are largely confined to operational and distributional perspectives, since "successful" funding of a project which continues to operate can not properly be attributed to either the year in which financial assistance was extended or the year in which financial assistance was repaid or defaulted.

Chapter 5 summarizes and illustrates observations reviewed in Chapter 2 through 4. Program effectiveness is not "measured", but is assessed in relation to quantitative data. Chapter 6 summarizes conclusions derived from review and evaluation, and offers recommendations for improved program effectiveness. Figure 1.3 illustrates the organizational format for presentation of data, review and evaluation of analytical results, and recommendations for improved program effectiveness.

1.4 Data Collection and Compilation

The majority of data used in this study were derived from the following six primary sources:

(1) CEDF Annual Reports and enabling legislation
(2) interviews with CEDF executives
(3) CEDF files
(4) field interviews with current and former CEDF clients and applicants
(5) interviews with Department of Northern Affairs officials
(6) correspondence with commercial lenders.

The study proceeded through three phases of data collection. The initial phase involved data sources 1 to 3 above. Annual reports and enabling legislation were used to develop a preliminary framework for analysis, and to formulate an initial set of important analytical issues.

Detailed records of program elements and transactions were available from CEDF operations files, and it was decided that all files would be reviewed. A system for recording file contents was developed with reference to an operations manual.

Figure 1.3 Organizational Format for Study Presentation

Evaluation Perspectives	Chapter 2 Program Inputs	Chapter 3 Program Efforts and Effects	Chapter 4 Changes in Program Inputs, Outputs and Effects	Chapter 5 Evaluation of Program Effectiveness	Chapter 6 Summary and Recommendations
(1) Operational	i The Administrative Envri- onment: Overview of CEDF Operation (Section 2.1) ii Operational Problems (Section 2.4)	Operational Outputs (Section 3.1) i frequency, composition and dollar value of financial assistance ii composition of expen- ditures	Operational Changes (Section 4.1) i characterization of developmental stages ii overview of developmental stages according to appli- cation and approval rate, and composition of finance	Evaluation of Operational Effectiveness (Section 5.1) i summary of operational characteristics and chantes ii default rate	Recommendation for Operational Improve- ment (Section 6.1)
(2) Distributional	i Distributional Character- istics of Applications (Section 2.20) ii Distributional Character- istics of Management Problems (Section 2.50)	Distributional Effects (Section 3.20) i geographic distribution of finance, expenditure and projects ii sectoral distributional of finance, expenditure and projects iii proprietary distribution of finance, expenditure and projects	Distributional Changes (Section 4.20) i changes in geographic location of applications, financed projects ii changes in sectoral dis- tribution applications, finance and projects iii changes in proprietary distribution of appli- cations, finance and projects	Evaluation of Distri- butional Effectiveness (Section 5.20) i summary of distribut- ional characteristics and changes ii frequency of continued project operation according to sector and proprietor- ship	Recommendations for Distributional Improvement (Section 6.2)
(3) Developmental	i Developmental Char- acteristics of Appli- cations (Section 2.3) ii Developmental Character- istics of Management Problems (Section 2.6)	Developmental Effects (Section 3.3) i distribution of finance, expenditure and projects according to type of project	Developmental Changes (Section 4.3) i changes in frequency of loans and projects according to type of enterprise	Evaluation of Develop- mental Effectiveness (Section 5.3) i summary of developmental characteristics ii frequency of con- tinued project operat- ion according to location, type and sector of projects	Recommendations for Developmental Improvement (Section 6.3)

The recording system was designed for later computer analysis of data, and codes were developed for each variable according to the range of values expected. Unexpected values were coded as they were encountered. Due to the comprehensive nature of CEDF operational control procedures, no fundamental restructuring of codes was required. The data set was designed to serve the independent needs of two researchers.

Formal interviews with CEDF executives clarified initial impressions of the Fund's operations and development over time. Subsequent discussions were conducted informally and dealt with a range of operational, developmental and distributional issues.

Phase two of the data collection process involved field interviews. Interviews were designed both to validate the data derived from files, and to impress on the author the reality which those data represented. Since interviews were not intended to be statistically representative, a straight-forward approach to interviewing was possible. A list of clients in each community was compiled, a highway route through northern Manitoba selected, and contact made with clients en route. Each interview was conducted informally with reference to the interview schedule presented in Appendix 1. Though interviews were not highly structured, each interviewee answered the same set of questions. (Results of the questionnaire are reviewed in M. L. Scott's report).

The final phase of data collection involved correspondence with commercial lenders, and interviews with Department of Northern Affairs officials. Correspondence yielded information on the distribution of chartered banks within Northern Affairs jurisdiction, and served to document problems encountered in the operation of credit unions in the north. Thus, the financial environment within which CEDF operates was clarified. Interviews with Northern Affairs officials provided an overview of administration and developmental programs in northern Manitoba.

A final phase of data processing involved compiling data from all sources, and selecting that information which related directly to study objectives. Data from files were recorded on the University of Manitoba's editing subroutine, MANTES. Client identities were represented numerically, thereby insuring confidentiality. Restricted access, together with coded data ensured confidentiality of CEDF data. The Statistics Analysis System (SAS) was used in analysis. All data other than file reviews were processed qualitatively.

CHAPTER 2

REVIEW OF PROGRAM INPUTS

This chapter presents an overview of the administrative and economic environments in which CEDF operates. The operational, distributional and developmental characteristics of both applications, and management problems are used to portray the constraints within which response oriented programming is conducted. In order to simplify presentation, applications and management problems are presented separately.

Sections 2.1 to 2.3 survey the obstacles with which the Fund and its prospective clients are faced in their efforts to finance small to medium-sized northern business projects, and to further economic development in the north. Since CEDF responds to input rather than initiating project proposals and soliciting proposals from entrepreneurs, an indication of the business opportunities perceived by applicants is important in defining the types of activity to which CEDF is limited. Applications for financial assistance are presented to represent perceived business opportunities. Reasons for application refusal are examined to clarify in particular, the limited financial prospects for many proposed business ventures. The availability of commercial venture capital is represented by the number and location of chartered banks within Northern Affairs jurisdiction.

Sections 2.4 to 2.6 explore the management problems faced by CEDF and those applicants who, through approval of financial assistance, become clients. While the Fund is closely allied with clients in the cause of business development, the two sets of management (Fund and client) do not always act in consort; solutions to the same managerial problem are often perceived quite differently by separate 'co-managers'.

In presenting an overview of management problems from an operational perspective, the focus is on the primary functions performed by all managers, and on the Fund's primary operational problem, that being loan repayment. Distributional and developmental perspectives are introduced by overviews of problems which would be expected to accompany business management in particular circumstances (the problem of transportation to remote communities, for example). Quantitative data on management problems recorded from files is presented in the context of distributional and developmental characteristics in order to explore patterns of problems which may appear systematically in certain locations, business sectors or project types.

2.1 Overview of Current CEDF Structure and Operation

The Communities Economic Development Fund is a three-tiered structure, as illustrated by Figure 2.0. Currently, four consultants and an equal number of support staff report to one senior consultant and the secretary-treasurer who, in turn, report to the general manager. Channels of communication between CEDF staff and executive are not rigidly structured.

The general manager is accountable both to the Minister of Northern Affairs, and the Fund's Board of Directors. The Board is appointed by Order in Council and presently includes

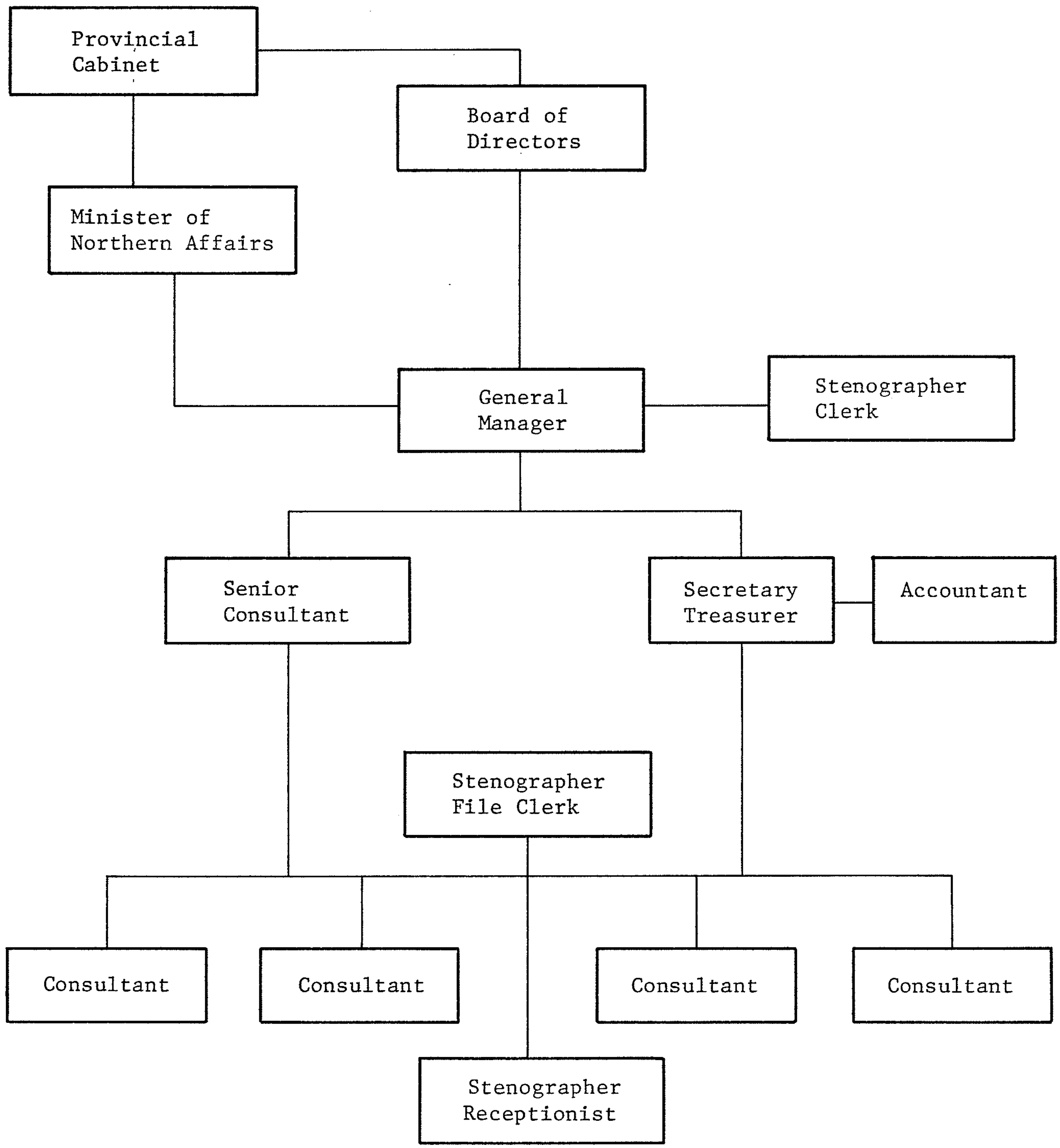

Figure 2.0 Current Administrative Structure of the Communities Economic Development Fund

representatives of the Manitoba Metis Federation and the Northern Association of Community Councils. The Manitoba Four Nations Confederacy (formerly the Manitoba Indian Brotherhood) withdrew representation from the Board in June of 1980. Changes in the Funds departmental affiliation and the developmental policy environment in which CEDF operates, are outlined in Chapter 4.

For the most part, the Fund operates in response to business opportunities perceived by individuals, community groups, and other government agencies involved in outreach work or northern development projects. In effect, CEDF relies on a 'threshold level of socio-economic development' in the individual and community clients it serves. The threshold level of socio-economic development may be taken as a financial proposal (in various forms and at various stages of development) for acting on a perceived business opportunity or community need.

In responding to requests for financial assistance, CEDF will refer or refuse those proposals for which alternative sources of funding are available. Applications for agricultural and fisheries loans, for example, are referred to the Manitoba Agricultural Credit Corporation, the Federal Agricultural Credit Corporation, or Special ARDA. Applications for residential loans are refused as a matter of policy. Only those projects which are commercial, or potentially self-supporting non-profit, are eligible for financial assistance. The fund is currently restricted from issuing grants of any sort.

Financial assistance is available from the Fund in the form of term loans and commercial loan guarantees. Four

Orders in Council (one in each of 1971-1974) originally authorized a total of 4.6 million dollars for loans, and 1.5 million dollars for guarantees, to be drawn from the provincial Consolidated Fund. The current level of the Fund's revolving capital authority stands at approximately 3.5 million dollars for loans, and 1.4 million dollars for loan guarantees. The limited size of the Fund's capital authority, together with the limited financial potential and high costs of most enterprises in remote northern communities (discussed in section 2.40), combine to determine a necessary working relationship between the Fund and other federal and provincial agencies.

"Medium-sized" primary and secondary businesses in northern communities frequently require grant funding for investment in capital goods and wages. Thus, eligible applications for financial assistance may take the form of well-developed loan applications for interim financing of grant-funded projects (as where ARDA grants are approved subject to a 20% equity requirement). Conversely, eligible applications for assistance may take the form of largely undeveloped project proposals, as where an inexperienced individual applies to purchase or initiate a local business.

Requests for financial assistance enter the "program system" as inquiries. Initial inquiries are followed by formal applications for assistance. As shown in Figure 2.1, inquiries and applications can be characterized as falling into one of two categories; one comprised of largely undeveloped project proposals, one of largely developed project plans. Applications are researched and developed with reference to the 12 considerations

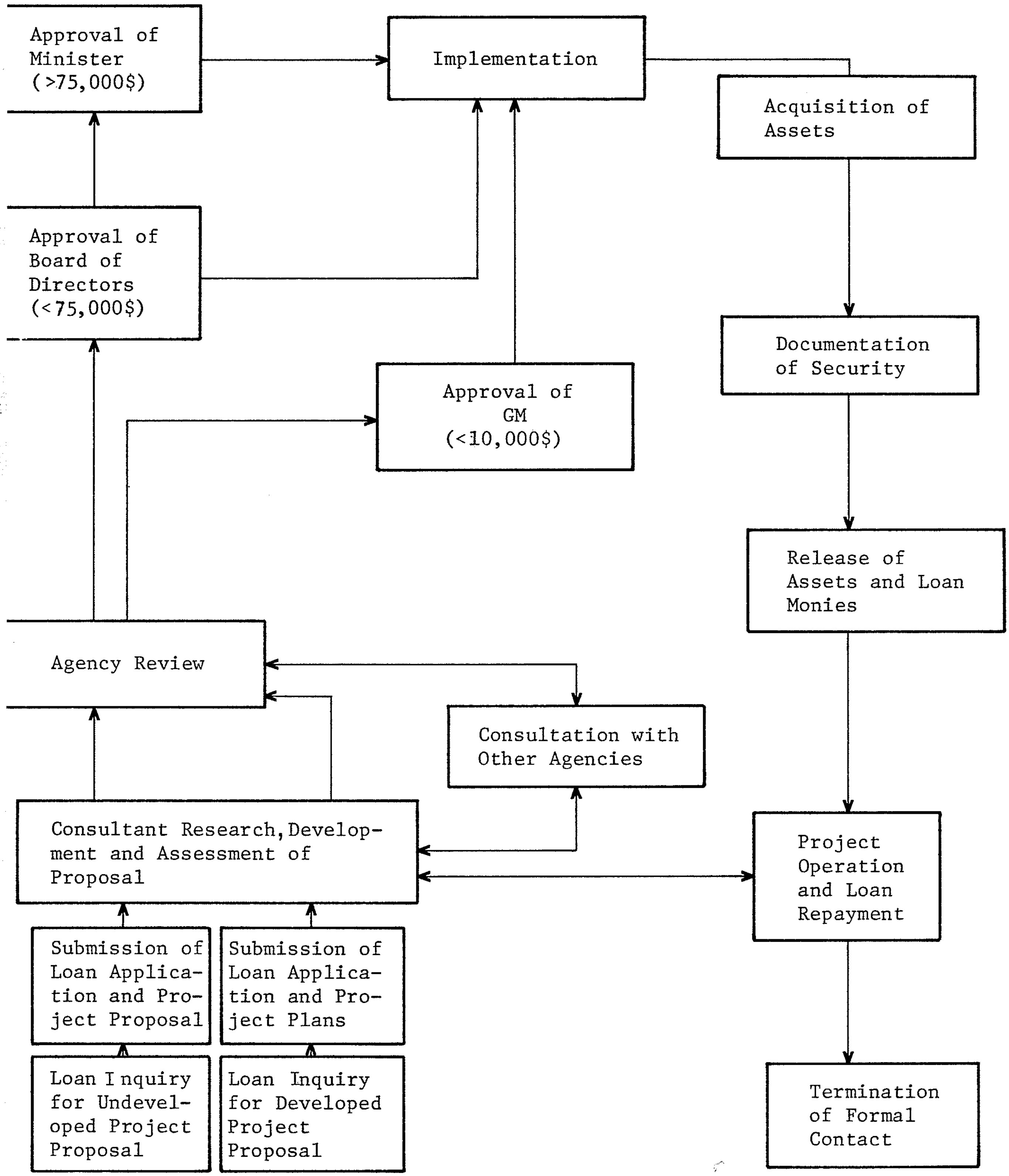

Figure 2.1 Influence Diagram of Operational Stages in the Loan Approval and Disbersement Process

for loan approval specified in s.11(3) of the Act (see section 1.0). Cost and revenue projections, licencing and operating preconditions, and project relations to external agency conditions, are all reviewed with the applicant by the consultant, and with the consultant by the Fund's executive.

The application which has been approved internally by the Fund may be funded at the discretion of the general manager if the financial request does not exceed 10,000 dollars. CEDF approved applications for amounts greater than 10,000 dollars must be approved by a majority of the Fund's Board of Directors. Board refusal may result in modification of the project proposal and resubmission of the application. The Board is authorized to approve loans of up to 75,000 dollars. Ministerial approval is required for amounts greater than 75,000 dollars.

Approval of the application generally results in implementation of the project. Loan security is taken on project assets and, where the client holds significant assets, on the client's personal assets. New assets are purchased, often with the assistance of the Fund or through the Fund by conditional sale, and the process of legal documentation of security begun. When security documentation is complete, loan monies are released to the client who then begins operation.

Regular contact is maintained between the client and the respective consultant during the course of the loan. Consultants are responsible for directly offering, or arranging technical and managerial support for the client, reviewing the progress of the project and repayment of the loan, and intervening in project operation on behalf of the client, or the

Fund itself. Formal contact between the client and the consultant is terminated following loan repayment and release of security.

From the Fund's operational perspective, three primary factors act to restrict developmental activity. They are as follows:

(1) limited availability of commercial venture capital

(2) limited managerial expertise on the part of applicants

(3) limited financial prospects for commercial undertakings in northern Manitoba, particularly in small and remote settlements.

The availability of commercial venture capital in northern Manitoba is strictly limited. The primary sources of investment funds are chartered banks and credit unions. Credit unions are beset by numerous difficulties which are not documented here. Because of small size, and regulations restricting the amounts of loans available to members (no loan may exceed 20% of assets), the few credit unions which continue to operate in northern Manitoba are generally unable to extend loans for investment in other than consumer goods.[1]

Chartered banks are generally distributed throughout larger urban centres in the north. Figure 5.2 (page 148) illustrates the numbers and geographic distribution of chartered

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[1] As of November 1980, all credit unions within Northern Affairs jurisdiction (i.e. northern Manitoba) have been discontinued.

banks within Northern Affairs jurisdiction.[2] Chartered banks are reluctant to offer venture capital for small and medium-sized projects in the north due to the limited return on small loans, and the high risks and levels of managerial support which inexperienced and disadvantaged clients represent. The applicant's managerial expertise is often the deciding factor in loan approval. Without management experience, the applicant is unlikely to receive financial support, even where service contracts or grant monies have been approved.

The Fund is authorized to engage in joint finance with banks through loan guarantees. CEDF has been reluctant to pursue this avenue since the 'transactions premium' which the Fund usually charges (2% of principal) together with bank interest rates (often a Fund negotiated preferential rate to reflect reduced risk) may, when combined, place the applicant at a competitive disadvantage, or reduce the profit margin sufficiently to preclude adequate client income for personal living expenses.

The constraints imposed by limited managerial expertise, and limited financial prospects (items 2 and 3), are represented quantitatively by the number of applications for financial assistance which were refused for those reasons. Section 2.4 explores items 2 and 3 in greater depth with reference to quantitative data on management problem areas and the level of loan repayment.

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[2]Numbers and locations provided courtesy of the Canadian Bankers Association, Winnipeg. Figures represent permanent bank branches as of September, 1980.

The classification scheme developed for all CEDF applications is presented in detail in Appendix 2. Table 2.0 presents numbers of applications according to a simplified classification scheme.

Review

Of 1,034 applications, 237 (A Group-approximately 23%) received funding in the form of loans, guarantees and grants. An additional 24 applications (A4 Group-2.3% of total) received Board approval but were declined by applicants. Refused applications totalled 253 (B Class-24.6%), 110 (43%) of which were refused due primarily to project characteristics, 52 (21%) due to management characterisitcs, 67 (26%) due to characterisitics which were excluded under CEDF legislation, and 24 (10%) due to other and unspecified reasons.

In contrast to applications which were refused, applications which were referred (C Class) were generally not developed to the stage of feasibility assessment by the Fund. One hundred twenty-six applications (12.2% of total) were referred to alternate sources of assistance; 116 (93%) to alternative sources of finance, 10 to consulting services and training programs. Financial referrals were approximately evenly divided between alternative sources of commercial and grant assistance.

The largest class of applications (D Class-35.9% of total) contained 371 proposals which did not advance through the program system as far as the Board. One hundred thirty-three undeveloped applications (36%) comprised inquiries for which

Table 2.0 Classification of Applications According to Outcome

OUTCOME OF APPLICATION	Number	Sub-Group Percent of Total	Group Percent of Total	Class Percent of Total
Accepted				
(A) Dispursed	237	22.9	22.9	25.2
(A4) Undispursed	24	2.3	2.3	
Refused:				
(B1) Loan size,location or other characteristics exceed mandate	67	6.5	6.5	
(B2) Project characteristics unacceptably risky				
a) existing competition	16	1.6		
b) insufficient market	35	3.4	10.7	
c) excessive loan size	52	5.0		
d) unspecified	7	.7		
(B3) Management characteristics				24.5
a) inadequate security	12	1.2		
b) exessive liabilities	19	1.8	5.0	
c) doubtful expertise	15	1.4		
d) personal qualities	6	.6		
(B4) Other and Unspecified	24	2.3	2.3	
Referred				
(C1) Alternative funding				
a) commercial	56	5.4	11.2	
b) grant	60	5.8		
(C2) Training programs	3	0.3		12.2
(C3) Consulting services	7	0.7	1.0	
Undeveloped				
(D1) Initial inquiry not developed	133	12.8		
(D2) Initial application not developed	163	15.8	30.5	
(D3) Initial application approved and request withdrawn	20	1.9		35.9
(D4) Support contingent on funding or pre-operating conditions	25	2.5		
(D5) Application in process when subject of application changes (eg. alternative sale)	30	2.9	5.4	
Other non-loan	23	2.2	2.2	2.2
TOTAL	1034	100.0	100.0	100.0

records consisted of preliminary interviews and background documentation but did not contain loan applications or project plans (the D1 sub-group). A larger sub-group (D2) consisted of 162 files (15.7% of total applications) containing loan applications and project plans which had not been developed to the degree necessary for financial analysis.

In many instances this resulted from the applicant's becoming discouraged by requirements for a complete analysis and cost breakdown. Reasons for applications not being further developed, then, combined both client inability to proceed further, and client unwillingness to proceed further. Efforts to comply with requirements for financial analysis generally met with CEDF assistance. The degree of assistance offered in the preparation of project plans is determined by the consultant. Determination on the part of applicants appeared to play a major role in preliminary assessment of the application's prospects for approval. The large number of applications in this group suggested that many applicants lacked a clear understanding of the economic requisites of loan finance, and the personal costs of business management.

A small number of applications (1.9%) met with CEDF approval but were withdrawn by applicants prior to being reveiwed by the Borad. Though only 20 in number, these applications together with approved applications which were declined by applicants (2.3%), indicated that a significant number of applicants (4.2%) were reluctant to commit themselves to commercial ventures despite Fund support.

Two additional sub-groups of undeveloped applications were of importance from an operational perspective. The first of these (the D4 sub-group) comprised 26 applications which were contingent upon preoperating conditions that could not be met. A slightly larger sub-group (D5) consisted of 30 project proposals which were undeveloped due to unexpected change in project plans while applications were being processed (as where alternate sale or establishment of competition precluded further development of the application). Though the transaction time required to develop and approve applications, and to document security and disburse funds was not measured, transaction time was cited by interviewees, CEDF staff, and file correspondence records as being problematic. The two most apparent causes of delay were legal documentation of security, and sequential review of jointly funded projects (see section 2.6).[3]

A final class of documents recorded 23 instances of Fund involvement in non-financial activity, including invitations to attend planning and discussions events.

2.20 Distributional Characteristics of Applications

From a distributional perspective, numerous physical and socio-economic factors define the limits within which CEDF development activity must operate. Of the many complex and interrelated factors which characterize underdeveloped

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[3]Transactional efficiency can be measured in terms of time required to process applications. Diverse applicant and project needs require variable amounts of research time and effort. Security documentation and sequential project review represent approximately standard outlays of additional time and effort which might be reduced.

northern regions, the following four were considered primary distributional constraints:

(1) geographic location of communities and access to low cost transportation

(2) size and low differentiation of physical infrastructure and of economic skills within communities

(3) access to natural resources, and proximity to primary sector activity and the market demand which such activity generates

(4) cultural and institutional barriers to the diffusion of a cash economy and lifestyle.

Figure 5.9 (page 155) presents a basemap which illustrates the geographic distribution of prominent aspects of the four factors cited above. In addition, departmental and local government jurisdictions are indicated. Appendix 3 summarizes outcome of applications according to communities from which applications were received, available transport mode, and classification of location.

Various classification schemes have been developed to analyze and explain the spatial and functional relationships between communities. The Regional Analysis Program (RAP) is notable for its detailed analysis of community attributes and relationships in southern Manitoba.[4] No equivalent research has been published for northern Manitoba. By inference, one may assume a similar (if less differentiated) hierarchy of "regional", "market" and "stop-off" centres in northern Manitoba. Type of local government, population size,

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[4]Manitoba Department of Industry and Commerce. Regional Analysis Program Southern Manitoba. Working Paper #2: Analysis of Community Functions and Relationships. Regional Planning and Development Branch, Manitoba Department of Industry and Commerce, Winnipeg, 1974.

access to all weather transportation, and diversity of local infrastructure tend to be positively interrelated community characteristics (though not necessarily good indicators of "level of living" as perceived by residents).

The north is commonly characterized as consisting of relatively modern industrial centres, and relatively traditional, non-industrialized remote centres. This oversimplification serves to outline a fundamental contrast in the developmental needs of CEDF applicants. Applicants residing in industrial centres tend, with notable exceptions, to be basically familiar with the workings of a cash economy. The principal needs of such applicants are capital and technical assistance.

In contrast, applicants from remote communities are generally of Metis or Indian ancestry and may be more familiar with subsistence economies than with the requisites of managing small businesses in a cash economy. The capital and technical needs of applicants from remote centres are frequently compounded by a lack of basic knowledge of business procedure, cash management, or in the extreme, literacy.

Community access to biophysical resources, and proximity to primary sector activity, are primary determinants of the commercial potential for small and medium-sized northern businesses. Small scale primary sector activity is directly dependent on large scale projects which act as markets for local products. Notable examples of this economic linkage are the MANFOR and Abitibi forestry operations, to which the output from small and medium-sized forest harvest operations is sold.

Secondary sector operations tend similarly to be dependent for markets on extra-local demand for manufactured goods and construction work. Local sawmills and construction companies are linked to large road and energy construction projects in the north. High capital and labour costs frequently combine with difficult-to-meet pre-operating conditions (such as bonds for contract tenders) to constrain local secondary activity.

Tertiary sector activities are diverse and difficult to generalize. However, service sector projects tend to play a prominent role in most publicly-funded efforts to offset regional disparities in economic activity and income.[5] Many small scale service sector projects tend to be readily adaptable to local conditions of market demand and entrepreneurial expertise.

2.21 Review: Locational Characteristics

Table 2.1 presents a synthesized classification of applications according to the geographic location of communities in which applicants resided at the time of application. Communities are classified according to their geographic location, and administrative and cultural identities. Appendix 3 lists communities which are included in each category, together with a summary classification of the numbers of applications from each community.

Overall, locations within Northern Affairs jurisdiction accounted for approximately 77% of total applications. Approximately 23% of applications originated from southern locations.

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[5] Economic Council of Canada. Living Together: A Study of Regional Disperity. Supply and Services Canada, Ottaw, 1977.

TABLE 2.1 GEOGRAPHIC DISTRIBUTION OF APPLICATIONS ACCORDING TO OUTCOME OF APPLICATION

Geographic Location	Accepted						Refused													Referred			Undeveloped						Non-Loan			Total Row Frequency	Relative Row Percent
	A			A4			B1			B2			B3			B4			*B	C			*D1			*D2			E				
	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %		
North of NA Boundary																																	
Urban LGD	55	20.5	23.2	6	2.2	25.0	23	8.6	34.3	20	7.4	18.2	10	3.7	19.2	1	.4	4.8	1	36	13.4	28.6	100	37.1	31.6	10	3.7	18.2	7	2.6	30.4	269	26.0
Non-Urban LGD	7	21.8	3.0	-	-	-	3	9.4	4.5	4	12.5	3.6	2	6.2	3.9	-	-	-	-	4	12.5	3.2	10	31.3	3.3	2	6.3	3.6	-	-	-	32	3.1
NA and Reserve	51	28.2	21.5	11	6.0	45.8	4	2.2	6.0	24	13.3	21.8	5	2.8	9.6	5	2.8	23.8	1	21	11.6	16.6	49	27.1	15.5	9	5.0	16.4	1	0.6	4.4	181	17.5
Reserve Only	7	14.6	3.0	1	2.0	4.2	1	2.0	1.5	7	14.6	6.4	3	6.3	5.8	-	-	-	-	10	20.8	7.9	14	29.2	4.4	4	8.3	7.2	1	2.1	4.4	48	4.6
NA Only	59	5.7	24.9	1	0.4	4.2	8	3.4	11.9	29	12.3	26.4	23	9.8	44.2	8	3.4	38.2	1	15	6.4	11.9	74	31.5	23.4	13	5.5	23.6	4	1.7	17.3	235	22.7
Non-Community	3	14.3	1.3	-	-	-	3	14.3	4.5	1	4.7	0.9	-	-	-	1	4.7	4.7	-	4	19.0	3.2	4	19.0	1.3	4	19.0	7.2	1	4.8	4.4	21	2.0
Unorganized Community	1	14.3	.4	-	-	-	-	-	-	1	14.3	0.9	-	-	-	-	-	-	-	3	42.9	2.4	1	14.3	0.3	1	14.3	1.8	-	-	-	7	0.7
South of NA Boundary																																	
Reserve	11	26.8	4.6	1	2.4	4.2	-	-	-	5	12.2	4.6	-	-	-	1	2.4	4.7	-	4	9.8	3.2	12	29.3	3.8	6	14.6	10.9	1	2.4	4.4	41	4.0
Non-Reserve	42	21.9	17.7	4	2.0	16.6	25	13.0	37.3	19	9.9	17.3	8	4.1	15.4	5	2.6	23.8	-	29	15.1	23.0	51	26.6	16.1	5	2.6	9.1	4	2.1	17.3	192	18.6
Out of Province	1	50.0	.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	50.0	4.4	2	0.2
Unrecorded	-	-	-	-	-	-	-	-	-	-	-	-	1	16.0	2.0	-	-	-	-	-	-	-	1	17.0	.3	1	17.0	2.0	3	50.0	13.0	6	0.6
Total Column Frequency	237			24			67			110			52			21			3	126			316			55			23			1034	
Relative Column Percent	22.9			2.3			6.5			10.7			5.0			2.0			.3	12.2			30.5			5.4			2.2				100

*B - unspecified refusals
*D1 - combines D1, D2 and D3 categories of Table 2.0
*D2 - combines D4 and D5 categories of Table 2.0

Row % = % applications from each location

Column % = % applications in each class or group

eg. D2* Group: Column % indicates the highest proportions in the D2 group consisted of applications from Urban LGD's, NA and reserve locations, and NA only locations; a lower percentage was recorded for non-reserve southern locations. If Row % is compared to column % for all locations, a trend can be inferred from the relatively lower proportion of non-reserve southern locations which were not developed due to preoperating constraints. A smaller percentage of applications from non-reserve southern locations experienced preoperating and transaction time problems in comparison to all other northern locations and southern reserves. See p. 36.

The largest number of applications (26%-Relative Row Percent) were received from residents of urban Local Government Districts (LGD's). 'Non-urban' LGD's (taken as a population of less than 1,000) accounted for approximately 3% of applications. Approximately 23% of applications were received from communities under Department of Northern Affairs (NA) jurisdiction, 18% from locations combining reserve and NA communities, and 5% from northern 'reserve only' communities.

Reserve communities located south of Northern Affairs jurisdiction were the source of approximately 4% of total applications while southern non-reserve communities accounted for approximately 19% of total applications. Applications from unorganized and non-community locations (eg. fly-in lodges) comprised approximately 3% of total financial requests. Locations were unrecorded[6] for less than 1% of total applications.

The largest number of applications which were approved and disbursed (25% of A's-column percent) were recorded for NA communities. Locations combining NA and reserve communities accounted for approximately 22% of all approved applications, including the highest number of approved and undisbursed applications (A4's-46% of total approvals which were later declined by prospective clients). Urban LGD's accounted for 23% of approvals, and roughly 1/2 the number of A4's recorded

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[6]In all cases, the term "unrecorded" refers to information which was not enumerated by researchers.

for NA and reserve locations (the relatively fewer numbers of A4's suggesting greater uncertainty for many applicants from remote native communities). Non-urban LGD's (Mafeking and Grand Rapids),[7] and reserve only communities (13 in number) each received 3% of total approvals. Non-community locations received 2% of approvals.

Approximately 18% of disbursed approvals went to non-reserve communities south of Northern Affairs jurisdiction, indicating that a significant number of 'functionally remote' communities were able to secure venture capital which was unavailable commercially. Reserve communities south of Northern Affairs jurisdiction received approximately 5% of total approvals, a slightly higher percentage than for reserve only communities north of the NA boundary.

The highest relative number of applications refused due to characteristics which were excluded under CEDF legislation (B1 Group) originated from urban LDG's and non-reserve southern communities (34% and 37% respectively-column percentages). Numbers of applications in each application sub-group were very similar for these two locations, with two exceptions. Refusal for other than mandate, project or management characteristics (ie. B4 Group) was higher in non-reserve southern communities than in LDG's. This suggested a more unusual or 'non-standard'

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[7]An error in coding location resulted in exclusion of Cranberry Portage from this group. Transportation and service characteristics of non-urban LGD's suggested that such communities could be regarded as transitional between larger LGD's, and physically more remote communities of comparable size.

set of considerations in project assessment (a feature shared by both NA and NA and reserve community locations).

The second contrast between LDG's and non-reserve southern locations was the higher number of applications which were undeveloped (D2) due to preoperating conditions which could not be met, or exogenous change in project proposals (eg. alternative sale of business or establishment of unexpected competition). This feature of the LDG applications was shared by those from both NA and NA and reserve locations, suggesting that transaction time and interjurisdictional coordination were more important factors in proposals for northern business ventures than for non-reserve southern ventures.

The incidence of refusal due to project (B2) and management (B3) characteristics was highest in NA, and NA and reserve locations. Refusal due to project characteristics accounted for approximately 11% (110) of total applications, management characteristics for approximately 5% (52).[8] Where NA and reserve communities were located together, and where the location consisted only of reserves, project characteristics (B2) were the dominant factor in application refusal. Management characteristics (B3) appeared relatively more important in applications from NA communities (44% of all refusals for management characteristics). Management characteristics affected fewer total numbers of applications than did project characteristics in every location except NA communities.

Assessment of project "feasibility" seemed to rest primarily on economic considerations and secondarily on management

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[8]See Appendix 2.

characteristics. The relatively higher incidence of management refusals (B3) in NA only communities was, then, interpreted to indicate a greater economic potential in larger NA communities (many of which had access to all weather transportation by road or rail), and thus an increased emphasis on management ability during feasibility assessment. Conversely, northern reserve communities, and locations combining reserve and NA communities were often linked physically to the largest provincial society by plane, or seasonally by winter road. The higher incidence of project refusals (B2) was interpreted to indicate lower economic potential in physically remote communities, to the degree that management refusals (B3) appeared relatively insignificant in comparison.

Further disaggregation of the projects refusal (B2) group (Appendix 2.A) revealed that refusals were approximately evenly distributed across the B2A (existing competition), B2B (insufficient market), and B2C (loan size) sub-groups for locations combining NA and reserve communities. In comparison, the importance of existing competition (B2A) was markedly less in locations consisting only of NA communities, though the importance of B2B and B2C sub-groups remained high.

Loan size (B2C) was the prominent reason for project refusals in LGD's, where insufficient market (B2B) affected half the number of B2B refusals cited in NA communities, and existing competition was not cited at all as a reason for refusal. Smaller local markets and distance from extra-local markets, were assumed to account for the trend toward increased importance of existing competition in progressively more remote locations.

The largest number of referrals was recorded for urban LGD's and non-reserve southern communities, where the incidence of B1 refusals was also highest. The incidence of referral to alternate sources of assistance was also high in locations combining NA and reserve communities, but was not accompanied by a correspondingly high incidence of B1 refusals. Instead, a large number of undeveloped (D1) applications (27% of all NA and reserve location applications) was recorded. The row percentages for D1 applications indicated that between 23% and 37% of applications from all northern community locations were undeveloped. The relative influences of social, cultural, institutional and economic factors could not be elaborated on the basis of quantitative data.

2.22 Review: Sectoral Characteristics

Table 2.2 presents a synthesized classification of CEDF applications according to sectoral distribution. The classification scheme is based on that used by RAP,[9] but is modified to include detailed perceptions of business opportunities in the service sector. A further clarification of the classification scheme appears below Table 2.2.

Approximately 78% of all applications received were for projects in the service sector. Approximately 14% of applications involved secondary industry, and primary sector activity. Sectoral data was unrecorded for approximately 3% of applications.

The incidence of primary sector applications which were referred (C class) or undeveloped (D class) was low (3.2% of total applications), the largest numbers being in the D1 group for forestry and agriculture applications. Primary sector application refusals were limited exclusively to project (B2) and management (B3) groups, and were almost exclusively limited to forestry applications. Approximately 40% of all forestry applications (59 in total) were accepted for finance and accounted for 10.1% of total approvals, and 86% of all primary sector approvals. Other primary sector investment consisted of 2 agricultural approvals and 2 fisheries approvals (representing

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[9] Manitoba Department of Industry and Commerce, p. 5. Regional Analysis Program Southern Manitoba: Part 2: Working Paper #1: Economic Characteristics. Queen's Printer for Manitoba, Winnipeg, 1975.

TABLE 2.2 SECTORAL DISTRIBUTION OF APPLICATIONS ACCORDING TO OUTCOME OF APPLICATION

Economic Sector		Accepted						Refused														Referred			Undeveloped						Non-Loan			Total Row Frequency	Relative Row Percent
		A			A4			B1			B2			B3			B4			*B		C			*D1			*D2			E				
		Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number		Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %		
Primary:	Agriculture	2	10.0	0.8	-	-	-	-	-	-	2	10.0	1.8	1	5.0	1.9	-	-	-	-		4	20.0	3.2	10	50.0	3.2	-	-	-	1	5.0	4.4	20	1.9
	Forestry	24	40.7	10.1	2	3.4	8.3	-	-	-	6	10.2	5.5	6	10.2	11.5	-	-	-	-		3	5.1	2.4	12	20.3	3.8	-	-	-	-	-	-	59	5.7
	Fishing	2	33.3	0.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	3	50.0	0.9	-	-	-	1	16.7	4.4	6	0.6
	Trapping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	1	100.0	0.3	-	-	-	-	-	-	1	0.1
	Mining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	1	100.0	4.4	1	0.1
Secondary:	Manufacture	16	27.6	6.8	3	5.2	12.5	5	8.6	7.5	4	6.9	3.6	1	1.7	1.9	-	-	-	-		10	17.2	7.9	15	25.9	4.8	1	1.7	1.8	3	5.2	13.0	58	5.6
	Construction	31	37.4	13.1	2	2.4	8.3	4	4.8	6.0	10	12.1	9.1	2	2.4	3.9	1	1.2	4.8	-		11	13.3	8.7	19	22.9	6.0	1	1.2	1.8	2	2.4	8.7	83	8.0
Tertiary:	Transport*	14	15.6	5.9	1	1.1	4.2	5	5.6	7.5	15	16.7	13.6	3	3.3	5.8	2	2.2	9.5	-		9	10.0	7.1	36	40.0	11.4	5	5.6	9.1	-	-	-	90	8.7
	Taxi/Bus	28	34.2	11.8	3	3.7	12.5	3	3.7	4.5	11	13.4	10.0	2	2.4	3.9	2	2.4	9.5	-		10	12.2	7.9	17	20.7	5.4	6	7.3	10.9	-	-	-	82	7.9
	Trade	3	21.4	1.3	1	7.1	4.2	3	21.4	4.5	-	-	-	2	14.3	3.9	-	-	-	-		1	7.1	0.8	4	28.6	1.3	-	-	-	-	-	-	14	1.4
Public	Administration	5	62.5	2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		2	25.0	1.6	-	-	-	-	-	-	1	12.5	4.4	8	0.8
	Tourist	26	24.8	11.0	1	0.9	4.2	9	8.6	13.4	8	7.6	7.3	4	3.8	7.8	9	8.6	42.9	-		12	11.4	9.5	27	25.7	8.5	7	6.7	12.7	2	1.9	8.7	105	10.2
	Retail*	35	13.4	14.8	5	1.9	20.8	24	9.2	35.8	26	10.0	23.6	19	7.3	36.5	6	2.3	28.6	3		33	12.6	26.2	90	34.5	28.5	17	6.5	30.9	3	1.2	13.0	261	25.2
	Restaurant*	15	25.4	6.3	2	3.4	8.3	3	5.1	4.5	7	11.9	6.4	2	3.4	3.9	1	1.7	4.8	-		6	10.2	4.8	21	35.6	6.7	1	1.7	1.8	1	1.7	4.4	59	5.7
	Recreation*	10	21.3	4.2	1	2.1	4.2	4	8.5	6.0	8	17.0	7.3	2	4.3	3.9	-	-	-	-		7	14.9	5.6	12	25.5	3.8	2	4.3	3.6	1	2.1	4.4	47	4.6
	Other Tertiary	21	23.1	8.9	3	3.3	12.5	2	2.2	3.0	8	8.8	7.3	6	6.6	11.5	-	-	-	-		13	14.3	10.3	33	36.3	10.4	4	4.4	7.3	1	1.1	4.4	91	8.8
Non-Profit		5	33.3	2.1	-	-	-	2	13.3	3.0	1	6.7	0.9	-	-	-	-	-	-	-		2	13.3	1.6	1	6.7	0.3	-	-	-	4	26.7	17.4	15	1.4
Unspecified		-	-	-	-	-	-	3	8.8	4.5	4	11.8	3.6	2	5.9	3.9	-	-	-	-		3	8.8	2.4	15	44.1	4.8	5	14.7	9.1	2	5.9	8.7	34	3.3
Total Column Frequency		237			24			67			110			52			21			3		126			316			55			23			1034	
Relative Column Percent		22.9			2.3			6.5			10.6			5.0			2.0			0.3		12.2			30.5			5.4			2.2				100.0

* Transport - commodity transport

* Sub-group definitions as for Table 2.1

* Retail, Restaurant, Recreation - many small local businesses combined two of these functions in a single outlet. Where the primary function at the business was unclear, retail and recreation functions were given precedence over "coffee-shops" (eg. pool hall/coffee shop, retail/coffee shop). Where retail and pool hall were combined, retail function was assumed to take precedence.

10% and 33% respectively, of applications for those enterprises).

The few numbers of agricultural applications indicated limited perception by applicants of agricultural/horticultural potential in the north. Despite demonstrated greenhousing potential, and numberous extent semi-commercial greenhouses (notably in Cranberry Portage and Churchill), horticulture represented a nontraditional, semi-skilled occupation for which little applicant demand was indicated.

Fishing and trapping applications represented closely regulated occupations for which alternate sources of financial assistance became available approximately 2 years following commencement of CEDF operations. The low number of documented inquiries was taken to indicate both the 'common knowledge' of high profile alternative programs, and corresponding reduction in CEDF efforts to document referrals for such inquiries.

The high incidence of primary sector applications for forestry was taken to represent a combination of traditional familiarity with bush work, conspicuous and relatively secure extra-local markets (notably MANFOR and Abitibi), and manifest revenue and income potential for semi-skilled labour. The relatively high rate of acceptance for forestry applications (40.7% of forestry applications, the highest rate for all sectors), appeared to indicate compatibility between the Fund's capacity to support such applications, and applicant ability to provide necessary management and production skills.

Of the 141 applications for secondary industry, roughly 1/3 were funded. Sixteen approvals representing approximately 13% of total approvals and 37% of applications for construction projects, were disbursed. Approximately 29% of approved and undisbursed (A4) approvals were recorded for secondary industries, 3 for manufacturing projects, 2 for construction. The relatively high rate of acceptance for secondary sector projects was again interpreted as reflecting a favorable combination of local employment skills, manageable market conditions, institutional factors, and expected high rate of beneficial employment effects of secondary industry (the latter two factors discussed further in Chapter 3 in relation to joint funding and employment effects).

Forty percent of secondary sector applications were contained within referred and undeveloped classes, most within the D1 group (25.9% of all manufacturing applications, 22.9% of all construction applications). Financial referral of construction applications (C1 group and sub-groups--not presented) was evenly divided between commercial and grant sources of assistance. The numbers of financial referrals for manufacturing applications to sources of grant assistance were twice the number to commercial sources.

Refusal of secondary sector applications was largely confined to mandate (B1) and project (B2) groups, with a proportionately higher incidence of project refusals (B2) for construction applications relative to manufacturing (9% of total refusals). This suggested higher capital and operating costs, and uncertain market demand for construction projects.

The vast majority of applications concerned service sector industries (78% of total applications). Of these 808 applications, 261 (32%) were for retail outlets (1/4 of all applications). The acceptance rate for retail applications was lowest of all service sectors (13.4%) and second only to agricultural applications overall (10%). The retail refusal rate, though involving significant numbers of applications, was roughly equivalent to most other sectors (excepting the B3 class). The largest number of applications in any group was recorded for undeveloped retail applications in the D1 group (90 applications, 8% of total applications, 11% of service sector applications, 34.5% of retail applications).

Together with the number of approved but undisbursed applications (20.8% of all A4 applications, the highest percentage and number of undisbursed approvals), the high rate of undeveloped applications suggested a mismatch between CEDF's financial requirements, and applicant capacity (willingness and ability) to engage in local retail development. This interpretation was supported by the numbers of applications refused due to management characteristics (B3), where column and row percentages are compared with applications from all other sectors.

Retail outlets characterized the dichotomy between applicant aspirations and abilities, and the financial and managerial preconditions of commercial business initiation and operation. The very high level of applicant demand, coupled with the relatively low level of Fund 'supply' or approvals, illustrated the limits within which response oriented programming operated, in that;

(1) applicant perceptions of business opportunity were narrowly focused (thus confining the potential diversity of business activity which might be actually realized) and,

(2) applicant perceptions of operating preconditions did not appear to conform to actual preconditions.

The relatively high proportion of undeveloped (D1) retail applications was shared by transport, restaurant and "other service" sector applications. Relatively fewer D1 applicatons were recorded for taxi/bus, tourist and recreation sectors. With the exception of tourist applications (for which relatively high numbers of refusals corresponded to relatively low numbers of D1 applications), this pattern suggested fewer unexpected preoperating conditions, possibly reflecting more straight forward requirements for taxi/bus and recreation ventures.

The relatively high incidence of D2 applications were taken, in the cases of transport, taxi/bus and tourist sector applications, to indicate preclusive preoperating conditions (eg. licence, permit, lease). The high proportion of D2 applications in the retail sector was taken to largely represent the importance of transaction time, where detailed review of relatively complex cost, revenue and inventory factors would be expected to compound the time required to document legal security.

Application refusals in the B4 ("other") group were almost exclusively limited to service sector proposals, suggesting a more unusual set of assessment considerations than was operative for primary and secondary sector applications. Refusal for reasons of mandate (B1 group) affected only secondary and tertiary sector applications, with exceptions to a relatively uniform distribution noted in tourist and retail proposals.

Refusal of service sector applications due to project characteristics (B2 group) was extensively distributed over most activities, with marginally higher rates noted for transport and recreation proposals, and the largest number being recorded for retail applications. Further disaggregation of the B2 group (Appendix 2.3) revealed that loan size (B2C) was the dominant factor in refusal of tertiary sector applications.

The proportionately highest rate of refusal due to loan size, was recorded for taxi/bus applications. This occurrence was taken to reflect a combination of high income needs of applicants (many of whom resided in remote NA and reserve communities) as against the relatively low expected revenues and accompanying long amortization period for vehicles (a hazard in the context of poor maintenance facilities).

Refusal due to insufficient market (B2B) ranked second as the B2 group reason for refusal, with the proportionately highest occurrence in transport applications. With the exception of 1 tourist application, existing competition (B2A) affected only retail and transport applications (approximately 3% and 4% respective applications for those sectors). The distributional pattern of B2A refusals was interpreted to indicate that existing competition acts to constrain local tertiary sector activity only in highly particular circumstances (ie. that potential development is constrained less by actual opportunity than by the perception of opportunity).

The contrast in distribution of B2 refusals between primary, secondary, and tertiary applications appeared significant (Appendix 2.3). The numbers of market inadequacy refusals (B2B) were dominant in primary and secondary sector applications, particularly for manufacturing applications. This pattern was taken to indicate the importance of market development for prospective secondary sector applicants who did quality for finance under CEDF's existing mandate. Given the relatively few manufacturing applications, and the relatively high expected employment benefits of such applications (Chapter 3), marketing constraints were considered significant barriers to establishment of local manufacturing enterprises, and suitable 'targets for remedial activity' on the part of CEDF.

In contrast to primary and secondary sector project refusals, tertiary sector project refusals were proportionally and consistently higher in the loan size (B2C) sub-group. This dissimilarity was interpreted, as in the specific instance taxi/bus operations, to reflect some degree of conflict between relatively high applicant income needs, and relatively low expected net project revenues. Significant numbers of economically disadvantaged persons were not able to develop opportunities offered by CEDF programming.

2.30 Developmental Characteristics of Applications

From a developmental perspective, the type of project for which financial assistance is sought largely determines the magnitude of potential effects of lending. New projects may be assumed to contribute additional income, employment and service within a community. Similarly, expansion and physical improvement of existing projects may be expected to contribute to economic growth and diversification of service in a community. Refinancing of existing, locally-owned business may be interpreted as a maintenance function which acts to marginally offset or oppose decline in community assets. The purchase of existing business contributes to community economic development through maintenance of assets (as where existing owners seek to retire or move), through transfer of business assets to local ownership (primarily, native ownership), or through resumption of previously discontinued enterprises.

Review

Table 2.3 presents a synthesized classification of applications according to the type of project for which funding was sought. Approximately 69% of total applications were for new business ventures. Fifteen percent of all applications were designed to purchase existing businesses, 7% to expand existing business, and 6% to refinance existing businesses. The type of project for which applicants sought funding was unrecorded for 38 applications (3.7% of total applications).

TABLE 2.3 DISTRIBUTION OF APPLICATION TYPE ACCORDING TO OUTCOME OF APPLICATION

	Accepted						Refused													Referred			Undeveloped						Non-Loan				
	A			A4			B1			B2			B3			B4			*B	C			*D1			*D2			E				
Application Type	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Number	Row %	Column %	Total Row Frequency	Relative Row Percent
New	118	16.6	49.8	9	1.3	37.5	44	6.2	65.7	82	11.6	74.6	39	5.5	75.0	17	2.4	80.9	2	94	13.2	74.6	244	34.4	77.2	41	5.8	74.6	20	2.8	87.1	710	68.7
Purchase Existing	33	21.6	13.9	6	3.9	25.0	13	8.5	19.4	16	10.5	14.6	9	5.9	17.3	4	2.6	19.1	1	18	11.8	14.3	44	28.8	13.9	8	5.2	14.6	1	0.7	4.3	153	14.8
Expand Existing	38	55.1	16.0	3	4.4	12.5	5	7.3	7.5	7	10.1	6.4	1	1.5	1.9	-	-	-	-	6	8.7	4.8	7	10.1	2.2	1	1.5	1.8	1	1.5	4.3	69	6.7
Retinance Existing	43	67.2	18.2	6	9.4	25.0	2	3.1	3.0	2	3.1	1.8	1	1.6	1.9	-	-	-	-	5	7.8	3.9	5	7.8	1.6	-	-	-	-	-	-	64	6.1
Unrecorded	5	13.2	2.1	-	-	-	3	7.9	4.5	3	7.9	2.7	2	5.2	3.9	-	-	-	-	3	7.9	2.4	16	42.1	15.1	5	13.2	9.0	1	2.6	4.3	38	3.7
Total Column Frequency	237			24			67			110			52			21			3	126			316			55			23			1034	
Relative Column Percent	22.9			2.3			6.5			10.6			5.0			2.0			0.3	12.2			30.5			5.4			2.2				100

An inverse relationship existed between the proportion of each type of application, and the proportion of approvals for each type of application. Refinance and expansion applications accounted for 6% and 7% of total applications respectively. Sixty-seven percent of applications for refinance, and 55% of expansion applications were approved (accounting for 18% and 15% of total approvals). Refusal of applications for refinancing and expansion was largely confined to the project characteristics (B2) group. The highest frequency was recorded for expansion applications in the B2B (insufficient market) sub-group (See Appendix 2.4).

Significantly fewer numbers of refinance and expansion applications were undeveloped (D1 groups) in comparison to new applications. This distributional pattern, in conjunction with the patterns of approvals (A) and refusals (B) reviewed in previous sections, appeared to support the interpretation that program effectiveness in promoting "optimum economic development" was strictly limited by the numbers of applicants who were familiar with cash economy business skills. Fully 77% of undeveloped applications were for new business proposals.

The fewest numbers of application approvals were recorded for purchase of existing businesses (14% of total approvals), the largest number for new businesses (50% of total approvals, 11% of total applications). Together with the numbers of approved expansion and refinance applications, this distributional pattern was consistent with legislative directives establishing priority to new businesses, and expansion and strengthening of existing businesses (assistance to community development corporations was reviewed in Chapter 3).

The incidence of undeveloped applications in the D2 group was highest for new applications and applications designed to purchase existing businesses, again suggesting the importance of preoperating conditions and transaction time. The numbers of application refusals in the project characteristics (B2) group was significantly higher for new businesses, while the highest rate due to mandate (B1) was recorded for applications designed to purchase existing business.

With reference to Appendix 2.4, both project (B2) and management (B3) refusals were largely confined to new applications, and applications to purchase existing business. Surprisingly few B3 refusals resulted from doubtful management ability (B3C subgroup),[10] the highest numbers having been recorded for the personal financial characteristics of prospective clients (B3B and B3A subgroups). The pattern of B3 refusals suggested that a significant number of potential managers were unsuitable clients either by reason of personal debt, or an 'inadequate level of personal wealth'. The latter subgroup (together with 'loan size' (B2C) refusals) represented a fundamental conflict in CEDF's dual role as lender of last resort, and agent of commercial development for economically disadvantaged individuals.

Project refusals (B2 group) recorded the highest numbers in the loan size (B2C) subgroup for new applications, a pattern

[10]Note that a surprisingly large percentage of B3C codes were recorded as secondary reasons for refusal. See Appendix 2.0.

which was taken to reflect CEDF's 'no grants' policy (since grants would be expected to offset initial capital costs, allowing marginally profitable business ventures to be implemented). The incidence of inadequate market refusals (B2B subgroup) for new applications again pointed to the importance of market development for new projects.

2.4 Operational Characteristics of Management Problems

As both a lender of last resort, and a development agency, CEDF plays dual roles. As a lender with limited capital authority, the Fund has a primary interest in recovering loan monies. As a development agency, the Fund must be flexible enough to respond to management needs inherent in each client's unique circumstances. The degree to which CEDF is successful in balancing these dual and often conflicting roles is reflected in both the numbers of loans which are repaid, and the numbers of Fund financed projects which continue to operate. Chapter 5 deals with the latter criterion under the developmental effectiveness of lending. The following analysis explores the relationship between problem areas recorded in the file review, and the outcome of loans in which repayment problems were encountered.

An understanding of the problems confronted by commercial development programming in an underdeveloped economy, such as northern Manitoba's, requires an understanding of the functions which enterpreneurs and support agencies must perform for the successful operation of an enterprise. Kilby outlines thirteen kinds of activities which must be performed for the successful operation of an enterprise.[11] These functions may be categorized under four subgroupings.

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[11] Kilby, P. "Entrepreneurship and Economic Development." The Free Press, New York, 1971. Meier, G. M. (ed.), p. 548. Leading Issues in Economic Development. Oxford University Press, New York, 1976.

Figure 2.3 presents Kilby's framework for management functions, together with corresponding problems for which quantitative data was gathered, and brief notes on the Fund's role in each management function. Appendix 4 presents detailed explanations of the data on problems encountered and recorded during the file review.

The final four management functions in Figure 2.3 were not represented in the review. Files contained general references to the difficulty of coordinating role 10 (acquiring and overseeing assembly of the factory), particularly where more than one agency was involved in project development and operation. However, the problems posed by this function will take various forms which were not systematically identifiable from files (since CEDF is not generally directly involved in supervising construction of medium-scale projects). Applications which involve engineering functions (11 and 12) are generally referred to other sources of assistance. Innovation and diversification (13) are important functions which were not distinguished or recorded by researchers.

Kilby's framework is followed by an explanation of four factors which determine the degree to which the entrepreneur (i.e. the client) can actually perform management functions. The first factor is the scale of enterprise. Managerial functions tend to be highly specialized. In developed economies, many functions are purchased in the marketplace (eg. accounting). Small businessmen are limited in their ability to pay for specialists.

In addition, the degree of development of the

MANAGEMENT FUNCTIONS	CORRESPONDENCE WITH PROBLEMS AND CEDF SUPPORT FUNCTIONS
I. Exchange Relationships	
1) Perception of market opportunities	- has been discussed in the context of applications for pursuing business opportunities (section 2.22)
2) Gaining command over scarce resources	- has been discussed in the context of venture capital (section 2.1) and distributional constraints (section 2.20).
3) Purchasing inputs	- is a task frequently performed by the Fund on behalf of clients in initial project stages. Access to urban suppliers and procedure for security documentation (Figure 2.1) tend to reinforce Fund performance of this function.
4) Marketing of the product and responding to competition	- is represented quantitatively by the problem (1) 'Market changes'. The importance of market analysis for manufacturing projects is discussed briefly in section 3.12 and 5.2.
II. Political Administration	
5) Dealing with the public bureacracy (concessions, liscenses, taxes)	- is a function frequently performed by the Fund. Pre-approval of loans is a Fund procedure which has been implemented in certain cases to deal with the problem of pre-operating conditions in construction contract tenders. Problems posed by this function are represented quantitatively by (2) 'Institutional Rigidity'.

6) Management of human relations within the firm [and with the community]

- is represented quantitatively by three problems:
  - (3) labour turnover
  - (4) management turnover
  - (5) personal problems
  - (6) personal health
  - (7) community opposition

  All five problems are strongly influenced by institutional, social and cultural patterns as well as management's human relations skills

7) Management of customer and supplier relations

- is represented quantitatively by three problems (where the Fund is considered a supplier of capital, expertise, information and other support services):
  - (8) communication
  - (9) mistrust or objection to CEDF financial conditions
  - (10) refusal to comply with CEDF financial or management conditions

III. Management Control

8) Financial management

- is represented by the problem of (11) 'Cash flow' which is disaggregated into
  - a) accounts receivable
  - b) accounts payable

9) Production management (control by written records, supervision, coordinating input flows with orders, maintenance)	- is represented by the following problems: (12) inexperienced or untrained management (a) operation (b) accounting and record keeping (13) indeterminant management structure (14) Maintenance cost (a) overhead (b) repair of capital goods (c) replacement of capital goods. (15) labour productivity or payment structure (16) extra-Project Events or Activities
<u>Technology</u>	
10) Acquiring and overseeing assemby of the factory	- not represented quantitatively (see section 2.4)
11) Industrial engineering	
12) Upgrading process and product quality	
13) Introduction of new production techniques and products	

FIGURE 2.3

CORRESPONDENCE BETWEEN MANAGEMENT FUNCTIONS AND MANAGEMENT PROBLEMS RECORDED IN FILE REVIEW high-level manpower market (the second of the four limiting factors) is low in underdeveloped regions, and it may not be possible to secure local specialists regardless of ability to pay. The final two factors are the social characteristics which govern the amount of responsibility that hired personnel will assume, and the manager's own skill in applying specialized personnel efficiently. Each of these four factors is, to a greater or lesser degree, a primary consideration in CEDF's decision as to what management functions the Fund's consultants must initially assume on behalf of clients.

Review

Table 2.4 presents results of analysis on the relationship between management problems, and the Fund's primary operational problem of loan repayment. As would be expected (See Appendix 4), the greatest numbers of problems were recorded for defaulted approvals (190 recorded problems, 43.5% of total number). Overall, "management control functions" accounted for the largest percentage of problems (54.3% of total problems recorded). Problems with "political administration" accounted for 36.8% of total problems, and "exchange relationships", 8.9%.[1]

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[1]Note that '% approvals' is not additive. One client may experience more than one problem, or none. Percent approvals measures the numbers of problems (ie. number of clients with problems) as a percentage of total approvals (where approvals approximately represent total lending effort). Problems were not double counted where more than one application per client was approved. Percent applications therefore represents a conservative 'importance value' (181 clients, 184 projects, 237 approvals).

Table 2.4 Operational Characteristics of Management Problems

TYPE OF PROBLEM	Account Status: Repaid #Recorded	Repaid %Approvals	Defaulted # Recorded	Defaulted % Approvals	Current # Recorded	Current % Approvals	Total Number Times Recorded	Percent Total Problems Recorded	Percent Total Approvals
Relationships									
tet Changes	12	11.9	19	27.5	8	11.9	39	8.9	16.5
l Administration									
:utional Rigidity	10	9.9	3	4.3	12	17.9	25	5.8	10.5
: Turnover	2	2.0	6	8.7	1	1.5	9	2.1	3.8
:ment Turnover	8	7.9	2	2.9	8	11.9	18	4.1	7.6
ıal Problems	6	5.9	6	8.7	7	10.4	19	4.4	8.0
ıal Health	5	5.0	10	14.5	9	13.4	24	5.5	10.1
ıity Opposition	2	2.0	2	2.9	1	1.5	5	1.2	2.1
ıication	5	5.0	6	8.7	3	4.5	14	3.2	5.9
ıst of CEDF	8	7.9	7	10.1	3	4.5	18	4.1	7.6
.l of CEDF	10	9.9	17	24.6	1	1.5	28	6.4	11.8
.t Control									
'low:									
:ified			3	4.3	3	4.5	6	1.4	2.5
'ables	8	7.9	8	11.6	5	7.5	21	4.8	8.9
.es	8	7.9	11	15.9	8	11.9	27	6.1	11.4
Management:									
.ified			1	1.4			1	0.2	0.4
ion	9	8.9	18	26.1	7	10.4	34	7.8	14.3
ting	11	10.9	16	23.2	9	13.4	36	8.2	15.1
nant Management	2	2.0	7	10.1	3	4.5	12	2.8	5.1
ce Cost:									
ified					1	1.5	1	0.2	0.4
ad	2	2.0	2	2.9			4	0.9	1.7
	10	9.9	16	23.2	7	10.4	33	7.5	13.9
a	2	2.0			1	1.5	3	0.7	1.3
yment	9	8.9	15	21.7	7	10.4	31	9.1	13.1
ject Events	5	5.0	15	21.7	9	13.4	29	6.6	12.2
›er Recorded	134		190		113		437		
›tal Number	30.7		43.5		25.8			100	
:ovals	101		69		67				237

Approvals = Number Recorded / Total Approvals

The largest number of individual problems were recorded for untrained management (16.2% of Total Problems), maintenance cost (9.3% of total) and market changes (8.9% of total). Market changes affected the largest percentage of total accounts (16.5% of Percent Total Approvals Affected), and accounted for the largest number of problems in defaulted approvals (affecting 27.5% of approvals in that group).

The incidence of problems with untrained management was about equally divided between operation and accounting (affecting 14.3% and 15.1% of approvals respectively). Like market changes, the incidence of untrained management problems was substantially higher for defaulted approvals than for repaid or current accounts. Problems with maintenance cost were almost exclusively confined to repair, and were roughly equally divided between defaulted (16), and repaid and current approvals (10 and 7 respectively).

Proportionately higher numbers of problems with labour payment structure and/or productivity (eg. piecework vs. wage) were recorded for defaulted approvals (15), with roughly equal numbers of problems recorded for repaid (9) and current (7) approvals. Cash flow problems were more evenly distributed, with 22 recorded for defaulted approvals, and 15 recorded for each of repaid and current approvals.

Among recorded problems of political administration, institutional rigidity (25), personal health (24) and refusal to comply with conditions of contract (28) accounted for the proportionately highest number. The incidence of institutional problems was lowest for defaulted approvals (proportionately

1/3 the number of current, and 1/2 the number of repaid approvals). The incidence of health problems was roughly equal between defaulted and current approvals, being twice the number for repaid approvals. Refusal to comply with contract terms occurred almost exclusively in repaid and defaulted approvals, the highest proportion being recorded for defaulted approvals. The lowest overall incidence of problems was recorded for labour turnover and community opposition.

2.5 Distributional Characteristics of Management Problems

The geographic, sociological and economic characteristics of client accounts are important in determining the relative importance of different management skills required in operating northern businesses. Knowledge of the interdependence between distributional characteristics and management problems is of value in project planning and assessment.

Prominent distributional constraints to northern business development have been reviewed in section 2.2. Numerous management problems result from physical remoteness, poorly developed local infrastructure and low differentiation of local services and manpower. From the Fund's operational standpoint, simple distance from consulting staff may result in client reluctance to comply with prescribed control procedures which, from the perspective of the client's immediate environment represent unnecessary, trivial and/or annoying interferences.

Transportation and communication are costly and, in the case of winter roads, barges and air service, available intermittently. Costly delays in supply and production may result from a combination of transport and communication problems, and low differentiation of local services and suppliers. This is particularly true of mechanical supply and service.

Low differentiation of local, cash-oriented organizational skills results from a complex set of historical, institutional and cultural factors. In the face of economic constraints (financial and physical), entrepreneurial motivation and expertise are limited in remote reserve and metis communities. The few businessmen who are active in such communities may have business interests beyond the Fund financed project. Management of the project may suffer as a consequence of too little attention. In contrast, novice Indian and metis entrepreneurs who experiment with a business may suffer health, family and social problems resulting from unfamiliar stresses and cultural conflicts implicit in cash economy business ventures.

Management problems take a more specific, and to some degree, controllable form in relation to the kind of business project which is undertaken. The degree and kind of control which can actually be exercised by management are largely a function of the scale of enterprise. Medium-sized projects require greater management skill since they generally involve dependence on extra-local product markets, and "high-level" management assistance. In addition, local manpower skills and work patterns on which larger projects depend are not strictly 'controllable' and require adaptation on the part of project management as well as employees. Coordination of jointly financed medium-sized projects poses serious difficulties where complex factors such as undeveloped product markets, client inexperience, labour turnover and geographic factors are combined (as is the case with many medium-sized forestry, manufacturing, construction and tourist industry projects).

Low liquidity is a problem common to both small and medium-sized projects. Cash flow problems may result from numerous factors including machinery breakdown, slow payment of receivables, overextension or inadequate marketing of inventory, credit policy, and institutional factors discussed in section 2.6. Ability to predict potential problems is limited in inexperienced clients with the result that refinancing or change in loan terms may be required by the time consultants have identified the problem and recommended controls.

Small scale projects share many of the problems of medium-sized ventures, but their size generally precludes hiring of management expertise. To a large degree, the client must rely on his own judgement and perception of necessary management controls. CEDF efforts to forestall the "trial and error" learning process may be perceived by the client as unwarranted interference. In addition, numerous unexpected problems may arise in the form of market changes or cash flow (a good example being the proliferation of "taxis" which often follows authorization and establishment of the first taxi business in remote communities). Small businesses are ill-equipped to adapt to price and market changes.

2.51 Review: Locational Characteristics

Table 2.5 illustrates the geographic distribution of management problems which were recorded. The larger percentages of total problems (87.1%) were recorded for approvals from locations within the Northern Affairs planning region. Total percentage of recorded problems was roughly equal for Northern Affairs and reserve locations, and southern non-reserve communities (17%). Twenty-seven percent of total problems (118) were recorded for NA communities, and approximately 23% (100) for urban LGD's.

In general, the incidence of problems in "political administration" (Figure 2.3) conformed to the overall distribution of problems, with the largest number recorded for Northern Affairs communities and urban LGD's (which together recorded roughly 40% of all such problems). The problem of management turnover occurred most frequently in Northern Affairs communities, southern non-reserve locations and urban LGD's (reflecting to some degree the geographic distribution of construction, and manufacturing projects: see Table 2.6 and Appendix 8.1).

The occurrence of health problems was proportionately highest in Northern Affairs communities (approximately 17% of approvals), for which roughly twice the numbers of problems (10) were recorded in comparison to urban LGD's (4) and southern

TYPE OF PROBLEM	GEOGRAPHIC LOCATION																						
	North of Northern Affairs Boundary														South of Northern Affairs Boundary								
	Urban LGD		Non-Urban LGD		Northern Affairs and Reserve		Reserve Only		Northern Affairs Only		Unorganized Community		Non-Community		South Reserve		South Non-Reserve		Out of Province				
	# Recorded	% Approvals*	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	Total Number	Percent Total Problems Recorded	Percent Total Approvals
Exchange Relationships																							
Market Changes	12	21.8			8	15.7	1	14.3	7	11.9			1	33.3	1	9.1	9	21.4			39	8.9	16.5
Political Administration																							
Institutional Rigidity	10	18.2	2	28.6	3	5.9			1	1.7			2	66.6	2	18.2	4	9.5	1	100.0	25	5.8	10.5
Labour Turnover	1	1.8			2	3.9			2	3.4			1	33.3	1	9.1	2	4.8			9	2.1	3.8
Management Turnover	4	7.3			2	3.9			6	10.2					1	9.1	5	11.9			18	4.1	7.6
Personal Problems	6	10.9			1	2.0			6	10.2	1	100.0					5	11.9			19	4.4	8.0
Personal Health	4	7.3	3	42.9	3	5.9			10	16.9							4	9.5			24	5.5	10.1
Community Opposition	1	1.8			1	2.0			3	5.1											5	1.2	2.1
Communication	2	3.6			3	5.9	2	28.6	4	6.8			1	33.3	2	18.2					14	3.2	5.9
Mistrust of CEDF	3	5.5			4	7.8	1	14.3	6	10.2			1	33.3	1	9.1	2	4.8			18	4.1	7.6
Refusal of CEDF	7	12.7	2	28.6	6	11.8	1	14.3	7	11.9					3	27.3	2	4.8			28	6.4	11.8
Management Control																							
Cash Flow:																							
unspecified	2	3.6	1	14.3	1	2.0							1	33.3			1	2.4			6	1.4	2.5
receivables	1	1.8			1	2.0	3	42.9	9	15.3					2	18.2	5	11.9			21	4.8	8.9
payables	6	10.9	1	14.3	3	5.9			5	8.5	1	100.0			2	18.2	8	19.0	1	100.0	27	6.1	11.4
Untrained Management:																							
unspecified															1	9.1					1	0.2	0.4
operation	5	9.1	2	28.6	6	11.8			11	18.6	1	100.0	2	66.6	3	27.3	5	11.9	1	100.0	34	7.8	14.3
accounting	6	10.9	2	28.6	7	13.7			11	18.6					2	18.2	6	14.3			36	8.2	15.1
Indeterminent Management	3	5.5	1	14.3	3	5.9			2	3.4					1	9.1	2	4.8			12	2.8	5.1
Maintenance Cost:																							
unspecified									1	1.7													
overhead	1	1.8	1	14.3	1	2.0											1	2.4			4	0.9	1.7
repair	7	12.7			11	21.6	2	28.6	11	18.6							2	4.8			33	7.5	13.9
replace	1	1.8			1	2.0	1	14.3													3	0.7	1.3
Labour Payment	8	14.5			6	11.8			7	11.9			1	33.3	1	9.1	8	19.0			31	7.1	13.1
Extra-Project Events	10	18.2			5	9.8	1	14.3	9	15.3			1	33.3			2	4.8	1	100.0	29	6.6	12.2
Total Number Problems	100		15		78		12		118		3		11		23		73		4		437		
Percent Total Problems	22.9		3.4		17.8		2.8		27.0		0.7		2.5		5.3		16.7		0.9			100.0	
Number Approvals	55		7		51		7		59		1		3		11		42		1				237

* Percent Approvals = Number Recorded / Number Approvals

non-reserve locations (5). Eleven of 14 instances of communications problems were recorded for Northern Affairs and/or reserve locations. Mistrust and refusal of CEDF was widely distributed over location, and appeared lowest in locations south of Northern Affairs jurisdiction (with a proportionately higher occurence in southern reserves).

The highest number of receivables problems was recorded for Northern Affairs communities (9), with a proportionately higher number recorded for northern reserves (42.9%--together with communication and repair, the most frequently recorded problem for northern reserve locations). Seven of 21 receivables problems were recorded for southern locations, only 1 for LGD's. The occurrence of cash flow problems related to payables was greatest in urban LGD's and southern non-reserve locations. The relatively higher incidence of receivables problems for native communities (Northern Affairs and/or northern reserves) in comparison to LGD's pointed to the inherent conflict between cash-economy credit practices and kinship traditions.

Problems related to inexperienced management were distributed over most locations, with the proportionately lowest occurrence in urban LGD's and the largest numbers in Northern Affairs communities. Problems related to maintenance cost were almost exclusively limited to northern locations, with markedly higher numbers recorded for native communities (Northern Affairs and/or northern reserve locations) than for LGD's.

The highest proportional number of market problems was recorded for urban LGD's and southern non-reserve communities, with approximately 22% of approvals in each class affected. Slightly lower numbers of market problems were recorded for Northern Affairs, and Northern Affairs and reserve locations (reflecting the location of manufacturing projects). Labour payment problems followed a similar pattern, with the proportionately highest number recorded for southern non-reserve locations. The occurrence of problems related to extra-project events was greatest in northern locations, with the proportionately highest numbers for urban LGD's and Northern Affairs communities.

2.52 Review: Sectoral Characteristics

Table 2.6 illustrates the sectoral distribution of problems encountered by CEDF and its clients in their co-management of projects. Primary sector investments were almost exclusively limited to forestry projects. Approximately 42% of forestry approvals recorded problems with repair cost. Proportionately high numbers of problems with labour payment/labour turnover (roughly 1/2 the total number of such problems), and operational aspects of management were also recorded for forestry approvals.

Roughly 20% of problems related to market changes occurred in manufacturing, affecting 50% of approvals issued for manufacturing projects. Proportionately high numbers of manufacturing approvals were affected by labour payment and extra-project events. One third of all management turnover problems were recorded for construction approvals. Labour payment, communication, cash flow, and operational problems were

Table 2.6 Sectoral Characteristics of Management Problems

TYPE OF PROBLEM	ECONOMIC SECTOR																																
	Primary						Secondary				Tertiary																						
	Agriculture		Forestry		Fishery		Manufacture		Construction		Transport		Trade		Tourist		Retail		Restaurant		Recreation		Taxi/Bus		Other Service		Public Administration		Non-Profit		Total Number Recorded	Percent Total Problems Recorded	Percent Total Approvals
	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Approvals	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals	# Recorded	% Approvals			
:hange Relationship																																	
Market Changes			2	8.3			8	50.0	1	2.4	3	21.4	1	33.3	4	15.4	6	17.1	1	6.7	2	20.0	4	14.3	7	33.3					39	8.9	16.5
litical Administration																																	
Institutional Rigidity	1	50.0	1	4.2	1	50.0	1	6.3	2	4.9	1	7.1					7	20.0	7	46.7					1	4.8	1	20.0	2	40.0	25	5.8	10.5
Labour Turnover			4	16.7			1	6.3							1	3.8	1	2.9	1	6.7					1	4.8					9	2.1	3.8
Management Turnover			2	8.3			1	6.3	6	14.6	1	7.1			2	7.7	3	8.8							1	4.8	1	20.0	1	20.0	18	4.1	7.6
Personal Problems			2	8.3			2	12.5			2	14.3			2	7.7	2	5.7			4	40.0	2	7.1	3	14.3					19	4.4	8.0
Personal Health			3	12.5	1	50.0					2	14.3	1	33.3	3	11.5	5	14.3	1	6.7	2	20.0	1	3.6	5	23.8					24	5.5	10.1
Community Opposition									2	4.9									1	6.7	1	10.0			1	4.8					5	1.2	2.1
Communication							1	6.3	4	9.8	1	7.1			1	3.8	2	5.7					4	14.3	1	4.8					14	3.2	5.9
Mistrust of CEDF			1	4.2			1	6.3	1	2.4	1	7.1	1	33.3	4	15.4	5	14.3	2	13.3			1	3.6	1	4.8					18	4.1	7.6
Refusal of CEDF	1	50.0	3	12.5	1	50.0	1	6.3	1	2.4	4	28.6			3	11.5	4	11.4	3	20.0			3	10.7	4	19.0					28	6.4	11.8
nagement Control																																	
Cash Flow:																																	
unspecified							2	12.5							3	11.5											1	20.0			6	1.4	2.5
receivables			1	4.2					4	9.8	4	23.6			1	3.8	7	20.0					3	10.7	1	4.8					21	4.8	8.9
payables			3	12.5			3	18.8	4	9.8					2	7.7	7	20.0	2	13.3	2	20.0	4	14.3							27	6.1	11.4
.trained Management:																																	
unspecified							1	6.3																							1	0.2	0.4
operation			5	20.8			3	18.8	4	4.9	2	14.3			7	26.9	8	22.9	1	6.7	1	10.0	1	3.6	2	9.5					34	7.8	14.3
accounting			2	8.3			1	6.3	2	7.3	4	28.6	1	33.3	6	23.1	10	28.6	2	13.3	1	10.0	4	14.3	3	14.3					36	8.2	15.1
ideterminent Management							2	12.5	3		1	7.1			2	7.7	1	2.9	1	6.7	1	10.0					1	20.0			12	2.8	5.1
intenance Cost:																																	
unspecified											1	7.1																			1	0.2	0.4
overhead			1	4.2											1	3.8							1	3.6					1	20.0	4	0.9	1.7
repair			10	41.7			1	6.3	2	4.9	8	57.1					1	2.9	1	6.7			6	21.4	4	19.0					33	7.5	13.9
replace																							3	10.7							3	0.7	1.3
ibour Payment			5	20.8			4	25.0	5	12.2	2	14.3			4	15.4	4	11.4	2	13.3	1	10.0	1	3.6	3	14.3					31	7.1	13.1
ktra-Project Events			1	4.2			3	18.8			2	14.3			7	26.9	4	11.4	3	20.0			2	7.1	6	28.6	1	20.0			29	6.6	12.2
otal Number Recorded	2		46		3		36		41		39		4		60		77		21		15		41		44		4		4		437		
ercent Total Number	0.5		10.5		0.7		8.3		9.4		8.9		0.9		13.7		17.6		4.8		3.4		9.4		10.1		0.9		0.9			100.0	
otal Approvals	2		24		2		16		31		14		3		26		35		15		10		28		21		5		5				237

also proportionately high in the construction sector.

Transport approvals recorded the highest number of problems for repair cost, accounting, receivables, and refusal to comply with CEDF contract conditions. Inexperienced management and extra-project events were the most frequent problems encountered in tourist accounts, with fewer numbers of market changes and labour payment problems recorded.

In the service sector (retail, restaurant, recreation, taxi/bus and other service groups), problems related to political administration were proportionately greatest for institutional rigidity and health. Management control functions appeared most problematic for retail approvals. Roughly 1/3 of cash flow problems, and 1/4 of management problems were recorded for retail approvals. Taxi/bus and "other" service sector approvals experienced proportionately high numbers of problems with repair costs.

2.6 Developmental Characteristics of Management Problems

Implementation of new projects and expansion of existing projects pose problems related to timing and organization of loan disbursement, sequencing purchase and delivery of capital goods, and construction. Accurate estimates of capital costs (including unusually high construction and transport costs), and coordination of purchasing and construction activities is required to avoid the necessity of refinancing and commitment of project revenues to debt financing (rather than to personal income or project expansion and diversification).

Where new, medium-sized projects involve inter-agency agreement on cost estimates and revenue projections, delays in approval which result from sequential project review by more than one agency may effectively result in underestimation of costs (due to price changes), or may prompt impatient clients to initiate project activity imprudently. Cash flow problems and debt financing may, again, be the result.

Where the purchase of existing business is considered, local politics may pose problems in the form of rivalry between individuals or groups over ownership. The satisfactory resolution of either private or joint ownership is difficult and the project may suffer in a number of ways as a result.

Refinancing loans are generally issued in support of existing, publically funded projects, including those in which the Fund has not been involved initially. The need for refinancing may reflect poor management, cost overruns, market changes, or requirements for operating capital to fulfill seasonal contracts. Table 2.7 presents management problems according to developmental characteristics of approvals.

Review

Total problems were approximately equally divided between new and other types of approvals, with refinance accounting for approximately 20% of total problems recorded. The proportionately highest incidence of problems for new approvals were recorded for repair cost and market changes (both occurring in approximately 20% of new approvals). Extra-project events and accounting recorded the second highest able 2.7 Developmental Characteristics of Management Problems

TYPE OF PROBLEM	TYPE OF APPROVAL: New # Recorded	New % Approvals*	Purchase Existing # Recorded	Purchase Existing % Approvals	Expand Existing # Recorded	Expand Existing % Approvals	Refinance Existing # Recorded	Refinance Existing % Approvals	Unrecorded # Recorded	Unrecorded % Approvals	Total Number Recorded	Percent Total Problems Recorded	Percent Total Approvals
nge Relationships													
rket Changes	22	18.6	4	12.1	7	25.0	6	13.9			39	8.9	16.5
ical Administration													
stitutional Rigidity	12	10.2			4	14.3	8	18.6	1	20.0	25	5.8	10.5
bour Turnover	3	2.5	1	3.0	1	3.6	2	4.6	2	40.0	9	2.1	3.8
nagement Turnover	11	9.3			4	14.3	3	7.0			18	4.1	7.6
rsonal Problems	12	10.2	3	9.1	2	7.1	2	4.6			19	4.4	8.0
rsonal Health	13	11.0	5	15.2	5	17.8	1	2.3			24	5.5	10.1
mmunity Opposition	1	0.8	2	6.1			2	4.6			5	1.2	2.1
mmunication	7	5.9	1	3.0	1	3.6	5	11.6			14	3.2	5.9
strust of CEDF	9	7.6	2	6.1	4	14.3	3	7.0			18	4.1	7.6
fusal of CEDF	16	13.6	3	9.1	4	14.3	5	11.6			28	6.4	11.8
ment Control													
h Flow:													
specified	4	3.4					2	4.6			6	1.4	2.5
ceivables	7	5.9	4	12.1	1	3.6	9	20.9			21	4.8	8.9
yables	8	6.8	5	15.2	6	21.4	8	18.6			27	6.1	11.4
ined Management:													
specified	1	0.8			5	17.8					1	0.2	0.4
eration	14	11.9	9	27.3	7	25.0	6	13.9			34	7.8	14.3
counting	17	14.4	5	15.2	3	10.7	7	16.3			36	8.2	15.1
erminent Management	4	3.4	2	6.1			3	7.0			12	2.8	5.1
enance Cost:													
specified	1	0.8									1	0.2	0.4
erhead	2	1.7					2	4.6			4	0.9	1.7
pair	23	19.5	3	9.1	4	14.3	3	7.0			33	7.5	13.9
place			1	3.0			2	4.6			3	0.7	1.3
r Payment	14	11.9	4	12.1	7	25.0	4	9.3	2	40.0	31	7.1	13.1
-Project Events	17	14.4	4	12.1	5	17.8	2	4.6	1	20.0	29	6.6	12.2
Number Recorded	218		58		70		85		6		437		
t Total Number	49.9		13.3		16.0		19.4		1.4			100.0	
Approvals	118		33		28		43		5				237

rcent Approvals * = Number Recorded / Total Approvals incidence of problems for new approvals, with labour payment and inexperienced operation the third highest.

Inexperienced operation was the most frequent problem in approvals for purchase of existing business. Expansion approvals also recorded a large number of problems with untrained management, and experienced an equally high incidence of labour payment and market change problems. The proportionately highest incidence of cash flow problems occurred in refinancing of existing business. Refinance approvals recorded roughly 1/3 of institutional problems as well as proportionately high occurrences of market changes and untrained management problems.

CHAPTER 3

PROGRAM OUTPUTS: LENDING EFFORTS AND EFFECTS

This chapter addresses the study's second objective, that being to review the effects of lending efforts in terms of operational, distributional and developmental characteristics. From an operational perspective, the composition of finance and expenditure is used to indicate,

(1) the kind and quantity of CEDF financial assistance,

(2) CEDF's relationship with other agencies and financial institutions, and

(3) the kind and extent of effects which would be expected to follow from investment of loan monies

The distribution of program outputs is an important indicator of both the social goal of distributional equity, and the legislative goal of "... optimum economic development of remote and isolated communities...". The "... reasonable diversity in the location and type of economic enterprise..." required by s.11(7) of the Act (see section 1.0) is represented by the geographic location and economic sectors to which program outputs were directed, and in which primary effects (ie. projects) resulted. Since s.3 of the Act specifies that community development corporations (CDC's) are to be provided with assistance, a breakdown of program outputs according to proprietorship is presented to distinguish finance to CDC's and other community and non-profit organizations.

Ideally, an evaluation of distributional effects of lending would include quantitative data concerning project employment and income benefits. With few exceptions, quantitative data was unavailable from files. Since projected employment figures which were submitted with loan applications could not be elaborated (ie. qualified by measurement of man-hours or man-years) quantitative estimates of employment are not presented (the interested reader is referred to CEDF Annual Reports for projected employment figures).

Similarly, year end reports for funded projects did not provide consistent time series data for larger projects. Year end statements for most small tertiary sector projects were unavailable, and measurement of project revenues and profits was impossible. Information derived from the file review suggested that many projects were marginally profitable in monetary terms. Proportion of total lending effort, composition of expenditure, and number of projects according to type of enterprise, represent developmental characteristics reviewed. Chapter 5 presents continued project operation (the primary indication of effectiveness) according to location, economic sector, proprietorship and type of project.

3.1 Operational Characteristics of Finance and Expenditure

Program outputs, together with client efforts, largely determine the potential effect of CEDF programming. Socio-economic constraints combine with institutional factors to shape the kind and quantity of programs outputs. From the operational perspective of a venture capital fund with fixed assets, such as CEDF, a primary effectiveness criterion is the repayment rate for loans and guarantees. Loan/guarantee default potentially restricts future program efforts if current subsidies are discontinued and losses are written off against the Fund's capital authority.

The Fund's investment efforts are influenced by external institutional factors, such as the willingness of commercial lenders to provide management support under CEDF guarantees, and the Fund's ability to bridge grant finance. Joint ventures (those which combine CEDF finance with additional investment from the proprietor, commercial sources and/or other public agencies) are important in supporting certain types of projects, drawing extra-local capital investment to peripheral local economies, and to some degree retaining local savings through reinvestment.

Expenditure patterns for investment monies are used as indicators of both the financial needs of northern business ventures, and the potential for retaining direct benefits from expenditure within a community. Maximum local income benefits would be expected to result from purchase of production inputs which could be supplied through existing community labour force and business infrastructure.

Table 3.0 summarizes file review figures for the composition of finance and expenditure and default rate on loans and guarantees. Dollar values for defaulted loans are gross figures and exclude partial repayment of finance, and monies recovered from repossessed equity (see CEDF Annual Reports for year end accounts). Files contained reference to 2 management assistance grants issued to community development corporations' projects. Non-lending financial support efforts have been a small and irregular component of CEDF programming.

Review

For the period reviewed, 237 applications were approved, resulting in disbursement of 259 loans and guarantees (Table 3.0, footnote 2). A total of 215 loans accounted for approximately 83% of the dollar value of CEDF financial assistance. Approximately 17% of the value of disbursements was accounted by 44 loan guarantees. The current dollar value of loans and guarantees totalled over 7 million dollars, with the value of an approved application averaging approximately 30,000 dollars. Mean loan term, as measured by initial contract terms, was approximately 4 1/2 years (though numerous cases of change in initial contract terms were recorded and interpreted to indicate the need for administrative flexibility in dealing with unforeseen contingencies). Interest rates, averaged 9.4% on loans, and approximately 2% over prime on loan guarantees (usually a 2% premium on variously negotiated commercial lending rates).

Approximately 30% of loans (65 in number) were defaulted,[1] as against 40% (86) repaid and approximately 30% (64) outstanding. Mean loan size appeared only marginally lower for repaid versus defaulted loans. Mean loan term appeared significantly longer for defaulted loans indicating greater

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[1]See Appendix 5 for more complete review of "default rate".

Table 3.0 Operational Characteristics of Finance and Expenditure

Composition of Finance and Expenditure	Number	Percent Total Number	Total Dollar Value[1]	Percent Total Dollar Value	Mean Size	(Months) Mean Term	Mean Interest Rate (%)
CEDF FINANCE							
Loans: Repaid	86	40.0	1,590,178	22.1	18,490	39.4	9.2
Defaulted	65	30.2	1,302,909	18.1	20,045	63.1	8.8
Current	64	29.8	3,118,195	43.2	48,722	63.4	10.3
TOTAL	215	100.0	6,011,282	83.4	27,960	53.6	9.4
Guarantees: Repaid	23	52.3	687,800	57.6	29,904	22.2	
Defaulted	17	38.7	344,800	28.9	20,282	15.3	2% o.p.
Current	4	9.1	161,340	13.5	40,335	8.7	
TOTAL	44	100.0	1,193,940	16.6	27,135	18.5	
Total Disbursements	259	100.0	7,205,222	100.0	27,819	N/A	N/A
Total Approvals[2]	237	100.0	7,205,222	100.0	30,402	N/A	N/A
Total Approvals Unrecorded[3]	4	N/A	Not Recorded			Not Recorded	
Additional Grants[4]	2	100.0	51,000	100.0	25,500	N/A	N/A
JOINT VENTURES						N/A	N/A
Proprietor Finance	77	73.3	812,786	10.4	10,556		
Commercial Finance[5]	23	21.9	418,374	5.3	18,190		
Other Public Finance[6]	43	40.0	2,467,653	31.6	57,387		
CEDF Finance[7]	105	100.0	4,115,730	52.7	39,197		
Total Joint Ventures	105	100.0	7,814,543	100.0	74,424		
EXPENDITURES						N/A	N/A
Real Estate	54	10.8	2,212,239	31.5	40,967		
Chattels(office, misc. equip)	40	8.0	552,528	7.9	13,813		
Machinery	117	23.5	1,741,067	24.8	14,880		
Inventory	44	8.8	307,805	4.4	6,996		
Operating Capital	121	24.3	1,581,032	22.5	13,066		
Salaries	2	0.4	13,530	0.2	6,765		
Wages	10	2.0	86,980	1.2	8,698		
Preoperating[8]	103	20.6	468,824	6.6	4,552		
Training	8	1.6	61,950	0.9	7,744		
TOTAL EXPENDITURES RECORDED[9]	499	100.0	7,025,955	100.0	14,080		

[1] All figures are current dollars.

[2] 26 approved applications were disbursed with both a loan and a guarantee (i.e. 26 approvals comprised 2 disbursements = (237 - 4 unrecorded) + 26 = 259 disbersements).

[3] Researchers failed to record finance and expenditure for 4 of 237 approved applications. The 4 unrecorded approvals are not included in figures for loans, guarantees or total disbursements but are included in the numbers of approvals.

[4] 2 additional management training grants were disbursed from funds allocated to a discontinued Special Northern Native Employment Program (SNNEP).

[5] Includes only non-guaranteed investment by credit unions, chartered banks and supplier/buyers.

[6] Includes ARDA, LIP, LEAP, and FBDB, net of CEDF component (i.e. bridging). Figures record only funding which was included as a part of CEDF finance of a project.

[7] Excludes CEDF guarantees.

[8] Includes legal expenses, licencing, insurance and in several cases, liquidation of debts.

[9] Recorded finance exceeds recorded expenditure by 179,267 dollars (2.5%). The discrepancy was due largely to a failure to consistently record expenditure during the file review, and partially due to an inability to distinguish net CEDF expenditures for jointly funded projects. Subsequent percentage figures for expenditures should be taken as approximations of expenditure patterns since error was greater than the 2.5% total for smaller categories (ex. expenditures by proprietorship for cooperatives: expenditures for 1 of 3 approvals were recorded resulting in unreasonably high percentage of preoperating expenditures).

uncertainty for longer term financial proposals. Both default and repayment rates were higher for loan guarantees owing to the few guarantees classed as current (note that 4 guarantees are classed as current only because the loans with which they were issued, and therefore the 'account status' remains current). Though mean size was equivalent for loans and guarantees, mean term for guarantees was approximately 1/3 the duration (18 months) of that for loans. Thus, the importance of uncertainty would be expected to have been significantly lower for guarantees than for loans (and by inference, the default rate lower, all other things being equal).

Of 237 approved applications, 105 directly involved joint financing between CEDF and one or more of the proprietor, commercial interests, and other public agencies (Table 3.0, footnotes 5-7). Approximately 3.7 million dollars was drawn from extra-Fund sources and included as business investment. CEDF accounted for over 50% of the value of joint ventures overall, with approximately 32% of the dollar value of joint ventures drawn from other public agencies.

The largest number of extra-Fund investments were made by clients (proprietors), the fewest number by commercial interests. The number of proprietor investments was approximately 3.5 times higher (77) than the number of commercial investments (23), and contributed approximately twice the total dollar value of commercial finance on average investments 45% smaller than average commercial investments. The willingness of applicants to risk personal assets appeared far greater than that of commercial interests (where the relative value of expected gains and losses on equivalent investment would be high for proprietors, and low for commercial interests).

The overall pattern of expenditures indicated that operating capital and machinery were the most frequent investments, together accounting for nearly 50% of the dollar value of expenditures. Roughly half as many investments in real estate (land, buildings and upgrading of buildings) accounted for about one third of total expenditures. Miscellaneous equipment accounted for approximately 8% of total expenditures, and preoperating expenses approximately 7% (Note that all proprietors and their assets would be insured. Only those preoperating expenses to which finance was committed were included). The smallest components of expenditure were recorded for inventory, salaries, wages and training.

The importance and distribution of benefits from expenditures would have varied over different communities (largely as a function of local and regional structure of trade). Direct benefits from expenditures would be expected to have depended upon availability of local resources and suppliers. Approximately 1/4 of total expenditures would have resulted in earnings to larger communities in the form of machinery sales. Roughly 19% of benefits, representing expenditures for chattels, inventory and preoperating costs, would also be expected to have benefited regional supply centres.

A majority of operating capital would be expected to have been retained within remote communities given the distributional characteristics of those expenditures and expected benefits from purchase of local labour and service (Section 3.2).

A relatively smaller fraction of benefits from real estate expenditures would be expected to have been retained in remote locations, since expenditure on building materials would, in most cases, have been made in regional centres.

Income benefits from direct expenditure on salaries and wages would have been small, given the level of expenditure. Expenditures on extra-CEDF training, though significant (and potentially a very high yield investment relative to management problems and default rate reviewed in Chapter 2) would be expected to have had limited effects in terms of overall program operation.

The most important direct benefits from investment appeared to have been derived from project operation (Section 3.2), rather than income generated through expenditures. The impact of any level of investment in smaller communities would be expected to have been substantial. Though not measured, evidence of substantial indirect impacts was apparent in the succession of applications from smaller communities which often followed implementation of a local project.

3.20 Distributional Characteristics of Finance, Expenditure and Projects

The implications of CEDF investment efforts vary over the locations and economic sectors in which funded projects operated, and the degree of direct community interest in funded projects. Distribution of lending efforts and projects are direct measures of the Fund's effectiveness in meeting legislative directives. Distributional characteristics of investment composition indirectly reflect the degree to which CEDF's lending has been supported and/or influenced by the efforts of other financial and development agencies.

3.21 Review: Geographic Distribution of Finance, Expenditures and Projects

Table 3.1 presents results of analysis for program outputs and effects according to geographic location. The file review recorded 237 approved applications, resulting in disbursement of approximately 7.2 million dollars in support of 184 projects. Overall, approximately 72% of CEDF finance was invested within Northern Affairs jurisdiction. Approximately 78% of resultant projects were located within NA jurisdiction. Correspondingly smaller investments and projects were distributed over southern reserve and non-reserve communities.

The largest shares of finance and corresponding expenditure were distributed over urban LGD's (27.8%), southern non-reserve communities (24.4%) and Northern Affairs communities (20.4%). Locations combining Northern Affairs and reserve communities received approximately 15% of total CEDF finance, and established fewer projects (40) in comparison to urban LGD's (45) and Northern Affairs communities (46).

Locations consisting of northern reserve communities without adjoining Northern Affairs settlements received the lowest share of finance (0.7%, marginally less than a single disbursement to a Saskatchewan client). Southern reserve

Composition of Finance and Expenditure	North of Northern Affairs Jurisdiction						South of Northern Affairs Jurisdiction			
	Urban LGD	Non-Urban LGD	NA Community and Reserve	Reserve Only	NA Community Only	Unorganized Non-Community	Southern Reserve	Southern Non-Reserve	Out of Province	Total
FINANCES										
Number of Approvals	55	7	51	7	59	4	11	42	1	237
Number of Projects	45	4	40	5	46	4	10	29	1	184
Number of Loans	53	7	47	6	54	4	11	32	1	215
Dollar Value of Loans	1,882,340	126,035	1,030,039	48,400	1,338,332	293,395	145,359	1,088,493	58,889	6,011,282
% Total Dollar Value of Loans	31.3	2.1	17.1	0.8	22.3	4.9	2.4	18.1	1.0	100.0
Number of Guarantees	6	2	4	1	8	2	3	18	0	44
Dollar Value of Guarantees	120,100	54,000	63,500	5,000	132,500	98,640	69,000	651,200		1,193,940
% Total Dollar Value of Guarantees	10.1	4.5	5.3	0.4	11.1	8.3	5.8	54.5		100.0
Total CEDF Disbursements Recorded	59	9	51	7	62	6	14	50	1	259
Total CEDF Finance	2,002,440	180,035	1,093,539	53,400	1,470,832	392,035	214,359	1,739,693	58,889	7,205,222
% Total CEDF Finance	27.8	2.5	15.2	0.7	20.4	5.4	3.0	24.2	0.8	100.0
Number Approvals with Unrecorded Dollars[1]	1		1		2					4
Number of Joint Ventures[2]	24	2	17	4	28	4	3	22	1	105
Dollar Value of Proprietor Finance	188,495	6,800	88,689	5,340	207,101	113,502	25,500	166,207	11,152	812,786
% Total Dollar Value	23.2	0.8	10.9	0.7	25.5	14.0	3.1	20.4	1.4	100.0
Dollar Value of Commercial Finance[3]	221,500	68,950	16,500	0	80,424	5,000	20,000	6,000	0	418,374
% Total Dollar Value	52.9	16.5	4.0		19.2	1.2	4.8	1.4		100.0
Dollar Value of Other Public Finance[4]	385,300	0	167,282	39,200	467,218	473,844	199,500	702,279	33,030	2,467,653
% Total Dollar Value	15.6		6.8	1.6	18.9	19.2	8.1	28.5	1.3	100.0
Dollar Value of CEDF Finance	2,002,440	180,035	1,093,539	53,400	1,470,832	392,035	214,359	1,739,693	58,889	7,205,222
% Total Dollar Value	27.8	2.5	15.2	0.7	20.4	5.4	3.0	24.2	0.8	100.0
Total Dollar Value of Finance	2,797,735	255,785	1,366,010	97,940	2,225,575	984,381	459,359	2,614,179	103,071	10,904,035
% Total Dollar Value of Finance	25.7	2.4	12.5	0.9	20.4	9.0	4.2	24.0	0.9	100.0
EXPENDITURE										
Real Estate	39.2	47.3	4.1	3.5	20.9	53.8	29.1	32.9	81.1	31.5
Chattels (Office, etc.)	9.0	-	5.8	4.2	5.5	17.1	3.5	5.9		7.9
Machinery	18.5	27.5	52.9	52.6	28.5	8.4	10.0	26.6		24.8
Inventory	7.1	-	4.9	-	4.4	0.6	4.6	3.7	13.5	4.4
Operating Capital	13.7	18.7	24.0	28.5	33.0	10.9	43.7	24.0	5.4	22.5
Salaries	-	-	1.2	-	-	-	-	0.4	-	0.2
Wages	0.1	-	3.9	1.7	1.7	-	-	1.9	-	1.2
Pre-operating*	11.8	6.5	3.2	9.5	5.3	7.7	9.1	2.8	-	6.6
Training	0.6	-	-	-	0.7	1.5	-	1.9	-	0.9
TOTAL COLUMN PERCENT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PERCENT TORAL EXPENDITURE	27.8	2.5	15.2	0.7	20.4	5.4	3.0	24.2	0.8	100.0

*Includes legal expenses, licencing, insurance, and in several cases, liquidation of debts.

communities received a significantly larger share of finance (3.0%), resulting in twice the number of projects (10) as northern 'reserve only' locations.

Note that though urban LGD's received the largest share of finance, several projects in The Pas[1] and Thompson were initiated on reserves or by Indians, and provided marginal employment for significant numbers of reserve Indians. Crafts manufacture in The Pas, and crafts retail in Thompson, drew semi-finished materials and retail inventory from up to 7 reserve communities. Access to urban and regional markets would be expected to have largely determined the potential extent of both primary and secondary economic effects of manufacturing, and distribution of resultant products.

Southern non-reserve projects were widely distributed across the province, especially just south of Northern Affairs jurisdiction in the western Parklands and Interlake regions. Three projects in Brandon and Winnipeg represented exceptions to policy restrictions on lending to those locations. All three projects were initiated by Indians, and employed Indians. One inner city project in Winnipeg trained and employed urban native peoples; the second represented a Winnipeg based consortium of northern reserves engaged in seasonal winter road construction (incomplete records indicated 215 native employees for one construction season).

The composition of finance varied considerably over location. The distribution of loan numbers was quite consistent

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[1]The Pas included The Pas reserve and 3 outlying Metis communities (Umperville, Young's Point and Big Eddy).

with the overall distribution of total CEDF finance. In the case of guarantees, less than half were issued for locations with Northern Affairs jurisdiction. Approximately 55% of guarantees were issued south of Northern Affairs jurisdiction, reflecting both the greater availability of accessible commercial lenders,[2] and presumably, better cash management skills on the part of southern clients (who would be expected to have been functionally more remote from the economic mainstream than northern urban counterparts, but marginally less disadvantaged from the standpoint of cultural isolation and development of regional infrastructure than northern counterparts in small settlements).

The number of joint ventures was distributed over locations in a pattern similar to that for total CEDF approvals. The dollar value of proprietor finance was proportionately similar to total CEDF finance (compare % Total Dollar Value of Proprietor Finance with % Total CEDF Finance). Approximately 96% of commercial finance was invested in locations within Northern Affairs jurisdiction, approximately 70% of the total in urban and non-urban LGD's. The lack of commercial investment in geographically remote locations clearly reflected a perception of more attractive business potential in regional centres (though Northern Affairs communities appeared to have benefited substantially more from commercial investments than locations which combined Northern Affairs and reserve settle-

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[2]Note that though a guarantee might be issued through any lender to any location, physical access to concerned "management control" advice is often required to avoid cash flow and related problems.

ments).

In contrast, approximately 37% of finance from other public agencies was invested in locations south of Northern Affairs jurisdiction, with the largest total proportion (28.5%) to non-reserve southern communities. Though other public investment appeared widely distributed over location, the substantial shares to 'non-/unorganized' locations, and southern non-reserve communities, would be expected to have influenced CEDF investment where bridge financing was sought or refinancing was required and unavailable elsewhere. The conditional availability of other public finance, together with the issuing of guarantees to southern locations, suggested that assistance to disadvantaged southern clients would not necessarily divert scarce CEDF capital away from northern locations. Substantial benefits to disadvantaged clients would be expected to have been derived from investment south of the Northern Affairs planning region.

Locations combining Northern Affairs and reserve settlements received 12.5% of total investment and established 40 projects. In contrast, 4 projects in non-/unorganized community locations accounted for 9.0% of total finance (ten times the level of investment in northern reserve only locations).

In relation to joint ventures, CEDF was clearly the major investor in remote northern settlements. But on a proportional basis, CEDF financial efforts did not compensate for the lack of extra-Fund finances in locations combining Northern Affairs settlements and reserves (ie. % Total Dollar Value of Finance increases marginally or remains approximately the same as % Total CEDF finance with the addition of extra-CEDF finance. The largest exception existed for Northern Affairs and reserve locations--a 3% difference which in terms of total finance is equivalent to approximately 340,000 current dollars). This observation suggested that policy restrictions on reserve loans might well have had detrimental effects (direct or inadvertent) on adjoining Northern Affairs settlements (eg. given the approximate parity between number of projects for the three major northern locations, a disproportionately large number of smaller projects would appear to have been financed in locations combining reserves and NA communities).[3]

The pattern of expenditures varied considerably over location. Real estate, machinery and operating capital accounted for approximately 79% of all expenditures. The smallest proportions of real estate expenditures were recorded for reserve communities, and locations combining reserve and Northern Affairs settlements. Proportionately high levels of expenditure for machinery corresponded to low real estate expenditures for those locations.

The highest real estate expenditures were recorded for projects in non/unorganized locations, and projects in urban and non-urban LGD's, where machinery expenditures tended to be lower. Expenditures on operating capital were lower than the

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[3]Note that a conspicuous exception to this generality existed for Cross Lake, which accounts roughly 40% of approvals for communities classed as NA and reserve (See Appendix 3: 12 of 15 NA and reserve locations recorded approved applications; 15 of 26 NA Community locations recorded approved applications).

total percentage in urban and non-urban LGD's, and non-/ unorganized community projects. The need for operating capital appeared significantly higher than average in Northern Affairs communities, and northern and southern reserve projects.

Expenditures on machinery would appear to have contributed significantly to the stock of capital goods in remote northern communities (though the importance of that contribution would depend largely on the type of machinery and client ability to maintain it).

3.22 Review: Sectoral Distribution of Finance, Expenditure and Projects

Table 3.2 presents results of analysis on program outputs and effects according to economic sector. Approximately 9% of total CEDF finance was invested in 20 primary sector projects, over 90% of that fraction in forestry projects. Approximately 30% of finance was invested in secondary sector projects; roughly 2/3 in 13 construction projects, and 1/3 in an equal number of manufacturing projects (the higher level of construction investment reflecting, in part, seasonal loans for operating capital to fulfill winter road construction contracts).

The largest share of CEDF finance (approximately 61%) was invested in 138 tertiary sector projects, approximately 27% in 94 service sector projects (retail, restaurant, recreation, taxi/bus and other service). Retail projects comprised the largest number of projects overall (30), and claimed the third largest share of finance (approximately 14% of total

Table 3.2 Sectoral Distribution of Finance, Expenditure and Projects

Composition of Finance and Expenditures	Economic Sector: Primary: Agriculture	Forestry	Fishery	Secondary: Manufacture	Construction	Tertiary: Transport	Trade	Tourist	Retail	Restaurant	Recreation	Taxi/Bus	Other Service	Public Administration	Non-Profit	Total
FINANCE																
Number of Approvals	2	24	2	16	31	14	3	26	35	15	10	28	21	5	5	237
Number of Projects	2	16	2	13	13	13	3	19	30	13	9	24	18	5	4	184
Number of Loans	2	22	1	12	27	14	2	26	33	13	10	24	19	5	5	215
Dollar Value of Loans	11,000	564,899	2,000	374,821	1,103,205	447,600	11,100	1,476,595	956,027	196,850	212,935	200,800	209,450	116,000	128,000	6,011,282
% Total Dollar Value of Loans	0.2	9.4	0.1	6.2	18.4	7.4	0.2	24.6	15.9	3.3	3.5	3.3	3.5	1.9	2.1	100.0
Number of Guarantees	0	3	1	6	8	0	1	7	10	1	0	3	4	0	0	44
Dollar Value of Guarantees		84,500	3,400	176,900	485,260		22,000	222,940	82,000	7,500		50,700	58,800			1,193,940
% Total Dollar Value of Guarantees		7.1	0.3	14.8	40.6		1.8	18.7	6.9	0.6		4.3	4.9			100.0
Total CEDF Disbursements Recorded	2	25	2	18	35	14	3	33	43	14	10	27	23	5	5	259
Total CEDF Finance	11,000	649,399	5,400	551,721	1,588,405	447,600	33,100	1,699,535	1,038,027	204,350	212,935	251,500	268,250	116,000	128,000	7,205,222
% Total CEDF Finance	0.2	9.0	0.1	7.7	22.0	6.2	0.5	23.6	14.4	2.8	2.9	3.5	3.7	1.6	1.8	100.0
Number of Approvals with Unrecorded Dollars[1]										1		1	2			4
Number of Joint Ventures[2]	1	15	1	9	8	6	3	17	20	4	6	7	8	0	0	105
Dollar Value of Proprietor Finance	3,800	62,849	0	89,477	139,600	18,168	3,000	261,137	154,170	2,050	27,600	14,590	36,300	0	0	812,786
% Total Dollar Value	0.5	7.7		11.0	17.2	2.2	0.4	32.1	19.0	0.2	3.4	1.8	4.5			100.0
Dollar Value of Commercial Finance[3]	0	9,000	0	21,000	50,000	3,000	1,000	235,660	37,264	18,000	35,450	5,000	3,000	0	0	418,374
% Total Dollar Value		2.2		5.0	12.0	0.7	0.2	56.3	8.9	1.1	8.5	1.2	0.7			100.0
Dollar Value of Other Public Finance[4]	0	117,185	12,000	614,288	397,106	151,650	15,000	765,819	322,605	28,000	1,000	0	43,000	0	0	2,467,653
% Total Dollar Value		4.8	0.5	25.0	16.1	6.1	0.6	31.0	13.1	1.1	0		1.7			100.0
Dollar Value at CEDF Finance	11,000	649,399	5,400	551,721	1,588,405	447,600	33,100	1,699,535	1,038,027	204,350	212,935	251,500	268,250	116,000	128,000	7,205,222
% Total Dollar Value	0.2	9.0	0.1	7.6	22.0	6.2	0.5	23.6	14.4	2.8	3.0	3.5	3.7	1.6	1.8	100.0
Total Dollar Value of Finance	14,800	838,478	17,400	1,276,486	2,175,111	620,418	52,100	2,962,151	1,552,066	252.400	276,985	271,090	350,550	116,000	128,000	10,904,035
% Total Dollar Value of Finance	0.1	7.7	0.2	11.7	19.9	5.7	0.5	27.2	14.2	2.3	2.5	2.5	3.2	1.1	1.2	100.0
EXPENDITURE (percent)																
Real Estate	-	-	-	31.4	17.4	-	-	52.4	37.5	15.7	46.7	-	44.3	12.1	77.4	31.5
Chattels (office, etc.)	-	1.4	-	2.1	1.5	0.6	-	14.6	6.1	4.8	13.8	(0)	18.7	57.3	-	7.9
Machinery	14.5	71.8	96.3	14.9	19.8	81.2	-	9.4	15.5	6.2	22.4	85.8	20.9	-	-	24.8
Inventory	-	-	-	1.1	1.9	-	21.8	1.2	15.1	20.0	5.9	-	4.2	-	-	4.4
Operating Capital	85.5	15.6	-	44.6	52.6	15.0	77.3	9.0	20.1	34.1	5.1	7.0	7.2	15.3	7.0	22.5
Salaries	-	-	-	0.8	0.8	-	-	-	-	-	-	-	-	-	-	0.2
Wages	-	6.7	-	-	4.2	0.4	-	(0)	(0)	-	0.2	-	0.5	-	-	1.2
Preoperating *	-	4.0	3.7	1.7	1.3	2.8	0.9	12.1	5.4	19.2	5.9	7.2	2.3	15.3	15.6	6.6
Training	-	0.5	-	3.4	0.5	-	-	1.3	0.3	-	-	-	1.9	-	-	0.9
TOTAL COLUMN PERCENT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PERCENT TOTAL EXPENDITURE	0.2	9.0	0.1	7.7	22.0	6.2	0.5	23.6	14.4	2.8	2.9	3.5	3.7	1.6	1.8	100.0

*Includes legal expenses, licencing, insurance, and in several cases, liquidation of debts.
(0) Indicates less than 0.05%.

CEDF finance). The largest share of total finance (approximately 24%) was invested in 19 tourist projects (motels, lodges and campgrounds). The smallest shares of tertiary sector investment were distributed over 3 wholesale trade projects (0.5%), 5 public administration projects (1.6%) and 4 non-profit projects (1.8%).

The composition of jointly funded projects indicated that the highest incidence of joint funding (i.e. number of joint ventures ÷ number of projects) occurred in forestry, manufacturing, construction, tourist and retail projects. Tourist projects accounted for the largest proportion of investment from all sources, receiving approximately 56% of commercial finance, 1/3 o proprietor equity and other public finance, and 24% of total CEDF funds. This pattern was interpreted to reflect a combination of high capital costs (and native employment-both of which were underwritten to some degree by grant funding), and relatively less "disadvantaged" proprietors (some of whom contributed substantial personal equity and secured partial finance from commercial sources).

Construction projects received the second-highest proportion of total investment (approximately 20%) with substantial finance drawn from proprietors and other public agencies. The highest dollar value of investment in manufacturing projects was derived from other public agencies (25% of finance from those sources), the only projects for which the dollar value of extra-fund finance was greater than total CEDF finance (only 8% of CEDF finance). This seemed to indicate a high reliance on grant funding for manufacturing projects, and limited emphasis on manufacturing in overall CEDF programming.

Forestry and retail projects drew proportionately more CEDF finance than manufacturing (approximately 9% and 14% respectively). The value of extra-Fund finance devoted to forestry projects, was low in comparison to retail projects, particularly for finance from other public agencies.

The distribution of expenditures within each sector indicated that the highest proportionate real estate investments were made in manufacturing and tertiary sector projects. The highest proportions of real estate investment were recorded for tourist, recreation and other service sector projects (in the case of tourist projects, indicating very high cash flow requirements, given the level of finance).

The largest percentages of expenditure on machinery were recorded for forestry, fishery, transport and taxi/bus projects. Mechanical skills and/or access to local parts and service suppliers would be expected to have been critical for maintaining machinery at reasonable cost (or, in the case of seasonal road access, keeping machinery in operating condition.)[4]

Percentage expenditures for operating capital were highest in manufacturing, construction, trade and restaurant projects. Proportionately greater needs for operating capital suggested that loan financing (with its requirement for readily

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[4]See Section 2.5.

recoverable security) required considerable administrative flexibility and support in such projects.

The employment and income effects of project development appeared to vary between and within economic sectors, and were difficult to generalize. In the case of primary sector projects, most agricultural and fishery investments were distributed to single proprietor operations, and would be expected to have had little effect beyond immediate family income.

Forestry projects varied over a wide range of scale. At one extreme, small operators sought light machinery to fulfill cutting sub-contracts. Intermediate scale projects took the form of investment in heavy machinery. Operations (and in roughly 40% of projects, ownership) involved several individuals. Thus employment and income effects would be expected to have been greater and more widely distributed. Large scale forestry projects combined manufacturing processes and were included with secondary sector investment.

Secondary effects from manufacturing and construction projects would, generally be expected to have been greater than for any other class of projects. Level and quality of employment varied considerably (according to the scale and particular character of secondary projects). But, on the whole, the "value added" from production would have been relatively larger, and its distribution throughout the community relatively greater, than for either primary or tertiary sector projects.

Secondary effects in the form of linkages between projects and different project components, would have been significant for certain secondary sector investment. Small scale linkages between crafts production and marketing have been mentioned. In another case, investment in a sawmill required input of local forest resources and labour. Initial lumber output was used in a second local construction project. A less capital intensive example took the form of harvesting, preparing and marketing firewood in domestic and U. S. markets (an important local project which failed largely because of inadequate marketing).

The primary benefits of tertiary sector projects would have taken the form of service availability within the community, and income, management skills and esteem to proprietors. In general terms, the importance of tertiary sector projects was derived from combining,

(1) individual opportunities to establish self-employment, and

(2) provision of service previously unavailable within the community.

Roughly 40% of tertiary sector projects involved provision of basic services within communities (retailing, taxis, school buses and community and other transport--notably water supply, sanitation and ramp and dray services). In many instances, direct amenities from provision of services would be expected to have been accompanied by secondary local benefits in the form of reduced costs of consumer goods (particularly where retailing of basic domestic goods reduced costs of travel to market centres).

Approximately 30% of tertiary sector projects would have contributed additional local amenities. The impacts of restaurants, recreation and other services (including daycare, salon, musical band and publishing) would be expected to have been quite particular. Perhaps the most significant impacts of smaller service oriented projects were derived from family operation, where managerial experience would be expected to have contributed individual employment skills, and increased the available "stock of scarce managerial skills" in economically undeveloped communities.

The importance of investment in public administration facilities and non-profit enterprises would be expected to have been significant in terms of local benefits, but appeared limited in relation to overall distribution of finance. Some such projects appeared unsuited to loan financing from the standpoint of ability to generate revenues. The effects of trade and tourism would be expected to have been distributed more widely beyond the immediate community. The high costs of touristry projects (in relation to expenditures recorded for those projects) suggested that their "amenity value" outweighed their importance as local sources of seasonal employment.

3.23 Review: Proprietary Distribution of Finance, Expenditure and Projects

Table 3.3 summarizes the distribution of outputs and effects according to proprietorship. Approximately 65% of approved applications (155) were for finance of 122 sole proprietorships (66% of total projects), and accounted for 56% of total CEDF finance. Approvals for partnerships (33), incorporated business (6), cooperatives (3), and other

Composition of Finance and Expenditures	Proprietorship									Total
	Single	Partnership	Community Development Corporation	Community Council	Manitoba Metis Federation Local	Cooperative	Band Council	Incorporated	Other	
FINANCE										
Number of Approval	155	33	18	5	1	3	10	6	6	237
Number of Projects	122	28	11	5	1	2	6	5	4	184
Number of Loans	142	32	17	5	1	1	6	6	5	215
Dollar Value of Loans	3,486,744	789,431	857,107	85,500	45,000	15,000	334,500	284,000	114,000	6,011,282
% Total Dollar Value of Loans	58.0	13.1	14.3	1.4	0.7	0.3	5.6	4.7	1.9	100.0
Number of Guarantees	29	1	1	0	0	2	7	2	2	44
Dollar Value of Guarantees	531,640	5,000	55,000			73,200	457,000	42,000	30,100	1,193,940
% Total Dollar Value of Guarantees	44.5	0.4	4.6			6.2	38.3	3.5	2.5	100.0
Total CEDF Disbursements Recorded	171	33	18	5	1	3	13	8	7	259
Total CEDF Finance	4,018,384	794,431	912,107	85,500	45,000	88,200	791,500	326,000	144,100	7,205,222
% Total CEDF Finance	55.8	11.0	12.7	1.2	0.6	1.2	11.0	4.5	2.0	100.0
Number of Approvals with Unrecorded Dollars[1]	4									4
Number Joint Ventures[2]	73	17	4	0	0	1	3	4	3	105
Dollar Value of Proprietor Finance	432,613	54,290	114,458	0	0	0	29,300	160,125	22,000	812,786
% Total Dollar Value Proprietor Finance	53.2	6.7	14.1				3.6	19.7	2.7	100.0
Dollar Value of Commercial Finance	295,160	53,214	50,000	0	0	0	20,000	0	0	418,374
% Total Dollar Value Commercial Finance	70.6	12.7	11.9				4.8			100.0
Dollar Value of Other Public Finance	861,923	294,091	364,740	0	0	25,000	199,500	423,199	299,200	2,467,653
% Total Dollar Value Other Public Finance	34.9	11.9	14.8			1.0	8.1	17.2	12.1	100.0
Dollar Value of CEDF Finance	4,018,384	794,431	912,107	85,500	45,000	88,200	791,500	326,000	144,100	7,205,222
% Total Dollar Value of CEDF Finance	55.8	11.0	12.7	1.2	0.6	1.2	11.0	4.5	2.0	100.0
Dollar Value of Total Finance	5,608,080	1,196,026	1,441,305	85,500	45,000	113,200	1,040,300	909,324	465,300	10,904,035
% Total Dollar Value of Finance	51.4	11.0	13.2	0.8	0.4	1.1	9.5	8.3	4.3	100.0
EXPENDITURE (percent dollars)										
Real Estate	30.9	28.1	22.1	22.2	88.9	-	21.7	68.5	41.5	31.5
Chattels (office, etc.)	7.7	3.4	-	77.8	-	-	2.8	5.4	17.0	7.9
Machinery	30.4	34.8	13.9	-	-	-	26.0	2.1	9.7	24.8
Inventory	6.5	1.0	1.4	-	-	-	1.8	-	4.5	4.4
Operating Capital	14.6	27.0	56.7	-	11.1	-	41.3	10.8	16.0	22.5
Salaries	-	-	0.9	-	-	-	-	3.2	3.3	0.2
Wages	0.8	1.3	-	-	-	-	5.7	-	-	1.2
Preoperating*	8.2	3.5	4.5	-	-	100.0	0.6	3.1	8.0	6.6
Training	0.9	0.9	1.1	-	-	-	-	6.9	-	0.9
TOTAL PERCENT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PERCENT TOTAL RECORDED EXPENDITURES	55.8	11.0	12.7	1.2	0.6	1.2	11.0	4.5	2.0	100.0

*Includes legal expenses, licencing, insurance, and in serveral cases, liquidation of debts.

associations (6), accounted for approximately 20% of approved applications, 20% of projects (30), and 19% of total CEDF finance.

Community administrations and organizations received approximately 15% of approvals (34), 14% of projects (23), and 25% of total CEDF finance. Community development corporations and band councils received the largest shares of CEDF investment in community owned projects (approximately 13% and 11% respectively, of total CEDF finance). Three of 13 manufacturing projects, and 5 of 13 construction projects (most of which continue to operate; see Appendix 8.0) were community owned and operated.

The incidence of joint funding was proportionately leased or community owned projects. Ninety-eight of 105 jointly funded projects were privately owned. Investment in community owned projects was lowest for commercial finance. Investment from other public agencies was lowest in band council projects. Community development corporations received significantly more public finance (the third largest share after single proprietor and incorporated projects), and contributed the third largest share of the value of proprietor equity.

Investment in community owned projects has developed substantial employment, income and service opportunities within a number of communities. The relative merits of collective versus private ownership were considered to depend largely on the particular circumstances in which projects were developed. Tight credit policy in a community owned retail outlet has, for example, produced negative political repercussions within one community. A similar attempt by a local owner to impose tight credit in a reserve retail operation, resulted in boycotting and bankrupcy. From an economic standpoint, the most beneficial forms of ownership and management would be expected to depend on particular project characteristics.

3.3 Developmental Characteristics of Finance, Expenditure and Projects

This section reviews lending efforts in relation to the type of enterprise for which funding was sought. The level and composition investment represent relative emphasis on creation of new projects, versus support and expansion of existing projects. Composition of expenditures is used as an approximate indicator of financial needs for different types of enterprises.

Review:

Table 3.4 presents a breakdown of finance and expenditure according to the type of project financed. Approximately 64% of projects (117) were new business ventures (Note that the discrepancy between number of approvals and number of projects classed as new resulted from an error in coding computer processed data. The additional approval should be classified under refinance). New projects accounted for approximately 48% of total CEDF finance.

able 3.4 Distribution of Finance, Expenditure and Projects Over Type of Approval

Composition of Finance and Expenditure	New	Purchase Existing	Expand Existing	Refinance Existing	Number Unrecorded	Total
FINANCE						
Number of Approvals	118	33	38	43	5	237
Number of Projects	117	33	25	8	1	184
Number of Loans	110	30	29	42	4	215
Dollar Value of Loans	2,910,400	743,244	517,485	1,703,653	136,500	6,011,282
% Total Dollar Value of Loans	48.4	12.4	8.6	28.3	2.3	100.0
Number of Guarantees	18	12	8	5	1	44
Dollar Value of Guarantees	503,140	148,200	200,400	289,000	53,200	1,193,940
% Total Dollar Value of Guarantees	42.1	12.4	16.8	24.2	4.5	100.0
Total CEDF Disbursements Recorded	128	42	37	47	5	259
Total Dollar Value of CEDF Finance	3,413,540	891,444	717,885	1,992,653	189,700	7,205,222
% Total Dollar Value of CEDF Finance	47.4	12.4	10.0	27.6	2.6	100.0
Number of Approvals with Unrecorded Dollars	2	1	1			4
Number of Joint Ventures	61	16	15	11	2	105
Dollar Value of Proprietor Finance	524,321	128,780	80,495	16,690	62,500	812,786
% Total Dollar Value of Proprietor Finance	64.5	15.8	9.9	2.1	7.7	100.0
Dollar Value of Commercial Finance	318,110	77,264	17,500	5,500	0	418,374
% Total Dollar Value of Commercial Finance	76.0	18.5	4.2	1.3		100.0
Dollar Value of Other Public Finance	1,569,587	342,171	54,320	471,575	30,000	2,467,653
% Total Dollar Value of Other Public Finance	63.6	13.9	2.2	19.1	1.2	100.0
Dollar Value of CEDF Finance	3,413,540	891,444	717,885	1,992,653	189,700	7,205,222
% Total Dollar Value of CEDF Finance	47.4	12.4	10.0	27.6	2.6	100.0
Total Dollar Value of Finance	5,825,558	1,439,659	870,200	2,486,418	282,200	10,904,035
% Total Dollar Value of Finance	53.4	13.2	8.0	22.8	2.6	100.0
EXPENDITURE						
Real Estate	32.3	35.0	21.9	26.2	64.3	31.5
Chattels (office, etc.)	10.9	3.1	2.2	6.8	2.2	7.9
Machinery	30.7	17.8	36.4	9.6	11.9	24.8
Inventory	2.3	13.1	5.7	2.5	0.8	4.4
Operating Capital	15.7	23.4	26.5	41.1	13.4	22.5
Salaries	0.1	-	1.3	-	-	0.2
Wages	1.2	2.6	1.8	-	-	1.2
Preoperating*	5.5	5.0	3.7	13.0	7.4	6.6
Training	1.3	-	0.5	0.8	-	0.9
TOTAL PERCENT	100.0	100.0	100.0	100.0	100.0	100.0
PERCENT TOTAL RECORDED EXPENDITURE	47.4	12.4	10.0	27.6	2.6	100.0

*Includes legal expenses, licencing, insurance, and in several cases, liquidation of debts.

Expansion of existing projects accounted for 38 approved applications and involved 25 projects (approximately 9% of projects) in addition to expansion of newly established projects (i.e. 25 projects received initial funding for purposes of expansion. An additional 13 applications were approved for expansion of new projects). Project expansion accounted for 10% of total CEDF finance, and was considered to include upgrading of existing facilities as well as addition of new production and service.

Approximately 18% of projects (33) were purchased from existing owners, and accounted for approximately 12% of total CEDF finance. Transfer of ownership generally involved purchase of local tertiary sector projects (often previously discontinued projects) by native enterpreneurs. In several cases, local services which might otherwise have been lost through retirement or migration of former owners, were retained within the community.

Refinance accounted for approximately 28% of total CEDF investment. Eight projects which initially sought refinanceing were funded. Thirty-five applications for refinancing of new projects were approved (roughly 1/3 of which represented seasonal applications from construction projects for operating capital).

Proportionate investment from all sources was greatest for new projects, and highest for commercial finance (approximately 76%). Roughly 5 times the value of commercial finance was invested in new projects by public agencies, and 60% more by proprietors. Over 90% of refinance was invested by CEDF and other public agencies (approximately 19% of total public and 28% of total CEDF finance). Proprietor finance was roughly equal to combined investment from commercial and public sources for expansion loans. As a percentage of total finance, CEDF accounted for roughly 60% of investment for new projects, and purchase of existing projects.

CHAPTER 4

PROGRAM CHANGES

The objective of this chapter is to review and illustrate changes in CEDF programming. Structural, operational and policy changes represent qualitative inputs. Quantitative inputs are represented by the numbers and distributional characteristics of financial applications. Outputs are represented by the numbers value and distributional characteristics of approved applications. Changes in secondary program effects may be inferred from the distributional and developmental characteristics of lending efforts and projects.

4.1 Operational Changes

Introduction

Numerous changes in structure, operation and policy have occurred in the nine years under review. Figure 4.0 summarizes prominent program changes, and identifies 'operational stages' in the Fund's evaluation. Initially, the Fund reported to the Minister of Industry and commerce; subsequently to various Ministries including Mines and Tourism. Since 1979, CEDF has reported to the Minister of Northern Affairs.

In 1976, the Communities Economic Development Fund Act was amended. Prior to amendment, the Fund had been dependent on the Manitoba Development Corporation (MDC) for

Developmental Stages	Fiscal Year	Structural, Operational and Policy Characteristics
	1971-72	-administrative reorganization with rapid transition from MDC staff operations to independent staff growth and operations. MDC financial administration continued. -low initial level of lending -two officers per client; one to solicit and process applications; one to administer loans.
Initial Growth and Internal Adjustment	1972-73	-very high loan issue growth (year of maximum dollar volume) -high loan failure rate -integration of management assistance officer and loan officer functions.
	1973-74	-marginally reduced lending rate with mounting financial losses -retrenchment of Board of Directors and absence of chairman for 6 months -reduced lending to reserves.
Structural and Operational Reorganization	1974-75	-many fewer loans with substantially reduced total disbursement (fewer large loans). -new Board Chairman appointed. -emerging emphasis on local business development and management training.
Renewed Activity Emphasis on Local Business Development	1975-76	-reduced losses sought through emphasis on existing accounts and approving smaller loans -introduction of investment guidelines and clarification of provincial industrial development targets (including local cottage industries) -Canada/Manitoba Northlands underwrites 20% manpower investment in managerial training.
	1976-77	-second period at cautious growth (twice the dollar volume of previous year). -emphasis on financial viability of applications. -substantially increased lending to CDC's.
Suspension of Non-Government/ Non-Grant Supported Lending	1977-78	-restriction on lending activity to other than ARDA approvals and government contracts -largest expenditure on managerial training
Renewed Activity with Reduced Discretionary Authority	1978-79	-restriction on lending lifted with jurisdictional agenda remaining in effect (ie. no loans to Status Indians on reserve). -little change in number of loans.
	1979-80	-internal policy review and search for program innovations and adjustments -continued emphasis on local business development with planned fund for on-site managerial training (since discontinued). -cabinet response to policy proposals and issue of formal investment guidelines. Project efforts limited to locations north of Northern Affairs boundary (see Appendix 8).

FIGURE 4.0 SUMMARY OF PROMINENT CHANGES IN CEDF STRUCTURE, OPERATION AND POLICY

financial accounting and disbursement of approved financial assistance. Legislative amendment provided operational autonomy from MDC, as well as easing the conditions on which community development corporations could receive loans, and limiting the Fund's source of loan capital exclusively to the province's Consolidated Fund. Independence from MDC resulted in implementation of monitoring and control procedures which appear, on the basis of files reviewed, to have reduced disbursement problems related to transaction time.

Legislative amendments did not alter fundamental program goals, but increased operational emphasis on management capability was evident prior to legislative amendment. Incremental changes resulted from a systematic effort to reduce financial losses. The most prominent explicit policy changes have been suspension of reserve loans to Treaty Indians, and temporary suspension of CEDF lending efforts. The issue of reserve loans to Treaty Indians is discussed in section 4.1.

In September, 1980, explicit policy guidelines were issued by the Province (Appendix 5). Policy guidelines introduced two amendments to CEDF discretionary authority. First, financial assistance was restricted to locations within the geographic jurisdiction of the Department of Northern Affairs (See Appendix A, Figure A.1). Prior to September, 1980, policy had allowed a discretionary and functional definition of "remote" locations. The second amendment eliminates the Fund's authority to issue management training grants. As CEDF's capital authority has never included funds specifically allocated for the purpose of grant assistance, this amendment acts more to restrict discretion over policy variance and future program efforts, than to alter standard practice. A final policy change involves reintroduction of loan guarantees.

Review

Table 4.0 presents results of analysis changes in the characteristics of applications and finance for the 9 1/2 year period ending in July, 1980. The approval rates for applications (% Total Applications Approved) generally correspond to the value of disbursements (Total Dollars Disbursed), with the lowest rates recorded for 1973, 1974 and 1978. Lower approval rates and levels of finance for those years reflected the administrative and policy events recorded in Figure 4.0.

Rate of application dropped sharply between 1974 and 1976, and has continued to decline since 1976. Reduced rate of application was interpreted to reflect a combination of level of advertising, level of referral from community organizations and programs, and diffusion of a reputation for repossessing defaulted security. Field interviews indicated that several former clients thought CEDF programming had been terminated, and that knowledge of the Fund's objectives was generally quite low. The possible influence of price inflation on application rate, was unknown.

The highest number of defaulted approvals were issued

Table 4.0 Changes in Operational Characteristics of Applications and Approvals

Year of Application	Number of Applications	Number Applications Approved	Percent Total Applications Approved	Number Approvals Repaid	Number Approvals Defaulted	Number Approvals Current	Number[1] Approvals for which Dollars Unrecorded	Total Number Disbursements	Number Guarantees	Total Dollars Guaranteed	Number Loans	Total Dollars Loaned	Mean Loan[2] Term (months)	Mean[3] Interest Rate (%)	Total Dollars Disbursed	Mean Dollar[4] Size of Approval
1971	20	4	1.7	2	2	0	0	4	0	0	4	118,900	42.5	8.7	118,900	29,725
1972	215	70	29.5	32	31	7	0	82	21	366,100	61	1,092,450	66.4	8.0	1,458,550	20,836
1973	188	38	16.0	24	12	2	0	47	15	640,200	32	748,960	59.3	9.1	1,389,160	36,557
1974	173	9	3.8	6	2	1	0	10	2	96,640	8	181,370	82.9	12.3	278,010	30,890
1975	91	14	5.9	9	4	1	0	18	5	86,000	13	288,400	51.5	11.1	374,400	26,743
1976	116	28	11.8	10	9	9	2	26	0	0	26	571,755	42.3	10.0	571,755	21,991
1977	85	29	12.3	11	6	12	1	28	1	5,000	27	624,217	39.5	8.8	629,217	22,472
1978	47	12	5.1	3	3	6	1	11	0	0	11	395,303	40.5	9.4	395,303	35,936
1979	72	20	8.4	4	0	16	0	20	0	0	20	1,064,455	41.7	10.9	1,064,455	53,223
1980[5]	21	13	5.5	0	0	13	0	13	0	0	13	925,472	49.5	12.8	925,472	71,190
Total	1034[6]	237	100.0	101	69	67	4	259	44	1,193,940	215	6,011,282	53.8	9.5	7,205,222	30,402

(1) The value of 4 approved applications was not recorded by researchers during the file review. These approvals were not counted in the total numbers of disbursements, numbers of guarantees, or numbers of loans.

(2) Excludes 19 observations for which loan term was unrecorded (including 4 approvals in (1)).

(3) Excludes 8 observations for which interest rate was unrecorded (including 4 approvals in (1)).

(4) $\text{Mean Dollar Size of Approval} = \dfrac{\text{Total Dollars Disbursed}}{\text{Number of Approvals} - \text{Number of Approvals for which Dollars Unrecorded}}$

(5) 1980 = July 31, 1980

(6) Includes 6 applications for which date was unrecorded.

in 1972 and 1973. Though changes in default rate could not be measured using available data,[1] the high number of defaulted approvals for initial years of operation appeared to have influenced subsequent programming. Changes in distribution of outputs were reviewed in the following sections of this chapter. From an operational standpoint, the most significant effect of losses from initial operation appeared to have been reduction in the number and value of guarantees, and until 1979, the value of total disbursements.

A trend toward reduced average loan term appeared between 1972 and 1978 (excepting 1974), with slight increases in mean loan term since 1978. This trend might have reflected an effort to increase control of accounts by reducing the uncertainty inherent in longer term loans. Interest rates have fluctuated over the 9 1/2 years studied. Since 1973, years recording slightly higher average interest rates appeared to correspond with longer average loan term (possibly reflecting the common practice of adding a "risk premium" to the "opportunity cost" of capital).

The average value of an approved application has fluctuated, but appeared (with the exception of 1972) to have corresponded to some degree with mean loan term (both of which would be expected to increase where a significant proportion of current accounts consists of larger scale projects).

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[1]Dates of initial application, approval or subsequent applications, and termination of formal contact were recorded. Date of loan default was not defined and recorded.

Fluctuation in the average value of approvals might then be interpreted to reflect a combination of scale of projects funded, and for recent years, general price inflation (see Appendix 6).

4.2 Distributional Changes

Though the influences of changes in program input are not precisely defined by qualitative data presented in section 4.1, changes in program efforts and effects can be illustrated. This section explores changes in the pattern of lending according to geographic, sectoral and proprietary characteristics of loans.

In the period of initial operation, the Fund was actively involved in bridging ARDA grants, and issuing loans to Treaty Indians. There has been a shift away from loans to Indians living on reserves, recently under explicit policy restriction, and prior to that due to the problems of controlling reserve projects and collecting on defaulted loans. The Fund's willingness to participate in Indian business development was thwarted by inability to secure support for reserve loans from the Department of Indian Affairs and Northern Development, and its CEDF equivalent, the Indian Economic Development Fund (IEDF). Lack of support existed, as it still does, in the form of federal legislation which effectively prohibits collection of security which is located on reserve land. A lack of security is the major barrier to an Indian entrepreneur's aquisition of investment capital[2] (since both real and personal property stationed on reserve land can be repossessed only through local councils). The IEDF will secure designated lenders but CEDF had not been included in this arrangement.

In addition to the relative risk factors involved in different kinds of loans, the relative costs of different kinds of projects have changed over time. Until recently, variations in interest rates have not been a substantial factor due to the Fund's standard interest rate policy (usually 2% above the long term government borrowing rate). The impact of current high rates of interest would be expected to influence level of application, and the Fund's financial appraisals in the future.

Price inflation would be expected to be a significant factor throughout the nine years under study, particularly where northern prices rise at a faster rate than relatively fixed incomes. Appendix 6 presents price indices for consumer goods, and commonly purchased types of industrial machinery. Price inflation might influence the kinds of projects which are commercially viable in the future. This danger is suggested by the relatively higher price inflation for construction machinery.

Given the approximate doubling of general prices since 1971, the fixed level of the Fund's capital authoirty would be

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[2]Kennedy, E., p. 1. Indian Business Development--The Problems. Unpublished document, August, 1980.

expected to present a constraint on the future level of lending. Given the constraints implicit in many applications, loan support manpower, rather than capital, will likely determine the upper limit of lending in the short term.

Reduced lending to community owned reserve enterprises would be expected to be reflected in the proprietary distribution of loans and projects. The Fund has played an important role in supporting community enterprises and development corporations, with notable examples in Cross Lake, Churchill, Ilford, South Indian Lake and several southern reserves. The complex organizational and managerial functions required by such efforts have often been compounded by institutional factors resulting from involvement of numerous public agencies.

Legislative amendment in 1976 altered terms under which community development corporations (CDC's) could borrow. Changes in distribution of finance to CDC's would be expected to correspond to changes in the Act (and consequent increase in CEDF ability to provide and control ongoing support to community enterprises through CDC management structures).

4.21 Review: Locational Changes

Increased emphasis on management development, periods of reduced lending, and a shift away from reserve loans would be expected to have discernable effects on the geographic distribution of lending efforts. Table 4.1 presents results of analysis on changes in lending efforts, including application and approval rates, and distribution of finance and resultant projects.

Table 4.1 Geographic Distribution of Program Efforts Over Time

Geographic Location	1971 # Applications	1971 # Approvals	1971 % Applications (2)	1971 % Dollars (3)	1971 # Projects	1972 # Applications	1972 # Approvals	1972 % Applications (2)	1972 % Dollars (3)	1972 # Projects	1973 # Applications	1973 # Approvals	1973 % Applications (2)	1973 % Dollars (3)	1973 # Projects	1974 # Applications	1974 # Approvals	1974 % Applications (2)	1974 % Dollars (3)	1974 # Projects
North of Northern Affairs																				
Urban LGD	5					58	19	8.8	4.7	18	62	10	5.3	4.1	9	45				
Non-Urban LGD	2	1	5.0	0.1	1	10	2	0.9	0.1	2	5	2	1.1	1.0		7				
Northern Affairs and Reserve	1	1	5.0	(0)	1	33	13	6.1	1.9	12	20	2	1.1	0.2	2	24	3	1.7	0.5	3
Reserve Only	1					11	2	0.9	0.1	2	6	3	1.5	0.4	1	8				
Northern Affairs Only	5	2	10.0	1.6	2	47	13	6.1	5.2	13	46	10	5.3	2.7	8	48	2	1.2	0.2	2
Non-Community	1					6					3					4	1	0.6	2.8	1
Unorganized Community						1	1	0.5	0.4	1	2									
South of Northern Affairs																				
Reserve						20	9	4.1	2.9	9	6	1	0.5	(0)		6				
Non-Reserve	4					27	11	5.1	4.9	11	37	10	5.3	10.9	5	31	3	1.7	0.4	
Out of Province	1																			
Unrecorded						2					1									
Total	20	4	20.0	1.7	4	215	70	32.5	20.2	68	188	38	20.1	19.3	25	173	9	5.2	3.9	6
Total % (5)	1.9	1.7	0.4	1.7	2.2	20.8	29.5	6.8	20.2	36.9	18.2	16.0	3.6	19.3	13.5	16.7	3.8	0.9	3.9	3.3

Geographic Location	1975 # Applications	1975 # Approvals	1975 % Applications (2)	1975 % Dollars (3)	1975 # Projects	1976 # Applications	1976 # Approvals	1976 # Applications	1976 % Dollars	1976 # Projects	1977 # Applications	1977 # Approvals	1977 % Applications (2)	1977 % Dollars (3)	1977 # Projects	1978 # Applications	1978 # Approvals	1978 % Applications (2)	1978 % Dollars (3)	1978 # Projects
North of Northern Affairs																				
Urban LGD	15	3	3.3	0.9	3	20	5	4.3	1.2	4	20	6*	7.1	1.0	3	10				
Non-Urban LGD	4	1	1.1	0.7		2					1									
Northern Affairs and Reserve	16	3	3.3	1.5	3	37	8*	6.9	1.5	6	21	11	13.0	4.0	7	12	5	10.6	1.5	3
Reserve Only	4					10	1	0.9	0.1	1	5									
Northern Affairs Only	22	4	4.4	0.9	1	25	10*	8.5	3.8	8	18	8	9.4	1.7	6	8	3*	6.4	1.2	3
Non-Community	2					1	1	0.9	1.0	1	2					2	1	2.1	1.2	1
Unorganized Community	2																			
South of Northern Affairs																				
Reserve	3					1	1	0.9	0.1	1	1					2				
Non-Reserve	23	3	3.3	1.2	2	20	2	1.7	0.2	2	16	4	4.7	2.0	4	12	2	4.3	0.8	2
Out of Province																				
Unrecorded											1					1	1	2.1	0.8	1
Total	91	14	15.4	5.2	9	116	28	24.1	7.9	23	85	29	34.2	8.7	20	47	12	25.5	5.5	10
Total % (5)	8.8	5.9	1.3	5.2	4.9	11.2	11.8	2.7	7.9	12.5	8.2	12.3	2.8	8.7	10.9	4.5	5.1	1.2	5.5	5.4

Geographic Location	1979 # Applications	1979 # Approvals	1979 % Applications (2)	1979 % Dollars (3)	1979 # Projects	1980 # Applications	1980 # Approvals	1980 % Applications (2)	1980 % Dollars (3)	1980 # Projects	Total # Applications	Total # Approvals	Total % Applications (2)	Total % Dollars (3)	Total # Projects
North of Northern Affairs															
Urban LGD	24	5	6.9	5.1		9	7	33.3	10.8	4	269	55	5.3	27.8	45
Non-Urban LGD	1	1	1.5	0.6	1						32	7	0.7	2.5	4
Northern Affairs and Reserve	13	4	5.6	3.1	2	3	1	4.8	1.0	1	181	51	4.9	15.2	40
Reserve Only	2					1	1	4.2	0.1	1	48	7	0.7	0.7	5
Northern Affairs Only	14	5	6.9	2.7	3	2	2	9.5	0.4		235	59	5.7	20.4	46
Non-Community											21	3	0.3	5.0	3
Unorganized Community	1					1					7	1	0.1	0.4	1
South of Northern Affairs															
Reserve						1					41	11	1.1	3.0	10
Non-Reserve	16	5	6.9	3.3.	3	4	2	9.5	0.5		192	42	4.0	24.2	29
Out of Province											2	1	0.1	0.8	1
Unrecorded	1										6				
Total	72	20	27.8	14.8	13	21	13	61.9	12.8	6	1034 (4)	237	22.9	100.0	184
Total % (5)	7.0	8.4	1.9	14.8	7.1	2.0	5.5	1.3	12.8	3.3	100	100	22.9	100.0	100,0

(1) 1980 = July 31, 1980

(2) % Applications = # approvals disbersed / total #applications/year

(3) % Disbersements = current Dollar Value Disbersed in Year / Total current Dollar value at CEDF Finance (Loans, Guarantees, Grants)

(4) 6 applications w. no date

1 - no location　　1- south reserve
1 - Urban LGD　　2- south non-reserve
1 - Northern Affairs and Reserve

(5) for % applications,

Total % = # approvals in year / total # of applications for all years

* Indicates 1 approval for which dollar value of disbersement was unrecorded

(0) Indicates less than 0.05%

The broadest geographic distribution of lending effort occurred in 1972, corresponding to the highest volume of finance (% Disbursements--approximately 20%), greatest overall approval rate (Total % for # Approvals--approximately 30%), and second largest annual approval rate (Total for % Applications--approximately 32%). Sixty-eight projects resulted from finance issued in 1972, accounting for approximately 37% of total projects established.

Annual approval rate dropped by roughly 1/3 in 1973, with the result that approximately 1/2 the previous year's number of applications were approved (38), and less than 1/2 the number of projects (25) were established. The value of disbursements made in 1973 dropped slightly (from 20.2% of total finance in 1973, to 19.3% in 1973). The largest drop in annual approval rate was recorded for locations combining Northern Affairs and reserved communities (ie. % Applications dropped from 6.1% in 1972 to 1.1% in 1973). In terms of total value of disbursements, the largest decrease occurred for Northern Affairs communities. Though approval rate was equal for urban LGD's, Northern Affairs communities and southern non-reserve communities (5.3%), the combined value of CEDF disbursements to urban LDG's and Northern Affairs locations was roughly 30% less than the value of disbursements to southern non-reserve locations.

With three exceptions, the only loans to reserve locations were issued in 1972 and 1973. Eleven applications for reserve projects were approved in 1972, nine of which were distributed over southern reserves. Two loans to northern reserve projects were refinanced in 1973, and an additional project funded. With the exception of 1976, the rate of application from reserve locations dropped steadily after 1974, presumably reflecting widespread knowledge of policy restrictions on reserve loans.

In 1974, the lowest annual approval rate was recorded (5.2% of applications for that year), with no program efforts directed to reserves or LGD's. In general, annual approval rates increased from 1975 on, with the highest rate recorded in 1977 (34.2%). Since 1975, annual approval rate (% Applications) for urban LGD's, Northern Affairs communities, and Northern Affairs and reserve locations have been quite similar. Approval rates for southern non-reserve locations were lower, during the same time period. Excepting incomplete records for 1980, the value of disbursements made since 1975 has fairly consistently been greatest in Northern Affairs and Northern Affairs and reserve locations. Relatively less finance and significantly fewer projects were distributed over urban LGD's and southern non-reserve communities.

Temporary suspension of lending in 1978 appeared to have reduced annual approval rates and value of disbursements. The number of applications was reduced by roughly 1/2 the 1977 level in all northern locations excepting unorganized settlements. Rate of application recovered more slowly in Northern Affairs and Northern Affairs and reserve locations than in urban LGD's and southern non-reserve locations following rescindment of the lending freeze. The greatest immediate impact of temporary lending restrictions appeared to have been on urban LGD's, where only 10 applications were submitted in 1978 and none approved.

4.22 Review: Sectoral Changes

The analysis of changes in sectoral distribution of finance and projects is presented in Table 4.2. The widest sectoral distribution of lending efforts occured in 1972, with the highest application and approval rates, and value of finance having been recorded for retail projects. With 1 exception, all investment in public administration and non-profit projects occured in 1972.

With the exceptions of transport and taxi/bus sectors, rate of application in 1973 was roughly equivalent to the 1972 level. Annual approval rate dropped sharply for retail applications, presumably reflecting the difficulty of managing 15 retail projects established the previous year. The largest share of finance in 1973 (7.6% of total finance) was devoted to refinance of 3 construction projects and establishment of 2 others.

Reduced lending in 1974 resulted in low annual approval rates in all sectors, and smaller shares of total finance for all sectors except restaurant and touristry (tourist projects were the only enterprises to receive finance over all years of operation). Annual approval rate tripled in 1975 and the value of total finance increased by 1/3. The largest proportion and value of finance was accounted for by refinance of construction and tourist projects, and investment in 2 new

Table 4.2 Sectoral Distribution of Program Efforts Over Time

ECONOMIC SECTOR	1971 # Applications	1971 # Approvals	1971 % Applications	1971 % Disbersements	1971 # Projects	1972 # Applications	1972 # Approvals	1972 % Applications	1972 % Disbersements	1972 # Projects	1973 # Applications	1973 # Approvals	1973 % Applications	1973 % Disbersements	1973 # Projects	1974 # Applications	1974 # Approvals	1974 % Applications	1974 % Disbersements	1974 # Projects
Primary																				
Agriculture						6	1	(0)	0.1	1	3					6				
Forestry						4	1	(0)	0.6	1	10	6	3.2	1.9	4	7				
Fishery						4	2	0.9	0.1	1	1									
Other Primary						1														
Secondary																				
Manufacturing	3					7	4	1.9	1.8	4	10	3	1.6	2.0	2	9	1	0.6	0.1	
Construction	1					12	4	1.9	2.6	3	12	5	2.7	7.6	2	13	1	0.6	0.2	1
Tertiary																				
Transport	3	2	10.0	1.6	2	8	1	0.5	0.3	1	23	3	1.6	1.6	3	16				
Trade						4	1	0.5	0.3	1	1					2				
Tourist	3	1	5.0	0.1	1	22	6	2.8	1.5	6										
Service:																				
Retail	4					61	15	6.9	6.2	15	60	4	2.1	0.6	2	41				
Restaurant	1					11	4	1.9	0.4	4	6	1	0.5	(0)	1	11	1	0.6	0.2	1
Recreation	1	1	5.0	(0)	1	12	5	2.3	1.8	5	2					11				
Taxi/Bus						25	9	4.2	1.1	9	15	8	4.2	0.9	6	13	3	1.7	0.3	3
Other	2					16	8	3.7	0.7	8	16	4	2.1	2:1	3	18	1	0.6	0.2	
Public Administration						5	4	1.9	0.9	4						1				
Non-Profit	1					6	5	2.3	1.8	4	3					1				
Unrecorded	1					11					5					4				
Total	20	4	20.0	1.7	4	215	70	32.5	20.2	68	188	38	20.1	19.3	25	173	9	5.2	3.9	6
Total%(5)	1.9	1.7	0.4	1.7	2.3	20.8	29.5	6.8	20.2	16.9	18.2	16.0	3.6	19.3	13.5	16.7	3.8	0.9	3.9	3.3

ECONOMIC SECTOR	1975 # Applications	1975 # Approvals	1975 % Applications	1975 % Disbersements	1975 # Projects	1976 # Applications	1976 # Approvals	1976 % Applications	1976 % Disbersements	1976 # Projects	1977 # Applications	1977 # Approvals	1977 % Applications	1977 % Disbersements	1977 # Projects	1978 # Applications	1978 # Approvals	1978 % Applications	1978 % Disbersements	1978 # Projects
Primary																				
Agriculture	2					1	1	0.8	0.1	1						1				
Forestry	7	2	2.2	1.2	2	10	6	5.2	2.1	4	6	3	3.5	0.3	1	4				
Fishery																				
Other Primary											1									
Secondary																				
Manufacturing	4	1	1.1	0.2	1	8					5	2	2.4	0.3	2	4	1	2.1	1.0	1
Construction	7	4	4.4	1.7	1	10	2	1.7	0.5	1	7	5	5.9	3.4	2	9	5	10.7	2.1	3
Tertiary																				
Transport	5					19	3	2.6	0.8	3	7	4	4.7	1.0	3					
Trade	1					2	1	0.9	0.1	1	3	1	1.1	0.1	1					
Tourist	9	1	1.1	0.7		10	4	3.5	2.3	4	7	2	2.4	0.5	1	8	2	4.3	1.4	2
Service:																				
Retail	21					21	3	2.6	1.1	2	19	5	5.9	2.3	5	10	1	2.1	0.8	1
Restaurant	8	2	2.2	0.2	2	7	2*	1.7	0.1	1	4	2	2.4	0.4	1	5	1	2.1	0.1	1
Recreation	2					8	1	0.8	0.3	1	3	1	1.1	(0)	1	1				
Taxi/Bus	9	1	1.1	0.1		9	2	1.7	0.3	2	5	2	2.4	0.4	2	2	1*	2.1	*	1
Other	10	2	2.2	0.4	2	8	3*	2.6	0.2	3	11	2*	2.4	(0)	1	3	1	2.1	0.1	1
Public Administration	1	1	1.1	0.7	1	1														
Non-Profit	1					1					1									
Unrecorded	4					1					6									
Total	91	14	15.4	5.2	8	116	28	24.1	7.9	23	85	29	34.2	8.7	20	47	12	25.5	5.5	10
Total%(5)	8.8	5.9	1.3	5.2	4.9	11.2	11.8	2.7	7.9	12.3	8.2	12.5	2.8	8.7	10.9	4.5	5.1	1.2	5.5	5.4

ECONOMIC SECTOR	1979 # Applications	1979 # Approvals	1979 % Applications	1979 % Disbersements	1979 # Projects	1980* # Applications	1980* # Approvals	1980* % Applications	1980* % Disbersements	1980* # Projects	Total # Applications	Total # Approvals	Total % Applications	Total % Disbersements	Total # Projects
Primary															
Agriculture											20	2	0.2	0.2	2
Forestry	7	3	4.2	1.5	3	4	3	14.3	1.4	1	59	24	2.3	9.0	16
Fishery	1										6	2	0.2	0.1	2
Other Primary											2				
Secondary															
Manufacturing	7	3	4.2	1.9	3	1	1	4.8	0.4		5	16	1.5	7.7	13
Construction	10	5	6.9	3.9		2					83	31	3.0	22.0	13
Tertiary															
Transport	6	1	1.4	0.9	1	2					90	14	1.4	6.2	13
Trade	1										14	3	0.3	0.5	3
Tourist	2	1	1.4	3.4	1	4	3	14.3	8.2	1	105	26	2.5	23.6	619
Service:															
Retail	18	3	4.2	1.4	2	4	4	18.9	2.0	3	261	35	3.4	14.4	30
Restaurant	3	1	1.4	0.8	1	2	1	4.8	0.6	1	59	15	1.4	2.8	13
Recreation	6	1	1.4	0.6	1	1	1	4.8	0.2		47	10	1.0	2.9	9
Taxi/Bus	4	2	2.7	0.4	1						82	28	2.7	35	24
Other	6										91	21	2.0	3.7	18
Public Administration											8	5	0.5	1.6	5
Non-Profit											15	5	0.5	1.8	4
Unrecorded	1					1					34				
Total	72	20	27.8	14.8	13	1	13	61.9	12.8	6	1034(4)	237	22.9	100.0	184
Total%(5)	7.0	8.4	1.9	14.8	7.1	2.0	5.5	1.3	12.8	3.3	100.0	100.0	22.9	100.0	100.0

1980 + July 31, 1980

2 % Applications = *approvals dispersed / total #applications/yr.

3 - % Dispersements = Current Dollar Value Dispersed in Year / Total Current Dollar Value of CEDF Finance (Loans, Guarantees, Grants)

4 - Includes 6 applications with no date

5 - For % Applications = *approvals disbersed in year / total # applications for all years

(0) - Indicates less than 0.05 percent

* - Indicates 1 approval for which dollar value was unrecorded.

forestry projects.

Greater diversity of investment was recorded for 1976 with the addition of projects in agriculture, forestry, manufacture, transport, trade, retail and recreation. Fewer numbers of applicatons in 1977 resulted in roughly equal numbers of approvals and projects. Between 1974 and 1978, total approval rate doubled (from 5.9% in 1975 to 12.3% in 1977), number of projects funded increased by 2 1/2 times (from 8 to 20) and total finance increased approximately 70% (from 5.2% to 8.7% of total finance).

Reduced lending in 1978 resulted in the same number of projects in 1975, and approximately 1/2 the number of applications. Roughly equal numbers of approvals and value of total finance were recorded in both years. Increased lending in 1979 corresponded to wider distribution of finance. The number of applications and approvals increased by approximately 50% and 70% respectively over 1978 levels. The total value of finance increase approximately 2 1/2 times (the largest proportion for construction refinance), and the number of projects by 50% (from 8 to 12). Records to July, 1980 suggested a relatively low rate of application and costly reinvestment in tourism.

4.23 Review: Proprietary Changes

Table 4.3 presents results of analysis on changes in the proprietary distribution of lending efforts. Relatively few applications were submitted in the first year of CEDF operation, only 1 from a community organization. Approximately

Table 4.3 Proprietory Distribution of Program Efforts Over Time

Proprietorship	1971					1972					1973					1974				
	# Applications	# Approvals(*)	% Applications(2)	% Disbersements(3)	# Projects	# Applications	# Approvals	% Applications	% Disbersements	# Projects	# Applications	# Approvals	% Applications	% Disbersements	# Projects	# Applications	# Approvals	% Applications	% Disbersements	# Projects
Single Proprietor	16	3	15.0	1.6	3	159	45	20.9	9.1	44	152	28	14.9	9.5	21	154	8	4.6	3.7	6
Partnership	2	1	5.0	0.1	1	18	6	2.8	2.4	6	14	4	2.1	1.0	2	7				
Community Development Corporation						4	1	0.5	0.2	1	4	1	0.5	0.8	1	1				
Community Council						6	5	2.3	1.2	5	1					2				
Manitoba Metis Federation Local	1					3	1	0.5	0.6	1	3					2				
Cooperative						3	2	0.9	0.5	2	3	1	0.5	0.7		2				
Band Council						10	5	2.3	3.7	5	3	3	1.6	6.4		3				
Incorporated	1					9	2	0.9	1.8	2	6					1				
Other						3	3	1.4	0.7	2	2	1	0.5	0.9	1	1	1	0.6	0.2	
Total	20	4	20.0	1.7	4	215	70	32.5	20.2	68	188	38	20.1	19.3	25	173	9	5.2	3.9	6
Total% [5]	1.9	1.7	0.4	1.7	2.2	20.8	29.5	6.8	20.2	36.9	18.2	16.0	3.6	19.3	13.5	16.7	3.8	0.9	3.9	3.3

Proprietorship	1975					1976					1977					1978				
	# Applications	# Approvals	% Applications	% Disbersements	# Projects	# Applications	# Approvals	% Applications	% Disbersements	# Projects	# Applications	# Approvals	% Applications	% Disbersements	# Projects	# Applications	# Approvals	% Applications	% Disbersements	# Projects
Single Proprietor	72	10	11.0	3.5	6	91	20**	17.2	3.9	16	55	14*	16.5	2.3	8	35	5*	10.6	1.5	4
Partnership	11	1	1.1	0.1	1	14	5	4.3	1.0	5	17	6	7.1	1.9	6	5	4	8.5	2.1	4
Community Development Corporation	2	1	1.1	0.7	1	4	2	1.7	2.0	2	8	7	8.2	4.0	4	4	3	6.4	1.9	1
Community Council	.1					1					1									
Manitoba Metis Federation Local																				
Cooperative	1																			
Band Council	2	2	2.2	0.9	1	2										1				
Incorporated	1					2	1	0.9	1.0	1	3	1	1.2	0.3	1	2				
Other	1					2					1	1	1.2	0.2	1					
Total	91	14	15.4	5.2	9	116	28	24.1	7.9	23	85	29	34.2	8.7	20	47	12	25.5	5.5	10
Total% [5]	8.8	5.9	1.3	5.2	4.9	11.1	11.8	2.7	7.9	12.5	8.2	12.3	2.8	8.7	10.9	4.5	5.1	1.2	5.5	5.4

Proprietorship	1979					1980*					Total				
	# Applications	# Approvals	% Applications	% Disbersements	# Projects	# Applications	# Approvals	% Applications	% Disbersements	# Projects	# Applications	# Approvals	% Applications	% Disbersements	# Projects
Single Proprietor	51	12	16.7	9.1	10	17	10	47.6	11.6	5	808(4)	155	15.0	55.8	122
Partnership	11	4	5.5	1.5	2	3	2	9.5	0.9	1	102	33	3.2	11.0	28
Community Development Corporation	2	3	4.2	3.1							31	18	1.7	12.7	11
Community Council											12	5	0.5	1.2	5
Manitoba Metis Federation Local											9	1	0.1	0.6	1
Cooperative											9	3	0.3	1.2	2
Band Council											21	10	0.9	11.0	6
Incorporated	6	1	14	1.1	1	1	1	4.8	0.3		32	6	0.6	4.5	5
Other											10	6	0.6	2.0	4
Total	72	20	27.8	14.8	13	21	13	61.9	12.8	6	1034	237	22.9	100.0	184
Total% [5]	7.0	8.4	1.9	14.8	7.1	2.0	5.5	1.3	12.8	3.3	100	100	22.9	100.0	100

1 - 1980 = July 31, 1980

2 - % Applications = *approvals disbersed in year / Total # applications/yr.

3 - % Disbersements = current Dollar Value Disbersed in Year / Total Current Dollar Value at CEDF Finance (Loans, Guarantees, Grants)

4 - Includes 6 single proprietor applications for which date was unrecorded.

5 - For % Applications, Total % = *approvals disbersed in year / total # applications for all years

* Indicates 1 approval for which dollar value of disbersements was unrecorded

12% of applications in 1972 were submitted by community organizations (CDC's, community councils, MMF locals, band councils and other associations), and accounted for approximately 20% of approvals (7.0% of total applications submitted in 1972 and 6.4% of total CEDF finance).

In 1973, finance to community organizations accounted for 2 additional projects, approximately 13% of annual approvals and 8.1% of total CEDF finance. Roughly 1/3 of the total value of disbursements in 1973 was for refinance of 3 band council projects. With 2 exceptions, lending to community organizations since 1973 has been limited to community development corporations.

Prior to 1976, only 3 approvals for CDC projects were authorized; under law, only capital costs were eligible for investment. In 1976 Amendment to the Act altered terms under which CDC's could borrow. Eight CDC projects have been established since 1975, 15 approvals authorized, and 10% of total finance disbursed. For all years the majority of applications, approvals, finance and projects were distributed over single proprietor enterprises and partnerships.

4.3 Developmental Changes

The developmental implications of CEDF's lending efforts are reflected in the numbers of applications and approvals for different types of projects over time. The factors discussed in preceeding sections would all be expected to influence financial appraisal of different types of projects, but it is unlikely that any one set of factors could be identified as largely determining the types of projects for which loans are approved.

Review

Table 4.4 presents results of analysis on changes lending efforts for different types of projects. Annual approval rate for new enterprises was highest in 1972. Between 1972 and 1975, approval rates for new business dropped, reaching the lowest level of 2.3% in 1974, and increasing slightly to 5.5% in 1975. Since 1975, the annual rate of approval for new business has increased roughly 2 1/2 times to an average rate of 14.6% (1976 to 1979 inclusive). During the same period, numbers of applications dropped to less than half the 1976 level.

Annual approval rate for purchase of existing business was highest in 1972, 1973 and 1978. A total of 33 projects resulted from purchase of existing business, 22 of which (approximately 67% of ownership transfers) were financed in 1972 and 1973, accounting for approximately 8.7% of total disbursements (approximately 70% of such investment). Annual approval rate for expansion loans was greatest in 1972 (approximately 4.2%), 1977 (9.4%) and 1980 (33.3%). Roughly 1/3 of expansion projects (9) were established in 1972 and in 1977 and 1980 (4 projects in each year).

Annual approval rates for refinancing applications were greatest in 1973, 1975, 1978 and 1980. Between 1973

Table 4.4 Distribution of Type of Program Efforts Over Time

Type of Approval	1971 # Applications	1971 # Approvals* (1)	1971 % Applications(2)	1971 % Disbersements(3)	1971 # Projects	1972 # Applications	1972 # Approvals	1972 % Applications	1972 % Disbersements	1972 # Projects	1973 # Applications	1973 # Approvals	1973 % Applications	1973 % Disbersements	1973 # Projects	1974 # Applications	1974 # Approvals	1974 % Applications	1974 % Disbersements	1974 # Projects
New Enterprise	17	2	10.0	0.2	2	151	42	19.5	11.7	42	122	14	7.4	5.8	14	144	4	2.3	3.1	4
Purchase Existing Enterprise	1					41	17	7.9	6.6	17	33	5	2.7	2.1	5	17	1	0.6	0.1	1
Expand Existing Enterprise	1	1	5.0	(0)	1	10	9	4.2	1.8	9	11	7	3.7	2.8	4	5				
Refinance Existing Enterprise	1	1	5.0	1.4	1	4	2	0.9	0.1		15	10	5.3	7.4	2	5	4	2.3	0.7	1
Unrecorded						9					7	2	1.0	1.2		5				
Total	20	4	20.0	1.7	4	215	70	32.5	20.2	68	188	38	20.1	19.3	25	173	9	5.2	3.9	6
Total%[5]	1.9	1.7	0.4	1.7	2.2	20.8	29.5	6.7	20.2	36.9	18.2	16.0	3.7	19.3	13.5	16.7	3.8	0.9	3.9	3.3

Type of Approval	1975 # Applications	1975 # Approvals	1975 % Applications	1975 % Disbersements	1975 # Projects	1976 # Applications	1976 # Approvals	1976 % Applications	1976 % Disbersements	1976 # Projects	1977 # Applications	1977 # Approvals	1977 % Applications	1977 % Disbersements	1977 # Projects
New Enterprise	57	5	5.5	1.9	5	86	18*	15.5	6.5	18	54	14	16.5	5.1	14
Purchase Existing Enterprise	18	2	2.2	0.8	2	16	2*	1.7	0.1	2	9	2	2.4	1.1	2
Expand Existing Enterprise	6	2	2.2	0.4	2	6	4	3.4	0.4	1	11	8*	9.4	1.7	4
Refinance Existing Enterprise	7	5	5.5	2.2		6	3	2.6	0.6	2	6	4	4.7	0.7	
Unrecorded	3					2	1	0.9	0.3		5	1	1.2	0.1	
Total	91	14	15.4	5.2	9	116	28	24.1	7.9	23	85	29	34.2	8.7	20
Total%[5]	8.8	5.9	1.3	5.2	4.9	11.2	11.8	2.7	7.9	12.5	8.2	12.3	2.8	8.7	10.9

Type of Approval	1978 # Applications	1978 # Approvals	1978 % Applicatons	1978 % Disbersements	1978 # Projects	1979 # Applications	1979 # Approvals	1979 % Applications	1979 % Disbersements	1979 # Projects	1980 # Applications	1980 # Approvals	1980 % Applications	1980 % Disbersements	1980 # Projects	Total # Applications	Total # Approvals	Total % Applications	Total % Disbersements	Total # Projects
New Enterprise	29	6*	12.7	3.4	6	40	10	13.9	8.3	10	8	3	14.3	1.4	2	710	118	11.4	47.4	117
Purchase Existing Enterprise	8	3	6.4	0.8	3	9	1	1.4	0.8	1						153	33	3.2	12.4	33
Expand Existing Enterprise						8					8	7	33.3	2.9	4	69	38	3.7	10.0	25
Refinance Existing Enterprise	6	3	6.4	1.3	1	10	8	11.1	4.7	1	4	3	14.3	8.5		64	43	4.1	27.6	8
Unrecorded	1					5	1	1.4	1.0	1	1					38	5	0.5	2.6	1
Total	47	12	25.5	5.5	10	72	20	27.8	14.8	13	21	13	61.9	12.8	6	1036[4]	237	22.9	100.0	186
Total%[5]	4.5	5.1	1.2	5.5	5.4	7.0	8.4	1.9	14.8	6.7	2.0	5.5	1.3	12.8	3.3	100	100	22.9	100.0	100.0

(1) 1980 - July 31, 1980

(2) % Applications = $\frac{\text{\#approvals dispersed}}{\text{total \# applications/yr.}}$

(3) % Dollars = $\frac{\text{Current Dollar Value Dispersed in Year}}{\text{Total Current Dollar Value at CEDF Finance (Loans, Guarantees, Grants)}}$

(4) 6 unrecorded dates

5 new

1 purchase

(5) For % applications

Total % = $\frac{\text{\# approvals in year}}{\text{total \# applications for all years}}$

(*) Indicates 1 approval for which dollar value of disbersement was unrecorded

(o) Indicates less than 0.05 percent

and 1980, refinancing was lowest, as a percentage of total approvals, in 1976 and 1977 (3 of 28 approvals and 0.6% of total finance in 1976; 4 of 29 approvals and 0.7% of total finance in 1977). The largest proportions of refinance investment were recorded for 1973 (7.4% on 10 approvals and 2 additional projects), and 1980 (8.5% on 3 approvals).

CHAPTER 5

PROGRAM EFFECTIVENESS

The study's fourth objective is to assess program effectiveness. This chapter summarizes conclusions based on data reviewed in Chapters 2 to 4, and places major findings in the context of evaluation criteria outlined in section 1.2. Enabling legislation defines operational, distributional and developmental perspectives from which program effectiveness is evaluated.

While evaluation perspectives are explicitly defined by legislation, effectiveness criteria are not. The Act does not elaborate the objectives of development, but focuses on the means by which development is to be advanced. Scarcity of capital, management expertise and economic opportunity are implicitly assumed. Locally owned and operated economic enterprises are considered to offer opportunities by which "economically disadvantaged remote and isolated" individuals and community organizations can realize "optimum economic development". Such enterprises are to be offered financial or other assistance.

For purposes of this evaluation, applications for financial assistance are taken as explicit measures of economic aspirations. The importance of individual or community aspirations is not represented by financial applications. But applications are an objective expression of aspirations. Applications represent demand for service, and thus combine knowledge of service availability, perception of economic opportunity and motivation.

Approved applications approximately represent total CEDF supply of scarce capital (primarily loans and/or guarantees). CEDF supply of scarce management expertise ('non-lending' management support) was not measured. But its importance is represented by the "management problems" documented throughout the file review (Sections 2.4 to 2.6, Appendix 4). From an operational perspective, "effectiveness" is represented by CEDF's ability to match demand for services with supply of services, either directly or through referral to alternate services.

Numbers, dollar value and composition of approved finance are used to measure the level of investment which usually results from approval of applications. The number of projects (economic enterprises), and composition of expenditures which result from investment, are used to represent primary effects of lending efforts. Geographic, sectoral and proprietary distributions of lending efforts are included in the Act but are loosely defined and not clearly priorized (as for example, precedence of basic services over primary sector enterprises, or communities without road success over those with all weather access). From a distributional perspective, "effectiveness" combines socio-economic, geographic, sectoral and proprietary considerations but cannot be clearly calculated, since distributional objectives (and priorities) are not specifically defined.

Level of investment in different types of projects is used to represent relative emphasis on new enterprises, versus support to existing locally owned enterprises. This final developmental perspective is augmented by data on continued operation of projects. The use of continued project operation as a developmental criterion for effectiveness assumes that CEDF represents a vehicle by which the stock of northern enterprises can be increased.

This assumption may be questioned, since developmental objectives are less clearly defined by legislation than are distributional objectives. Many "successful" small businessmen experience bankruptcy in initial efforts to establish business enterprises. Some CEDF clients, having repaid loans, chose to sell or discontinue business operations. Despite these objections, continued project operation approximately represents the degree of increase in numbers of economic enterprises which has resulted from CEDF's lending efforts.

In assessing operational effectiveness, the emphasis is on characteristics of program inputs, including distributional and developmental aspects (see Figure 1.3). Similarly, assessment of distributional effectiveness focuses on program outputs, including finance, expenditure and continued operation of projects. Developmental effectiveness considers operational and distributional perspectives in relation to the type, sectoral distribution and continued operation of projects.

5.1 Operational Effectiveness

From an operational perspective, effectiveness is defined by the degree to which CEDF can satisfy the needs for economic assistance (financial or otherwise) in remote and isolated communities. Potential satisfaction of economic needs consists primarily of 3 elements, as follows:

1. knowledge of and demand for services offered by CEDF
2. the Fund's ability to finance and support economic opportunities perceived by applicants
3. the quality of transactions which result from initial applicant enquiries.

Need for service and level of satisfaction cannot be directly measured. The 1,034 applications reviewed represent demand for economic assistance, and are the subset of economic needs which CEDF can potentially satisfy. Satisfaction of applicant demand is represented by the numbers of applicants receiving financial and/or information services.

Roughly 1/4 of all applications for economic assistance were approved for finance, over 3/4 within the Northern Affairs jurisdiction. Demand for service averaged roughly 100 applications per year for the period between 1971 and July of 1980. But annual application rate has varied, as illustrated in Figure 5.0.

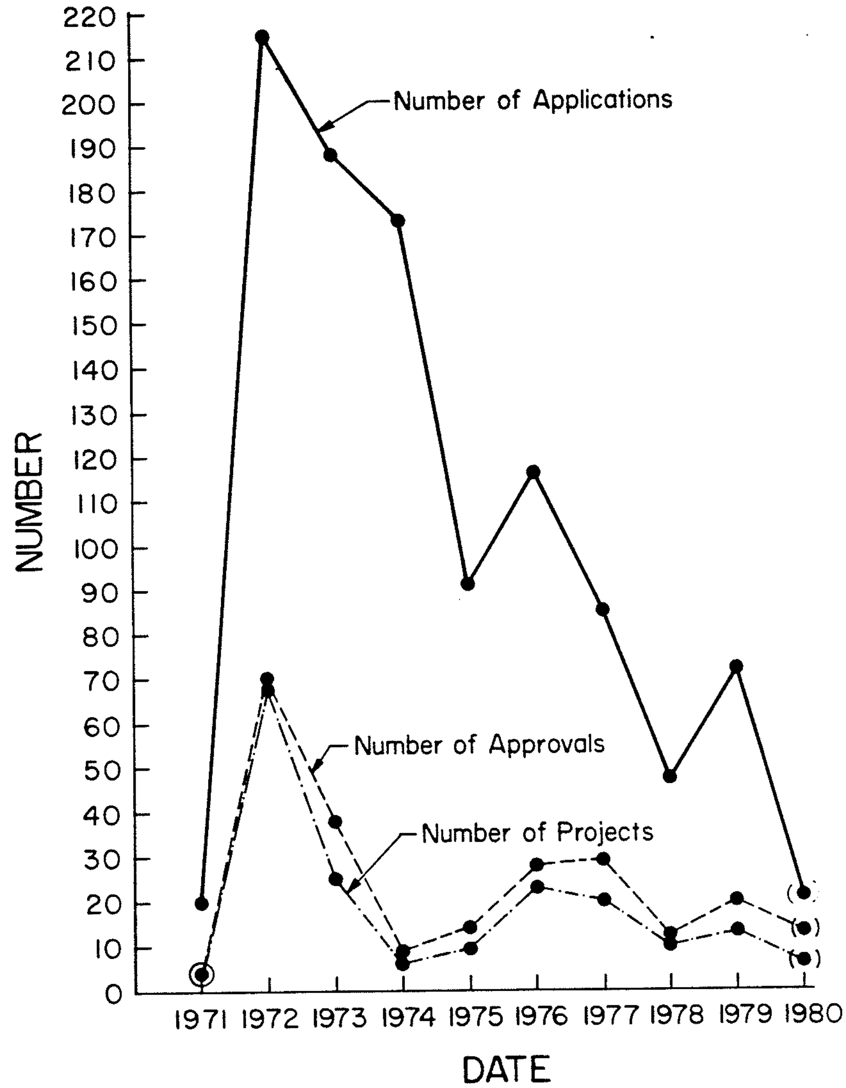

Figure 5.0 **Number of Applications, Approvals and Projects Over Time** (DATE = Calendar year: 1980 = July 31, 1980.)

Relatively few applications were received during three months of initial operation in 1971. Over 200 applications were received in 1972, roughly half from reserve and Northern Affairs communities, 35% from other northern locations, and 15% from non reserve southern locations.[1] Approximately 30%

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[1]Table 4.1 presents applications over time by location. Appendix 3 lists applications and communities by location.

of all approved applications, and 37% of total projects funded were recorded for 1972.

Since 1972 application rate has dropped, most noticeably in southern reserves and northern 'reserve only' locations (consisting primarily of Interlake reserves). Decreasing application rate was thought to reflect a combination of factors including:

1. possible changes in procedures for documenting initial enquiries
2. perception of economic opportunities, and associated risks and costs
3. understanding of loan finance and knowledge of CEDF practices, policies and local projects

Marked decreases in applications for 1975 and 1978 appeared to correspond to major policy changes and reduced CEDF lending effort.[2] High rates of application in 1973 and 1974 corresponded to substantially decreasing rates of application approval for those years. In 1975, application rate dropped to roughly half the level of preceeding years (the largest decreases for LGD's and NA communities).

Increased rate of application in 1976 corresponded to increased numbers of approvals and projects. Reduced lending in 1978 was followed by a similar increase in approved applications and relatively smaller increases in approvals and projects. Following recindment of temporary lending restrictions in 1978, application rate increased more in LGD's and non-reserve southern locations

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[2]Figure 4.0, p. 100.

than in all other locations. Proportionately fewer applications from smaller, more remote communities suggested that knowledge of renewed lending was limited.

File review data were incomplete for 1980, but the year end report indicates increased lending effort over 1979.[3] Geographic distribution of applications for 1980 suggested the possibility of seasonal increases in application from remote communities (ie. increased rate of application following freeze-up, with a low rate for spring and summer months). Increased business costs and interest rates would be expected to influence the future rate of application, and future project assessments.[4]

Knowledge of and demand for CEDF services has varied over time. Major variations in application rate appear to have corresponded to two periods of reduced CEDF ability to finance and support economic opportunities perceived by applicants. The first period of reduced lending resulted from high initial lending rate, and high rate of default on loans and guarantees.[5] Since CEDF's capital authority is limited (Section 2.0), recovery of investment monies influences the Fund's continued ability to offer service. Changes in CEDF's ability to collect on

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[3]Communities Economic Development Fund Annual Report for the Year Ended March 31, 1980, p. 17.

[4]Section 4.1, Appendix 5.

[5]Table 4.0, p. 103.

accounts could not be accurately measured, for various reasons.[6]

Overall, CEDF appeared to have been very effective in recovering finance (see Appendix 8). Assuming recovery of even a small percentage of defaulted assets, monetary losses would be somewhat less than 20% of total CEDF finance. Total numbers of defaulted approvals were higher (approximately 30%). Disaggregation of approvals into loans and guarantees (Table 3.0) indicated that average loan size was roughly equivalent for repaid and defaulted loans, but average loan term was substantially longer for defaulted and current loans than for repaid loans. These observations suggested that defaulted accounts included proportionately high numbers of large and small accounts[7] in comparison to repaid accounts. Longer loan term in defaulted accounts would then, indicate a combination of more uncertain longer term projects, and possibly, more economically disadvantaged clients (where contact terms were longer on average investments of roughly equivalent size).

Though loan repayment rate appeared to correspond with shorter loan term, guarantee repayment did not. Average guarantee term was approximately 1/3 the duration of average loan term, but default rate was greater in gross terms, and roughly equivalent in net terms.[8] This observation suggested that 'non-loan'

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[6]Reasons include staff and other operational changes, changes in contract terms, form of measurement used and other methodological difficulties (eg. Does a defaulted approval count against the year of issue or year of default? Is there a significant relationship between CEDF 'non-lending' support and loan default, and if so how is the relationship to be measured and assessed?)

[7]ie. a bimodal or right skewed distribution of loan size.

[8]Table 3.0, p. 76.

management support was an important component of CEDF service, even in shorter term finance.

Non-loan management support services appeared to be an important complement to financial "investment". Management problems recorded during the file review indicated a majority of problems inovlved management control functions.[9] A detailed examination of management problems is presented in Sections 2.4 to 2.6. From an operational perspective, proportionately more documented problems occurred in defaulted accounts (conservative calculations indicating 30% of approvals accounted for approximately 44% of total problems.)[10] Higher occurrences of problems were recorded for untrained management, market changes and maintenance cost (primarily repair costs). Though non-loan support efforts were not directly measured, the importance of management support services was readily apparent, particularly where native entrepreneurs were unfamiliar with cash economy business practices.

Eligibility criteria are an equally fundamental consideration in assessing CEDF's ability to finance and support economic opportunities perceived by applicants. CEDF performs dual roles as lender of last resort for economically disadvantaged individuals, and as a community development agency for organizations in remote and isolated settlements. Consequently, the Fund must respond to a broad spectrum of economic aspirations

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[9] Figure 2.3, p. 54.

[10] Table 2.4, p. 58. Footnote 1, p. 57.

and needs.

Legislation does not clearly priorize dual roles. The expectation for immediate success in local business development under unfavorable economic conditions, is to varying degrees, incompatible with the reality of limited management skills and economic capacities of disadvantaged clients (particularly since CEDF has issued grants only infrequently, and generally for purposes of management training in larger projects). Because eligibility for CEDF finance rests primarily on applicant inability to secure commercial funds, all CEDF clients and most applicants are economically disadvantaged to some degree.[11] Effectively, CEDF lending efforts are confined to a range of potential clients which excludes many poor applicants at one extreme, and marginally disadvantaged applicants at the other. This conclusion was supported by a number of observations drawn from analysis and review of data.[12]

Analysis of applications (Table 2.0, p.27) indicated that approximately 3/4 were not approved for finance. With reference to Figure 2.1 (p. 22), roughly 1/2 of the applications which were not approved were 'undeveloped' to varying degrees, and did not undergo Board review. Approximately 17% of unapproved applications were referred to alternate sources of assistance, primarily sources of financial assistance (See Appendix 2). Approximately 34%

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[11]Quantitative information on socio-economic characteristics of applicants and clients was inconsistently available from files. Available information was reviewed in M. L. Scott's report.

[12]Sections 2.1 to 2.3 contain detailed analysis and review of distributional characteristics of applications.

of unapproved applications (25% of total applications) were developed, reviewed and refused.

The distributions of applications which refused or undeveloped, offered some insights into the range of economic needs and aspirations which CEDF has been able to service.

Approximately 35% of total applications were undeveloped, many from smaller northern settlements (Appendix 3) but the largest proportions from LGD's and southern reserves.[13] Approximately 15% of these applications (55) were not developed because of preoperating conditions which would not be met (eg. licence, permit), or change in project feasibility while applications were being processed (eg. establishment of unexpected competition, alternative sale). Proportionately lower numbers of such applications were recorded for non-reserve southern locations and larger LGD's. This observation suggested that preoperating conditions and transaction time were more frequent problems in attempts to develop applications from more remote locations.

The majority of undeveloped applications (approximately 85%) involved the applicant's choosing not to further develop initial inquiries or project plans. A further 24 applications were approved for assistance which was declined by applicants. Though the proportionate distribution of undeveloped applications was similar over all locations, roughly 1/2 the applications approved and declined were from locations combining NA and

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[13] Table 2.1, p. 33.

reserve settlements. This observation suggested that applicants from native communities might tend to be more uncertain of risks and/or wary of the personal costs of commercial enterprises.

Approximately 25% of total applications were refused, most due to project characteristics.[14] Most applications refused due to scale, location or other characteristics beyond CEDF's mandate were received from LGD's and non-reserve southern locations. Such applications from other locations were few in number, reflecting legislative priority to disadvantaged applicants in remote and isolated locations.

One hundred and ten applications were refused due to project characteristics, 52 due to management characteristics (though management characteristics were cited more often as secondary reasons for refusal). Since CEDF cannot underwrite capital costs, most project refusals resulted from direct financial considerations (ie. calculation of expected net revenues in relation to personal living expenses). Inadequate personal security and excessive personal liabilities accounted for smaller numbers of refusals. A significant number of economically disadvantaged applicants (8% of total applications) were unable to secure assistance for financial reasons.

Limited market was the second most frequently cited reason for refusal, indicating the importance of market development for many proposed projects. Existing competition appeared a substantially less important consideration than either loan

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[14] Appendices 2.0 to 2.4, p. 174.

size or insufficient market. A proportionately higher incidence of refusal due to existing competition occurred in NA and reserve locations and in retail applications, indicating significant economic constraints in certain circumstances. But applicant perception of economic opportunity appeared to represent equally significant constraints. Fully 25% of all applications were for retail projects, and retail refusals accounted nearly 8% of total applications.

There are substantial constraints to the range of commercial activities which CEDF can finance and support. Limited local markets and management expertise appeared to be significant obstacles to satisfying certain requests for assistance. Overall, applicant uncertainty, financial need and focus on retail opportunities appeared more decisive factors limiting the range of possible CEDF effects.

Supply of CEDF services has been roughly proportionate to demand for service in overall terms.[15] CEDF has generally been very effective in servicing economic needs and aspirations. But numerous specific exceptions to this generality exist where data is disaggregated to a community level (Appendix 3). Figures 5.3 and 5.4 illustrate this conclusion. Demand for service has tended to be concentrated in larger communities, with notable

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[15] Percentages of applications, approvals, CEDF finance and projects were compared in relation to location and sector of proposed projects (calculations based on respective tables in Chapters 2 through 4). Supply of service (ie. percentages of each of approvals, finance and projects) is within 3 to 5% of demand for service (% applications) in all locations and sectoral classes except retail proposals (for which demand exceeds supply by roughly 10%), and construction and tourist projects (for which % finance is higher, reflecting relatively higher operating and capital costs, respectively).

exceptions in Churchill, Cross Lake and Camperville.[16] Demand from smaller communities has been more widely distributed but appeared highest in Parklands, Interlake and northern Whiteshell districts where regional infrastructure (primarily transportation) is better developed in comparison to smaller communities in Manitoba's mid-north.

Demand from smaller settlements in the mid and far north has been limited in terms of geographic distribution. Relatively fewer applications and approvals have been distributed throughout communities lacking rail or road transport. CEDF appeared to be more effective as a lender of last resort and agent of business development for applicants residing in 'functionally remote' rather than geographically isolated communities.

Cross Lake is perhaps the best example of where this has not been the case. All weather road access has been available only since 1980, and ferry service is still required to reach Indian and Metis settlements there. Community and privately owned projects appeared to have made a substantial contribution to employment prospects and service availability, despite transportation and communications obstacles. Tangible evidence of available means for acting on economic aspirations (ie. initial establishment of local projects) would be expected to have a substantial impact on the rate of application from geographically isolated communities.

Economic constraints imposed by poorly developed local

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[16]Note that The Pas includes The Pas reserve, Camperville, Young's Point and Big Eddy.

and regional infrastructure suggested that financially "appropriate" opportunities in isolated locations are closely linked to regional development plans in one extreme, and specific local conditions and needs in the other. The range of opportunities which CEDF can actually finance and support is indirectly determined by broader provincial and/or federal concerns and priorities. Any CEDF attempts to extend the range of actionable opportunities, then, involves identifying linkages between regional development activity and local potential, as well as counselling more narrowly focused local initiatives.

The quality of transactions which result from initial applicant inquiries is an important determinant of operational effectiveness. Transaction quality was not 'measured'. The following assessment draws on qualitative data obtained from files, and field, staff and agency interviews. Most economically disadvantaged applicanats require CEDF assistance in developing and assessing perceived opportunities. This is particularly true of native applicants (many of whom are less familiar with a cash economy than with subsistence economies) but may be equally important for non-native applicants requiring "high level"management skills (eg. market analysis). Applicant determination and consultant support appeared to be primary determinants of success in securing finance.

Transactions between CEDF, applicants and other financial and public agencies represent a second aspect of transactional quality. Disadvantaged clients lacking cash management skills were generally unable to secure commercial finance, even where service contracts or grant monies had been approved. While the level of management support would be expected to vary (according to specific institutions and individuals), both files and default rate in guarantees suggested that inexperienced entrepreneurs received limited management assistance from commercial lenders. Proximity to commercial lenders (Figure 5.2)[17] would be expected to determine both the potential level of management assistance available to clients, and the prospects for securing commercial finance.[18]

Interagency coordination was repeatedly cited as problematic in records of CEDF involvement with larger, regional scale projects. CEDF involvement with grant funding agencies is necessitated by the high capital costs of many projects (particularly manufacturing, construction and tourist projects),[19] and the Fund's inability to underwrite or otherwise forgive such costs. The distribution of public finance, and the priorities of grant funding agencies would be expected to have a substantial impact on CEDF lending efforts.[20]

Though changes in the Fund's relationship with other

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[17] Note that all credit unions within the Northern Affairs jurisdiction have discontinued operations as of November, 1980.

[18] Table 3.1, p.81. Roughly 70% of non-guaranteed commercial finance has been invested in LGD's. Approximately 55% of guaranteed investment has been distributed over non-reserve southern locations.

[19] Table 3.2, p.87.

[20] With reference to Table 3.1, approximately 37% of 'other public' finance has been invested south of the Northern Affairs jurisdiction.

agencies were not reviewed in detail, a rough indication of changes is offered by Figure 5.1. Initially, CEDF was involved

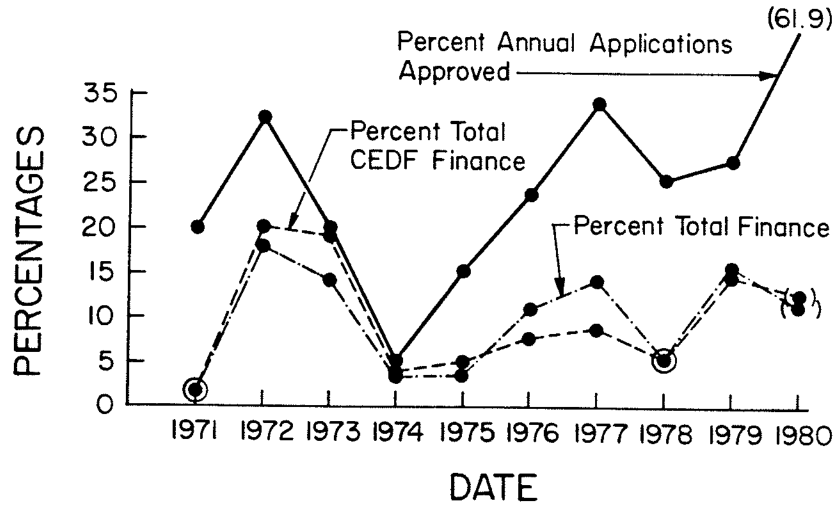

Figure 5.1 Percent of Annual Approvals, CEDF Finance and Total Finance

in bridging ARDA grants. In 1978, lending efforts were restricted to ARDA bridging and support for government contract work. Percentages of total finance and total CEDF finance were identical for 1971 and 1978. On a proportional basis CEDF finance accounted a higher level of investment between 1972 and 1975 (in part, reflecting refinancing efforts which were ineligible for grant assistance). In 1976 and 1977, a proportionately greater volume of finance was drawn from commercial sources, proprietors and other public agencies. This feature corresponded to a second period of increased lending which appeared to emphasize both managerial development, and greater involvement of extra-Fund finance and increased emphasis on community owned projects.[21]

Transaction time was cited as a probelm in development

[21] Table 4.3, p. 114.

of certain project proposals. Though transaction time was not measured, fewer transactional problems appeared to have occurred since the Act was amended in 1976. Legislative amendment resulted in administrative autonomy from the Manitoba Development Corporation (MDC). Prior to legislative changes, CEDF approved finance was processed internally by MDC as well as by the Fund.

Similar delays in processing applications may result from sequential review of proposals by CEDF and other funding agencies. Legal documentation of security adds to transaction time since technically, security documentation must be complete before projects are initiated.[22] Both security documentation and sequential review of applications add to the variable time required to research and assess proposals. Documentation procedures represent approximately standard outlays of time. Interagency coordination of feasibility assessments (and ongoing project monitoring) might similarly result in approximately standard, less time consuming transactions.

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[22] Exceptions have been recorded in cases where machinery must be transported over winter roads prior to spring thaw.

5.2 Distributional Effectiveness

From a distributional perspective, effectiveness is defined by socio-economic, geographic, sectoral, and proprietary considerations. The Act specifies that assistance is to be extended to economically disadvantaged persons, and to small and medium sized economic enterprises in remote and isolated communities. An unspecified level of assistance to community development corporations (CDC's) is also required. The Act instructs that a "reasonable diversity in location and type of economic enterprises" be maintained.[23]

Applications were submitted from 172 locations, including 21 which were not communities, and 2 from Saskatchewan. Financial assistance was received by disadvantaged individuals and groups in 64 locations. Figure 5.4 illustrates the geographic distribution of approved applications. The percentage distributions of applications, approvals, level of finance and numbers of projects have been roughly equivalent when compared in relation to location and sector.[24] Overall, CEDF lending efforts have been equitably distributed in relation to demand for service.

CEDF finance has totalled over 7.2 million dollars and has drawn direct investment of approximately 3.7 million dollars

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[23] The Act requires that reasonable diversity be assessed in relation to "the total amount loaned and outstanding at any time". The balances of client accounts were not reviewed.

[24] p. 131, Footnote 15.

from other public agencies, proprietors and commercial sources. Two hundred and thirty-seven applications were approved and disbursed in support of 184 projects. Approximately 25% of CEDF finance has been invested in 30 projects and 18 communities south of NA jurisdiction. A further 3% of CEDF finance was invested in 10 projects over 5 southern reserves. Approximately 72% of CEDF finance and 79% of total projects were distributed throughout 40 locations within NA jurisdiction.

Numbers of approvals and numbers of projects have been roughly evenly distributed over LGD's, NA communities, locations combining NA and reserve communities, and southern reserve and non-reserve locations.[25] But locations combining reserve and NA communities, and northern 'reserve only' locations received proportionately smaller shares of finance (particularly 'other public' finance) in comparison to other northern locations. Southern reserves received proportionately more investment and twice the number of projects (10) as northern 'reserve only' locations.

CEDF is currently restricted from financing reserve projects and has supported few such projects since 1973. Given socio-economic conditions in, and the geographically isolated locations of most northern reserves, policy restrictions are a serious obstacle to fulfillment of legislative directives and social goals. As regards collection of default assets, CEDF's distributional goals are at odds with the Fund's operational

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[25] Table 3.1, p. 81.

responsibilities.[26] Ten projects which continue to operate resulted from finance which was not repaid. Eight of those projects are located in reserve communities.

Despite this substantial qualification, CEDF lending efforts have effected significant benefits in many native communities. Equally significant, the vast majority of projects in The Pas and Thompson have been owned and operated by urban native peoples (including treaty Indians). Two projects in Winnipeg and 1 in Brandon have been native owned, and in the case of Winnipeg, have offered substantial employment benefits to both urban natives, and residents of geographically remote northern settlements.[27]

Approximately 84% of all projects were privately owned sole proprietorships, partnerships and other incorporated businesses.[28] Approximately 13% of total CEDF finance was invested in 11 CDC projects, a majority of finance and projects since legislative amendment in 1976.[29] Approximately 11% of CEDF finance was invested in 6 band council projects, most in 1972 and 1973. Other local associations and cooperatives accounted for 10 projects and 5% of CEDF finance. Assistance to other local associations and cooperatives was similarly concentrated in 1972 and 1973.

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[26] Section 4.1, p. 105.

[27] p. 82.

[28] Table 3.3, p. 93.

[29] Section 4.13, p. 113.

Appendix 8.0 presents detailed figures for continued project operation according to proprietorship and economic sector. Non-profit and public administration projects were exclusively owned and operated by community groups. Other forms of ownership recorded extensive diversity of projects. Excepting partnerships in forestry and retail sectors, and Band Council projects in general, continued project operation appeared unrelated to form of ownership.

CDC projects were distributed over 9 communities, ranging St. Laurent and Bloodvein in the south, to Ilford, South Indian Lake and Churchill in the north. Five of 11 total construction projects continue to provide seasonal road transportation and substantial employment opportunities for roughly a dozen reserve and Metis communities in the mid north.[30] Three of those 5 projects are CDC owned and a fourth represents a Winnipeg based consortium of band councils.

Figure 5.5 illustrates that most construction projects were established within the Northern Affairs planning region, a majority in locations lacking all weather or road access. In contrast, a majority of manufacturing projects were distributed south of NA jurisdiction and in The Pas and Thompson. Problems reviewed in Section 2.6 indicated the importance of market development for small manufacturing projects situated in remote locations. Files and field interviews indicated

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[30]The basemap attached excludes winter roads to Poplar River and Red Sucker Lake. The extent of Manitoba's winter road network varies due, in part, to varied snow cover and climatic conditions.

extensive distributed of benefits from small northern crafts retail and manufacturing projects (with merchandise and semi-finished materials drawn from up to 7 reserves).

Primary sector activity was widely distributed throughout the province. Two small agricultural loans were issued; the first for a conventional family farm, the second for a horticultural project in Churchill. Two fisheries loans were approved, one for a small single proprietor operation and the other for a local fisherman's association. Forestry projects were largely confined to MANFOR and Abitibi cutting areas and represented approximately 90% of primary sector enterprises. Approximately 9% of total projects were in forestry, many involving heavy machinery and 2 or 3 man work crews. Such projects accounted for proportionately high occurrences of problems with 'maintenance cost', 'labour turnover' and 'labour payment' indicating the importance of mechanical skills, and wage/piecework problems for operations offering marginal employment.

One hundred and twenty-nine projects (approximately 70% of total projects) involved commercial tertiary sector projects, an additional 9 involving public administration and non-profit enterprises. Eighty-four of 129 commercial enterprises were in the service sector (retail, restaurant, recreation, taxi/bus and other services). A further 35 involved transportation, trade and tourism.

Figure 5.6 illustrates the locations of non-service tertiary sector enterprises. Eighteen of 19 touristry enterprises were located within NA jurisdiction. Projects ranged from fly-in lodges to campgrounds and were generally the largest and most costly tertiary sector projects. Over half of 'other public finance' was invested in tourism, attesting significant seasonal (and in some cases, full time) employment benefits

Transportation projects ranged from ramp and dray service, through timber and other commodity transport, to gravel hauling and garbage disposal. Other local transportation facilities were included as service sector enterprises. Though few in number, the locations of projects in trade and public administration suggested substantial local benefits in a number of communities ranging Camperville to Brochet and Churchill.

Figures 5.7 and 5.8 illustrate the distributions of service sector projects. Many small service outlets combined retailing and food service, recreation and food service, or elements of all three functions.[31] Retail business accounted for approximately 16% of total projects. Retail enterprises were distributed throughout the province and included building and decorating and crafts marketing as well as food and fuel outlets. In many cases, direct amenities from provision of service included reduced cost and travel time to extra-local suppliers (a substantial benefit to remote and disadvantaged communities lacking local transportation).

Taxis and school buses accounted for approximately 13% of total projects, providing local transport in 15

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[31] Where a primary function was unclear from files or field visits, retailing and recreation were assumed to take precedence over restaurants. See Table 2.2, p.40.

communities. Approximately 10% of total projects involved "other services", the largest portion of which was accounted by water delivery. Other services, ranged over daycare, a salon, musical bands, and printing and publishing.

Many small tertiary sector projects appeared marginally profitable in monetary terms. But the direct employment benefits of such projects would, collectively, have been substantial. Roughly 35% of tertiary enterprise involved provision of basic services in the forms of grocery and fuel supply, and various forms of local transportation. An equivalent proportion accounted other amenities in the forms of recreation, food service, and other services and types of retailing. No attempt was made to measure the "amenity value" of different services in different locations, but field interviews revealed substantial individual and community benefits in a majority of projects visited. There was clearly, "reasonable diversity in location and type of enterprises".

5.3 Developmental Effectiveness

From a developmental perspective, effectiveness is defined by CEDF's ability to provide access to economic opportunity, and to meet financial and other needs of disadvantaged applicants. Legislation directs that access to economic opportunity will be extended through expansion, strengthening and creation of locally owned and operated economic enterprises. Though past economic opportunities are reflected in numbers of projects, the degree of self-reliance implied by 'local ownership and operation' is not.

Developmental effectiveness is least certainly and least adequately represented by projects and continued operation of projects. In 1972, when a CEDF consultant visited communities in the Parklands district, he reported hostility in local applicants due largely to confusion over the difference between loan and grant finance. The numbers of projects operating in those, some communities attest a degree of "success" in local business development since 1972.

Projects which have been discontinued must be assumed to have contributed valuable management experience, income benefits and potential employment skills to former clients, despite the likelihood of disappointed expectations (and in several cases, substantial economic disbenefits). Similarly, capital goods and projects which were sold would be expected to be in use. In many cases projects which were sold by original owners continue to provide amenities and economic benefits within the same communities.

Further to the point, projects which were sold or discontinued do not necessarily represent defaulted assets (This is particularly true of local transport, where service contracts were fulfilled and clients, having repaid finance, chose to discontinue projects). Neither can projects which continue to operate be assumed to represent "accounts in good standing". Data on continued project operation were derived from CEDF consultants. Cross referencing with account status codes recorded during the file review (Appendix 2) indicated that project sale and discontinuation did not correspond to "business failure".[32] Continued project operation is an objective but incomplete measure of CEDF's contribution to "optimum economic development".

Table 5.1 presents detailed figures for continued project operation according to type and economic sector. Approximately 69% of total applications were for new projects and 64% of the resultant 117 projects were new. Approximately 18% of total projects involved purchase of existing enterprises. The purchase of existing business involved transfer of ownership to native entrepreneurs, maintenance of existing services (where local proprietors sought to retire or move), and sale of 'defaulted projects' to new local clients.

Expansion of existing projects accounted for approximately 14% of total enterprises supported. Project expansion included

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[32]Note that though 10 'defaulted projects' continue to operate, only 2 were partially "forgiven".

Table 5.1 Continued Operation of Projects According to Type and Economic Sector

Type of Project	Economic Sector: Primary			Secondary		Tertiary											
	Agriculture	Forestry	Fishery	Manufacture	Construction	Transport	Trade	Tourism	Retail	Restaurant	Recreation	Taxi/Bus	Other Service	Public Admin.	Non-Profit	Total	Total Percent
New Project																	
Total Projects	1	12	1	8	6	10	3	15	12	2	7	16	16	4	4	117	63.6
Number Operating	1	8	1	3	3	4	2	10	8		4	8	4	4	3	63	34.2
Number Discontinued		2		5	1	5	1	2	4		2	7	11		1	41	22.3
Number Sold		2			2	1		3		2	1	1	1			13	7.1
Purchase Existing																	
Total Projects				2	4	1		2	10	6		6	1	1		33	17.9
Number Operating					1			1	4	2		4				12	6.5
Number Discontinued				1	3	1			4	1						10	5.4
Number Sold				1				1	2	3		2	1	1		10	6.0
Expand Existing																	
Total Projects		4	1	1	1			2	8	4	2	1	1			25	13.6
Number Operating		1	1	1				1	8	1	2	1	1			17	9.2
Number Discontinued		2			1			1		2						6	3.3
Number Sold		1								1						2	1.1
Refinance Existing																	
Total Projects	1			1	2	2				1		1				8	4.5
Number Operating	1			1	2	1										5	2.8
Number Discontinued						1				1						2	1.1
Number Sold												1				1	0.5*
Unrecorded																	
Total Projects				1												1	0.6
Number Operating				1												1	0.6
Number Discontinued																	
Number Sold																	
Total																	
Number Projects	2	16	2	13	13	13	3	19	30	13	9	24	18	5	4	184	100.0
Number Operating	2	9	2	6	6	5	2	12	20	3	6	13	6	4	3	99	53.8
Number Discontinued		4		6	5	7	1	3	8	4	2	7	11		1	59	32.1
Number Sold		3		1	2	1		4	2	6	1	4	1	1		26	14.1

*Rounding error = 0.1

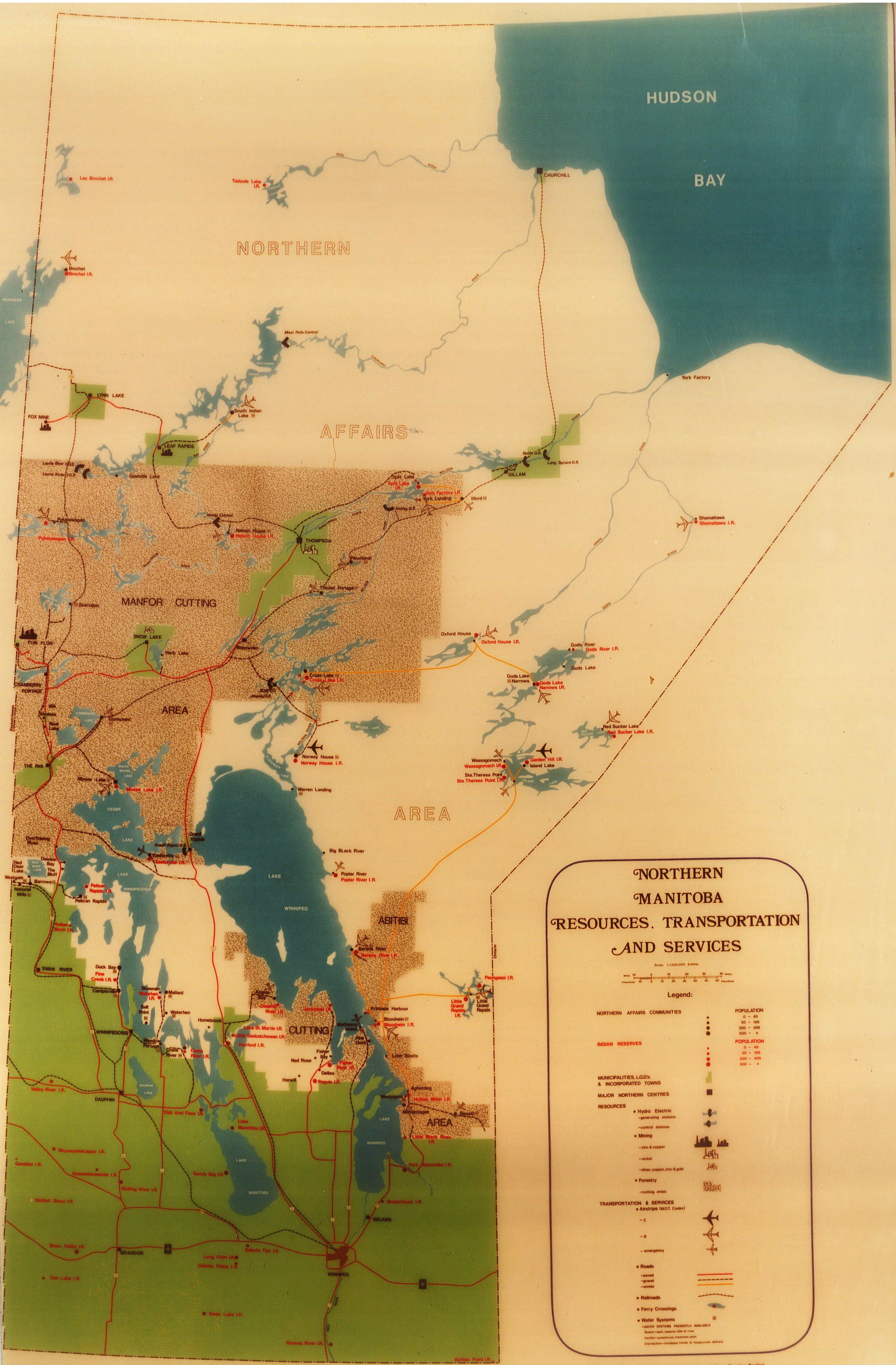
additional production capacity, expanded and diversified services, and general upgrading of existing outlets. Refinancing projects accounted for only 8 projects (approximately 5% of total enterprises). The type of project was unrecorded by researchers for 1 manufacturing enterprise.

Approximately 54% of funded projects continue to operate under original management. Appendix 8.1 presents detailed figures for continued project operation according to location and sector. Excepting retail outlets and restaurants, little variation in project operation over location was evidenced. Proportionately, the highest rate of continued operation occurred for refinancing projects; the lowest for purchase of existing projects. A majority of enterprises in all sectors were new.

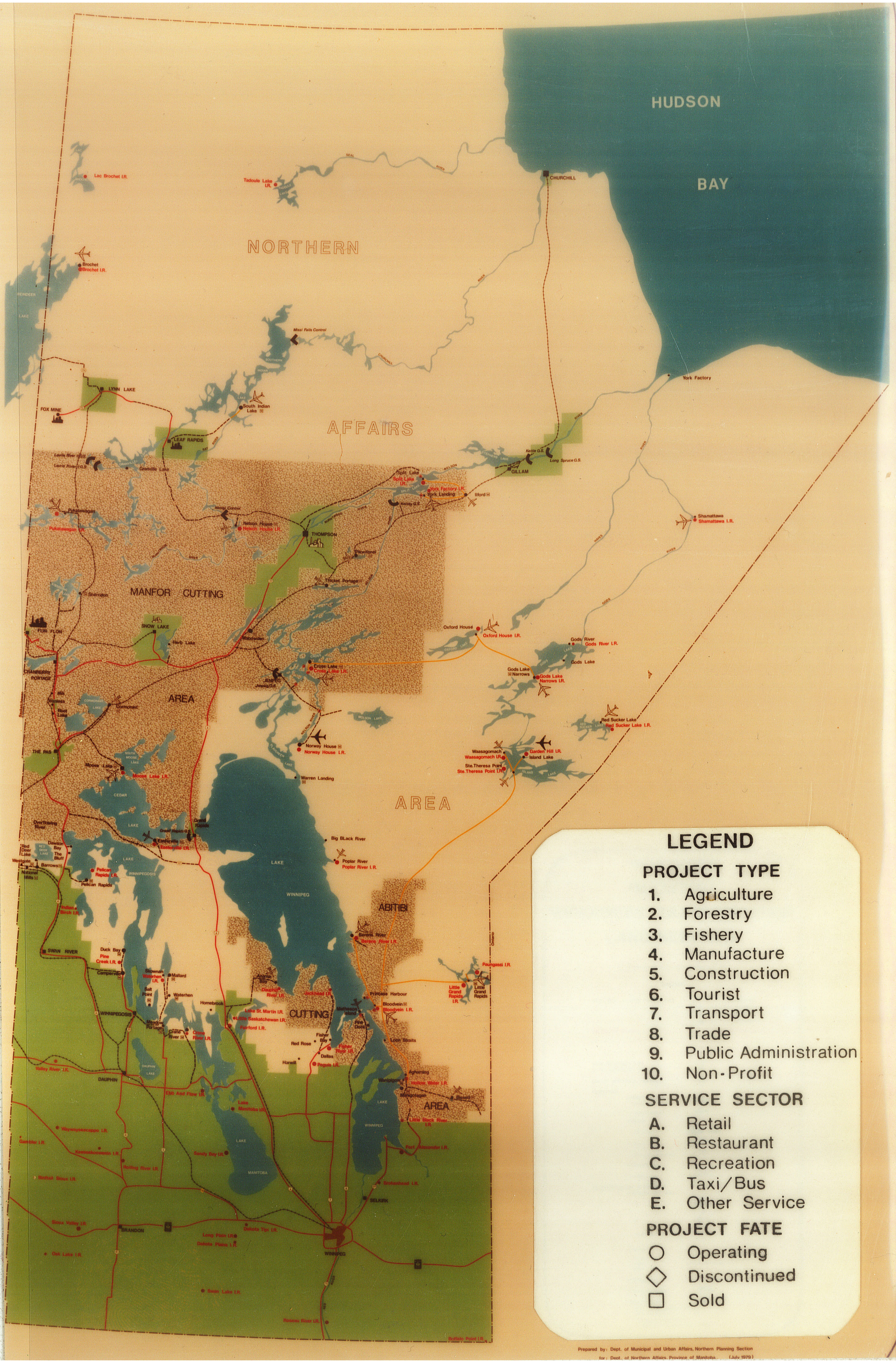
Though CEDF appeared very effective in recovering loan monies, the Fund appeared less effective from the standpoint of continued project operation. Client preferences were a deciding factor in the outcome of projects. At a minimum, CEDF's 'developmental effectiveness' was approximately 54%; at a maximum, approximately 68%. No numeraire embodies the importance of scarce economic opportunity, or the Fund's contribution to individual and community welfare.

MAP SERIES

Map transparencies are bound on the left side of the page. Figure 5.9 and accompanying legend are bound on the right side of the page and are designed to interleave with/ underly each transparancy or series of transparancies.



HUDSON BAY
NORTHERN AFFAIRS AREA
MANFOR CUTTING AREA
ABITIBI CUTTING AREA
LAKE WINNIPEG
LAKE WINNIPEGOSIS
LAKE MANITOBA
CHURCHILL
York Factory
GILLAM
THOMPSON
LYNN LAKE
LEAF RAPIDS
SNOW LAKE
FLIN FLON
THE PAS
SWAN RIVER
DAUPHIN
BRANDON
WINNIPEG
SELKIRK
Oxford House
Norway House
Island Lake
Gods Lake
Warren Landing
Big Black River
Poplar River
NORTHERN MANITOBA
RESOURCES, TRANSPORTATION AND SERVICES
Scale: 1:1,000,000 Echelle
Legend:
NORTHERN AFFAIRS COMMUNITIES
POPULATION
0 - 49
50 - 199
200 - 499
500 - +
INDIAN RESERVES
POPULATION
0 - 49
50 - 199
200 - 499
500 - +
MUNICIPALITIES, L.G.D.'s & INCORPORATED TOWNS
MAJOR NORTHERN CENTRES
RESOURCES
• Hydro Electric
-generating stations
-control stations
• Mining
-zinc & copper
-nickel
-silver, copper, zinc & gold
• Forestry
-cutting areas
TRANSPORTATION & SERVICES
• Airstrips (M.O.T. Codes)
- C
- D
- emergency
• Roads
-paved
-gravel
-winter
• Railroads
• Ferry Crossings
• Water Systems
-WATER SYSTEMS PRESENTLY AVAILABLE
Source - well, reservoir, lake or river
Facility - pumphouse, treatment plant
Distribution - standpipe, house to house, truck delivery
Prepared by: Dept. of Municipal and Urban Affairs, Northern Planning Section
for: Dept. of Northern Affairs, Province of Manitoba. (July 1979)



Prepared by: Dept. of Municipal and Urban Affairs, Northern Planning Section
for: Dept. of Northern Affairs, Province of Manitoba. (July 1979)

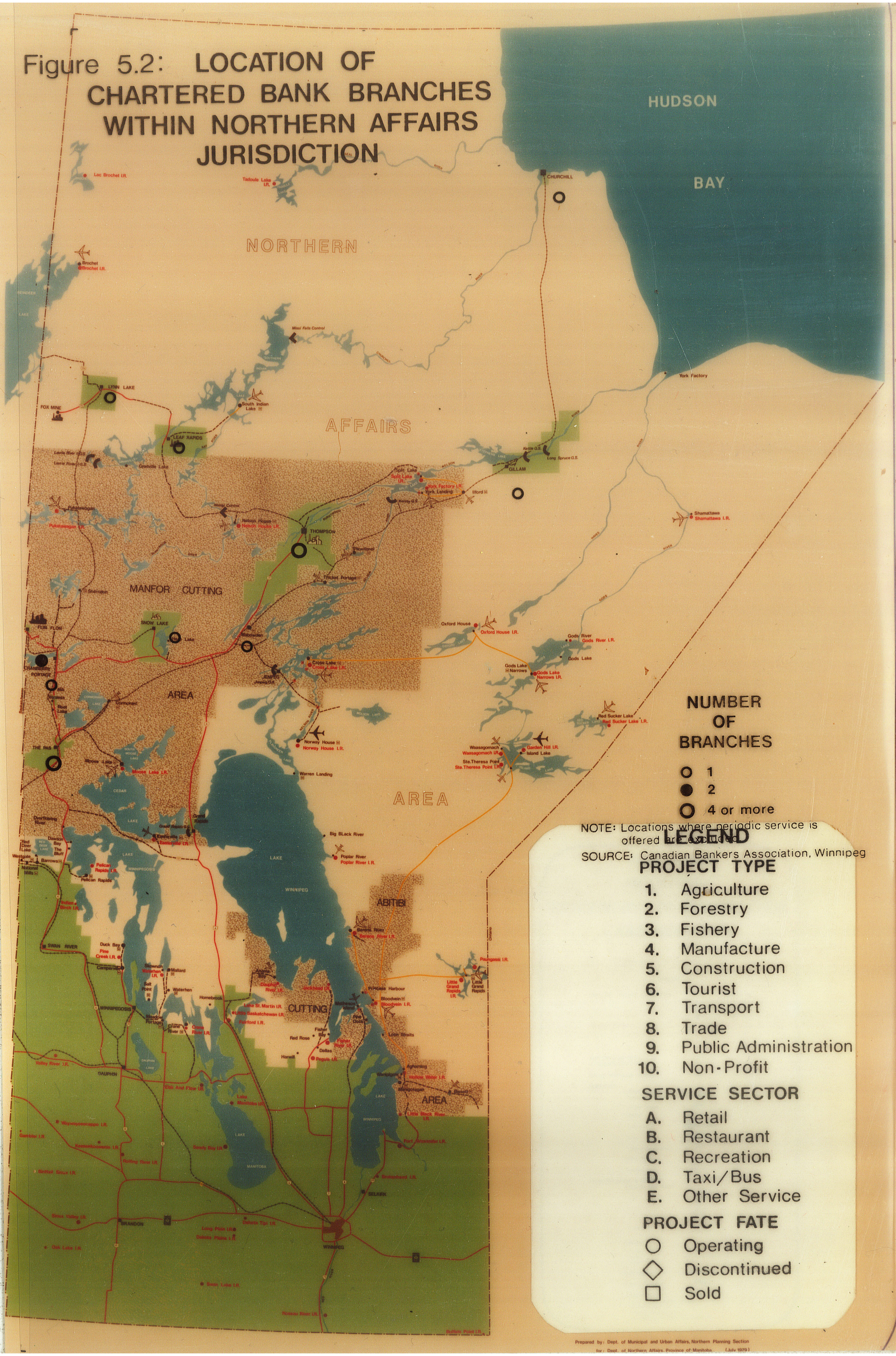
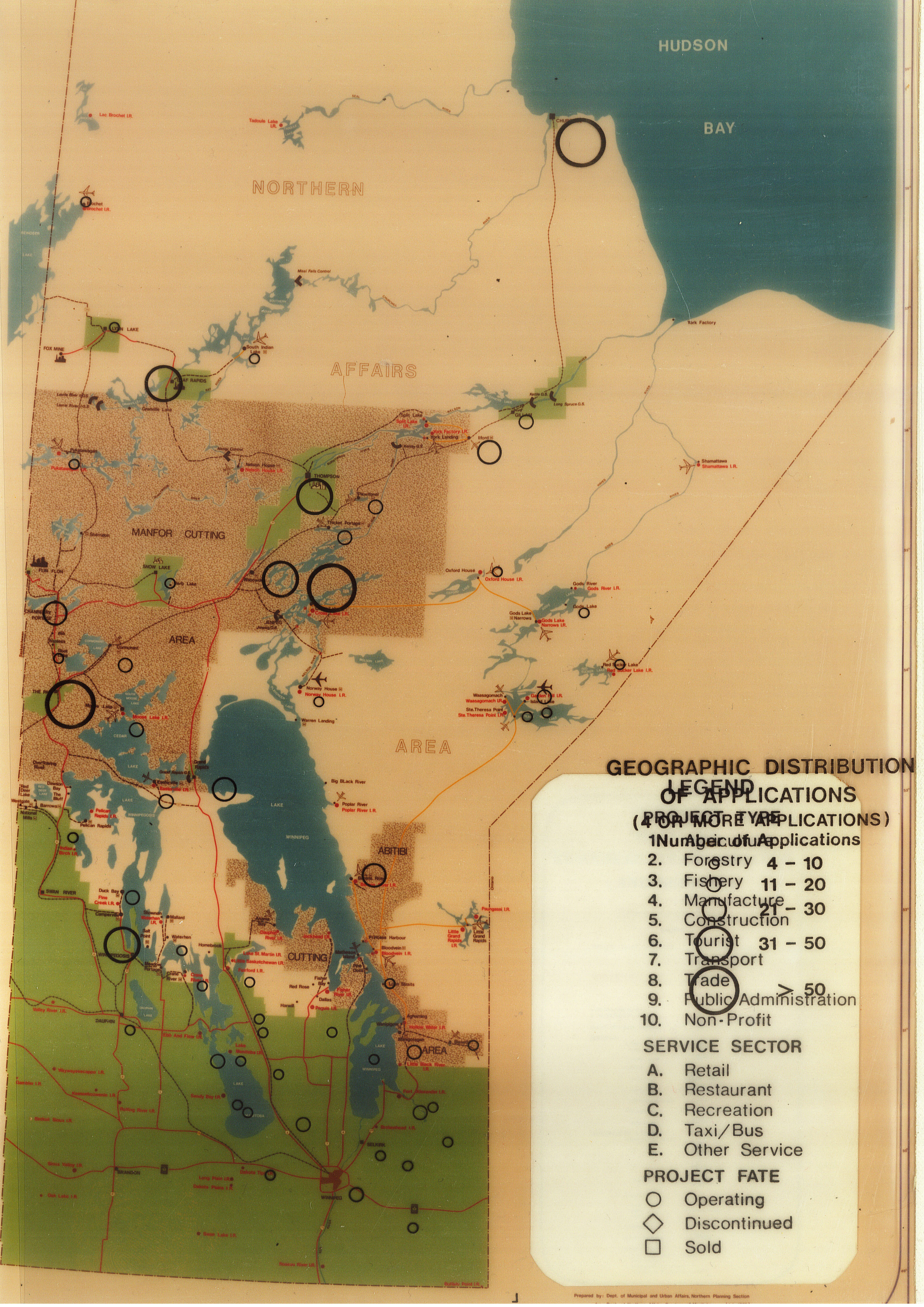


Figure 5.2: LOCATION OF CHARTERED BANK BRANCHES WITHIN NORTHERN AFFAIRS JURISDICTION

Figure 5.3


HUDSON
BAY
NORTHERN
AFFAIRS
AREA
MANFOR CUTTING
AREA
ABITIBI
CUTTING
AREA
LAKE
WINNIPEG
THOMPSON
GEOGRAPHIC DISTRIBUTION
OF APPLICATIONS
(4 OR MORE APPLICATIONS)
Number of Applications
4 - 10
11 - 20
21 - 30
31 - 50
> 50
LEGEND
PROJECT TYPE
1. Agriculture
2. Forestry
3. Fishery
4. Manufacture
5. Construction
6. Tourist
7. Transport
8. Trade
9. Public Administration
10. Non-Profit
SERVICE SECTOR
A. Retail
B. Restaurant
C. Recreation
D. Taxi/Bus
E. Other Service
PROJECT FATE
Operating
Discontinued
Sold

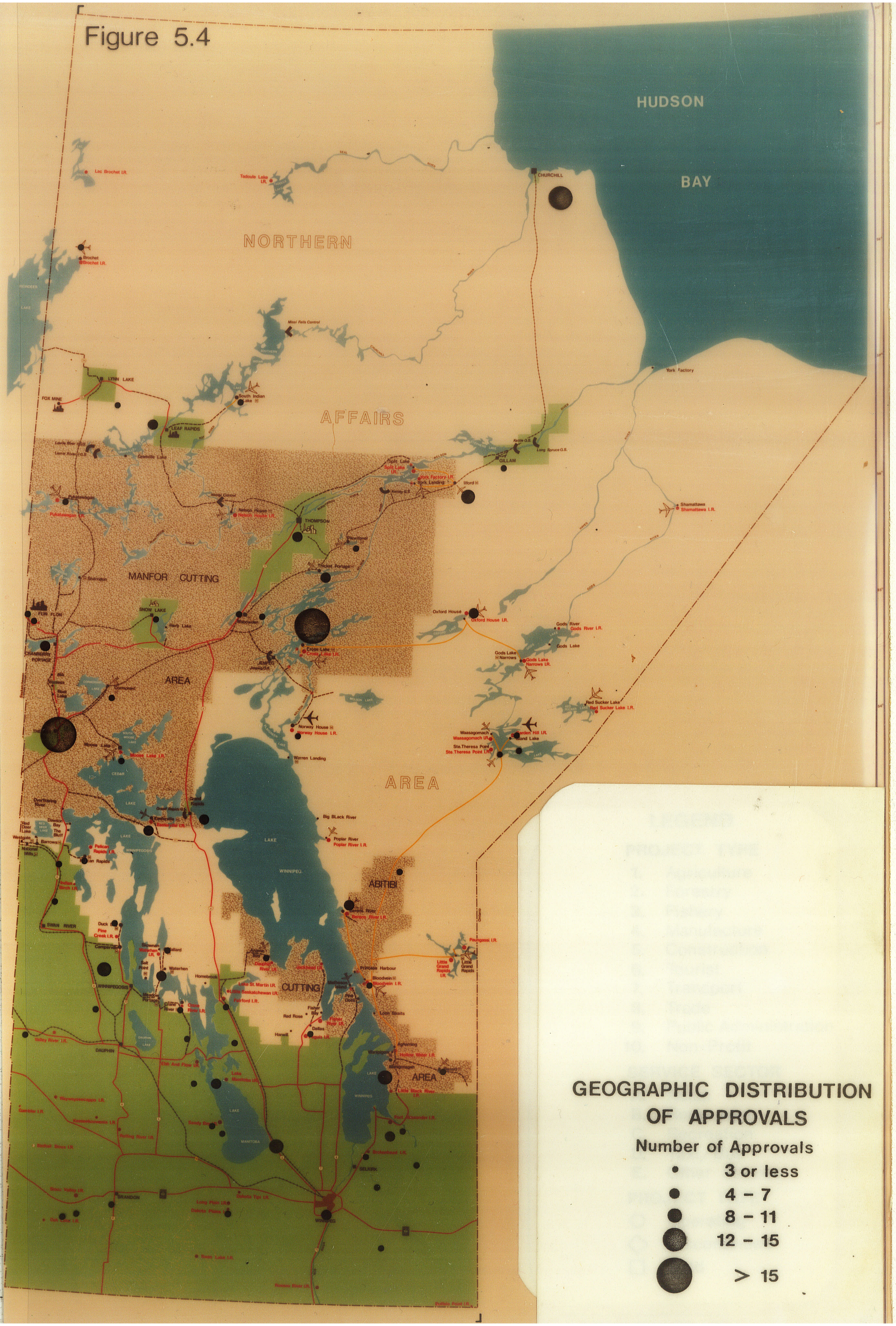

HUDSON
BAY
CHURCHILL
NORTHERN
AFFAIRS
AREA
MANFOR CUTTING
AREA
THOMPSON
GILLAM
ABITIBI
CUTTING
AREA
LAKE
WINNIPEG
Oxford House
Norway House
Warren Landing
Big BLack River
Poplar River
SWAN RIVER
WINNIPEGOSIS
DAUPHIN
BRANDON
SELKIRK
WINNIPEG
GEOGRAPHIC DISTRIBUTION
OF APPROVALS
Number of Approvals
3 or less
4 – 7
8 – 11
12 – 15
> 15

Figure 5.4

Figure 5.5
PRIMARY AND SECONDARY SECTOR PROJECTS

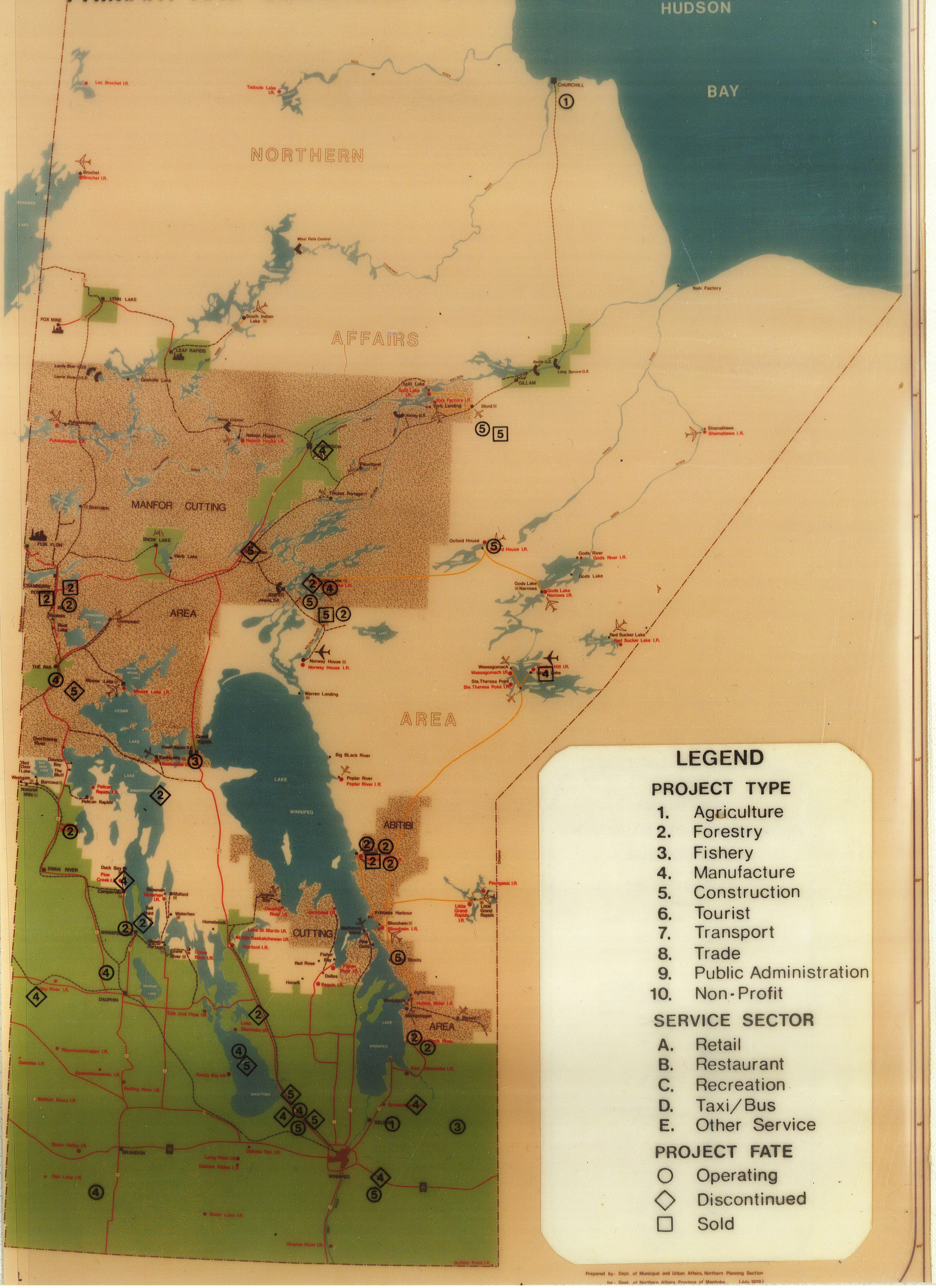


Figure 5.6
TERTIARY SECTOR PROJECTS (EXCLUDING SERVICE)

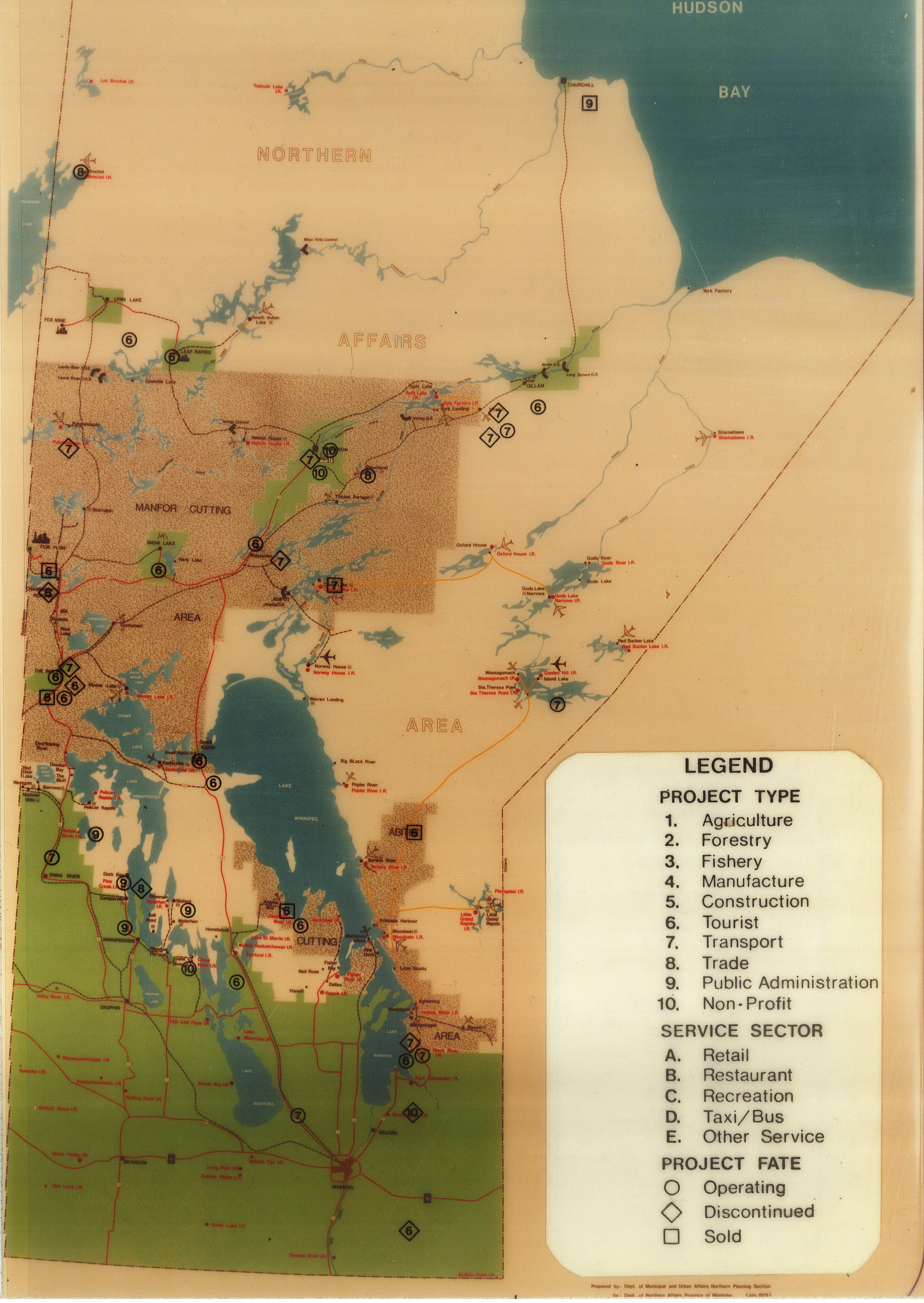


Figure 5.7
SERVICE SECTOR PROJECTS: RETAIL AND RESTAURANT

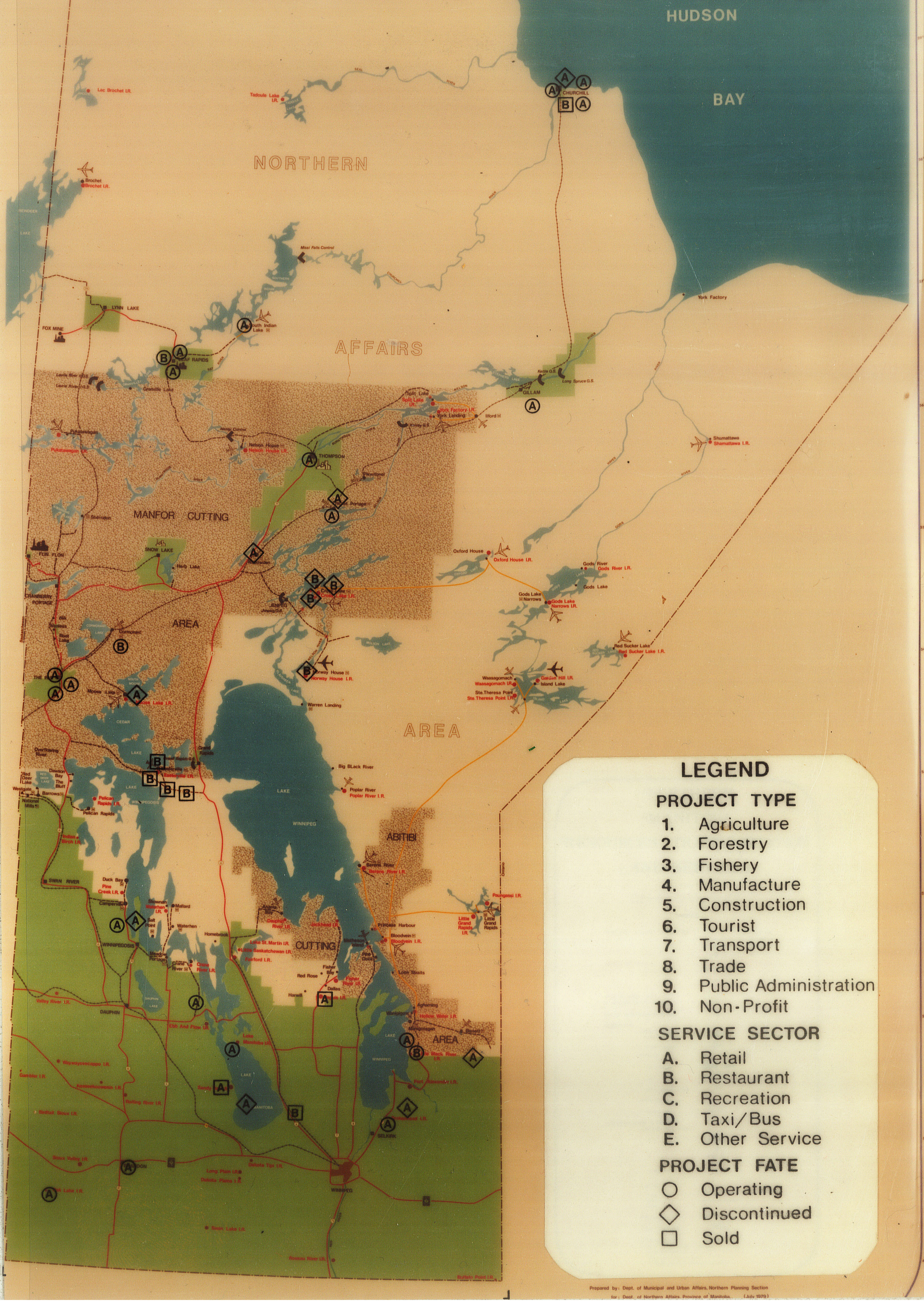
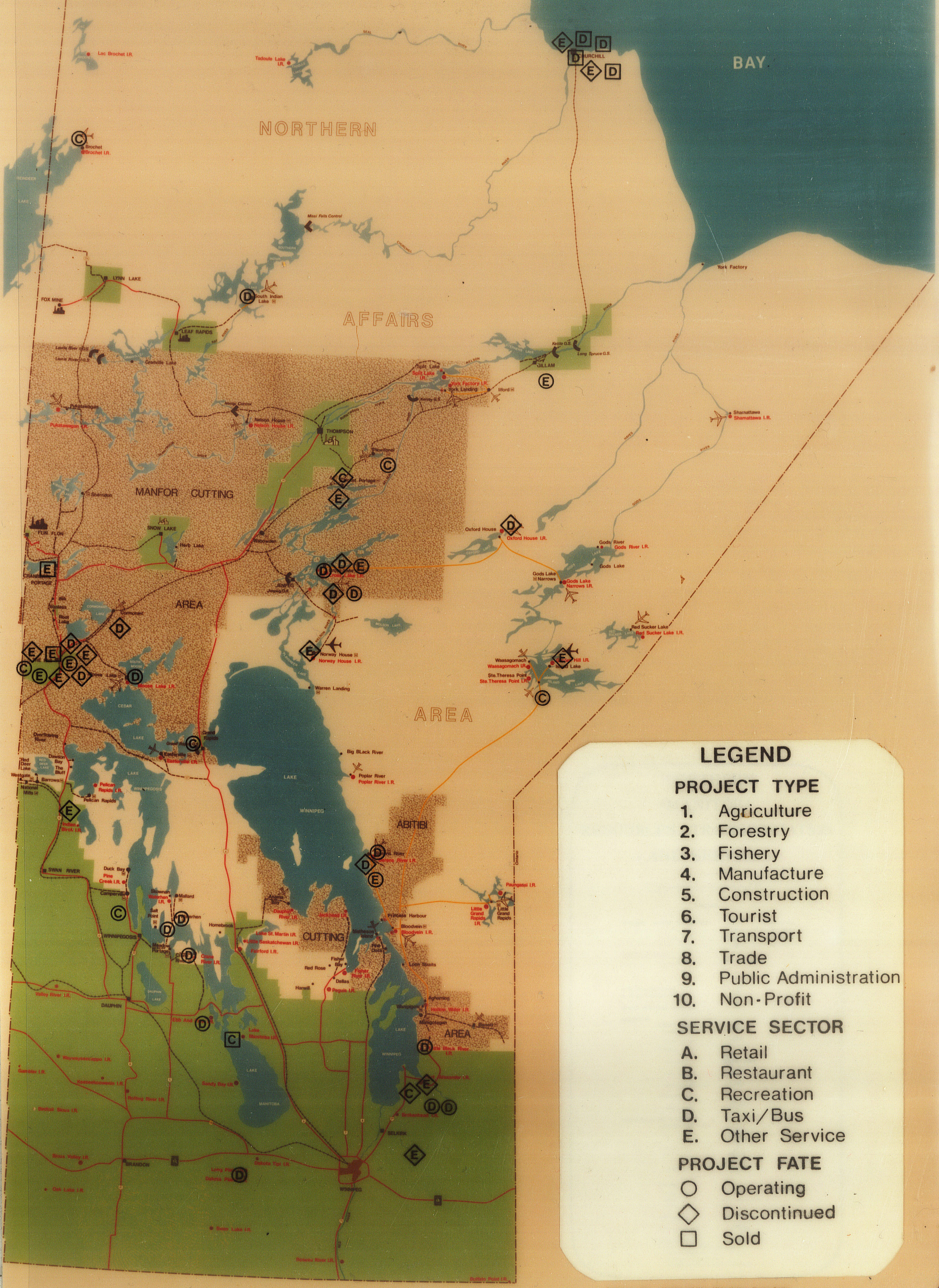


Figure 5.8

SERVICE SECTOR PROJECTS: RECREATION, TAXI/BUS AND OTHER SERVICE



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for: Dept. of Northern Affairs, Province of Manitoba. (July 1979)

CHAPTER 6

SUMMARY AND RECOMMENDATIONS

Data reviewed in this report indicate that CEDF's lending efforts were distributed over a wide range of clients, locations and economic activities. Roughly 65% of 184 projects were new. "Investment" appeared to have returned substantial local benefits in 63 locations, at small cost in terms of the Fund's financial losses.[1] Between 54% and 68% of projects continue to offer service, employment and income benefits.

Despite these accomplishments, there are weaknesses in the Fund's efforts. The most conspicuous of these continues to be reserve loans, in relation to which the CEDF's legislative directives conflict with its operational responsibilities. The Fund's most significant contribution to "optimum economic development" is provision of basic access to economic opportunity.

Given the Fund's current fiscal and managerial capacities, the range of economic opportunity which CEDF can offer appeared to be defined primarily by two considerations. The first of these is project-oriented; the second, management oriented.

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[1]Direct investment from other sources exceeded maximum possible financial losses by 2 million dollars, or roughly 18% of total finance.

Review of file data indicated that, in relation to numbers of economically disadvantaged applicants, "financial viability" and limited perception of opportunity constituted more important constraints than management potential. In relation to problems encountered by clients, basic management control functions appeared primary factors in loan default, as well as related to the type of project and (in the case of receivables,problems) the cultural/administrative identities of settlements in which projects operated. Recommendations for program improvement aim to increase access to economic opportunity by extending the range of eligible clients and activities, as well as increasing operational effectiveness.

6.1 Recommendations for Operational Improvements

Client Training - Lack of managerial skill has been identified as an important constraint on loan approval as well as a deciding factor in project failure and loan default. Management expertise in remote communities is then, as scarce a resource as venture capital itself. Under existing socio-economic conditions, any one of three basic options might be adopted in an effort to improve program effectiveness.

(1) reduced emphasis on distributional equity and assistance to disadvantaged clients through restricted approval criteria.

Operationalizing this option might take the form of conditional approval of applications, where financial analysis indicated project potential but the applicant's managerial skill is judged to be marginal or inadequate. Project financing would then be conditional on applicant training.

The consequences of this course, would certainly entail reduced access to opportunity for economically disadvantaged residents of remote native communities. The cost of training would effectively limit opportunity to applicants who could afford tuition fees and accommodation outside the community. For all practical purposes the distributional goal of providing opportunity to disadvantaged native people in remote communities would require:

(i) that the cost of training be underwritten in whole or in part by CEDF and other public agencies, and

(ii) that appropriate intensive training was available on a regular basis (i.e. short courses in small business management.)

The effectiveness of training would be expected to be greater where on-the-job training was available to direct and reinforce learning. To date, such training has been limited and periodic.

Restricted approval criteria might also apply limitations on the types of projects eligible for funding, where approval is contingent on a high probability for continued project operation and loan repayment. Restricted distribution of business opportunity would then combine with locational and management considerations.

(2) amendment of approval criteria.

Amendment of approval criteria might, alternatively, consider contribution to the limited stock of management skill in the north to be of sufficient importance that strict management criteria would be waived. Questionable management ability implies increased default rate, assuming it to be a necessary cost of promoting managerial skill and business exposure (the rationale being that initial business failure increases the probability of subsequent success). Loan approval for marginal applicants would effectively represent a low probability high yield investment (where the benefits derived from failed projects are assumed to outweigh the costs).

Suitable projects would require small loans for basic materials and tools, rather than major outlays for real property and large machinery investments (e.g. mechanics, tools and small motor parts; sewing machines and materials for crafts manufacture; greenhousing and bakery equipment: a variety of cottage industries could be financed for 5 to 10 thousand dollars). Such projects would allow experimentation with self-employment while providing limited Fund exposure, the potential for future expansion, and limited negative consequences in the event of business failure.

For non-reserve projects, this option of small scale activity would require consideration of taxation and welfare regulations. Initially, low project revenues would be inadequate replacements for income from welfare transfers should clients become ineligible for welfare. Physically disabled persons who are "unemployable" are currently trained and employed in "sheltered workshops" (retaining welfare income while earning a fraction of the provincial minimum wage). Analagous administrative arrangements might be established for clients residing in communities where employment is largely unavailable and self-employment is expected to yield inadequate income.

(3) Increased emphasis on disadvantaged clients with qualified approval subject to on the job training

Option 3 aims to extend the range of eligible applicants while maintaining or reducing default rate. The option is based on the premise that business "know how" is the deciding factor in "success" of larger projects, and that required managerial skill is more a function of practical application than of theory.

In consideration of the above options, it is recommended that a manual[2] of common management control problems for each kind of business be compiled, and the meaning of each relevant problem explained to clients, together with control procedures which may be used to identify, avoid and correct such problems. This recommendation applies particularly to cash flow and product marketing management functions.

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[2]This manual could be designed like the Fund's own, Manual of Operations, and serve essentially similar purposes (i.e. to outline basic operations performed by consultants.)

The above recommendations should be considered to represent a basic component of broader, <u>on-site</u> management training and support procedures for clients who request, or are judged to need management assistance. Intensive management assistance in coordinating purchase, delivery and possible site/outlet alterations would be of benefit to certain larger projects. Daily contact between consultant and client in initial project stages would likely benefit most projects. Where particular clients require basic instruction in record keeping and cash management, funds should be made available to provide such instruction (on a lesson by lesson basis where instruction is provided by northern based consultants and CEDF cost control is required).

Pursuant to on-site training, consideration should be given to establishing a field position for a northern consultant, preferably of Indian or Metis extraction. Assistance in initial implementation of the project could produce benefits in the form of efficient implementation, establishment of approximately standard business procedures, and mutual understanding of concerns between client and consultant. The hiring of a northern consultant could provide the above benefits in addition to providing ongoing training, monitoring and control function. The advisability of this recommendation could be expressed in approximate dollar terms by weighing past financial losses against expected reductions in the incidence of problems documented by this study.

Interest Rates - General price inflation would be expected to impact remote northern communities more severely than the general provincial population (owing both to rapidly rising fuel costs and relatively fixed incomes in many northern communities). Price inflation, when combined with high interest rates would be expected to significantly affect the financial prospects for many northern projects, as well as rate of application from small northern businesses in general.

In the past, the Fund has authorized incremental reductions in interest rates for projects which produce employment benefits. In light of the current high level of interest rates, it is recommended that the Fund reassess and reintroduce incremental reductions in interest rates to reflect beneficial project effects in the form of full-time or part-time employment of local residents.

Since the advantages of this policy would be expected to benefit medium scale projects to a degree greater than smaller projects, consideration should be given to restricting this policy to those projects which do not receive grant assistance, or to those where operating capital comprises the largest portion of expenditures. Thus, benefits from interest rate reduction would be applied to labour intensive medium scale projects, and small scale tertiary sector projects, rather than to projects where high capital costs are already subsidized. Limiting the application of this policy to projects in native communities might further ensure that benefits were weighted toward marginal, high cost projects.

Transaction Time - In some cases, delays in processing applications appeared to stem from a lack of coordination between CEDF and other agencies involved in project development, and from security documentation procedures.

Certain delays related to coordination of effort could be improved, particularly in the context of regional, federal and provincial development programs (the ARDA and Canada/Manitoba Northlands Agreement being good examples). Assuming continued joint funding efforts, problems related to sequential review of projects could be reduced by combining the following:

(i) inter-agency exchange of information and financial particulars for applications as soon as it is apparent that a joint financial effort will be required to meet agency conditions,

(ii) development of mutually agreeable evaluation and monitoring standards/criteria. This recommendation might best be implemented by establishing a task force, headed by an independent management professional, to establish suitable conditions and coordination procedures. In the context of regional developmental programs, a task force should consider broader issues relating small business development to major regional development plans.

The Fund is a lending authority with limited capital. Despite the fact that financial losses are currently underwritten by the Province, such losses potentially restrict future lending efforts (where inflation erodes the purchasing power of CEDF's current capital authority, requests for increased capital authority are denied on the basis of performance, or current financial arrangements are discontinued). Consequently, security documentation is an important component of operations, particularly for investment in larger projects. But secured assets do not necessarily offer protection against financial loss since, as a general rule, only about 1/4 of northern investments are recoverable through repossession and resale. Security documentation therefore acts primarily to maintain the Fund's image as a lender and to deter client breach of contract.

Since security documentation procedures can be both costly and time consuming, it is recommended that for small projects which can be financed at the discretion of the general manager, that the Board of Directors be empowered to waive security requirements. It is further recommended that a review of documentation requirements and procedures be commissioned to determine whether, in general terms, or for particular types of projects, the costs of securing and repossessing assets might outweigh the benefits.

Repossession of Security - Throughout the file review, numerous cases were encountered in which the costs of repossessing defaulted security rivaled or exceeded the market value of security. Maintenance of the Fund's lending efforts requires maintenance of the Fund's image as a lender, particularly where the client is considered by the Fund or the community to have acted in bad faith (a judgment which could more certainly be made if a northern field officer and/or northern instructors were active). It is therefore recommended that where the costs of repossessing security are expected to equal 75% or more of the expected market value of security (including consultant time in administering repossession), that repossession of security be foregone, except where the client has been judged by the Fund to have acted in bad faith or the project will be discontinued regardless of repossession actions.

Information Systems - The purpose of this evaluation has been to assess programming with a view to its improvement. Considerable time and effort was therefore devoted to assembling information concerning program outputs, with the consequence that limited time was available for developing community-based information. Accurate assessment of goal fulfillment (program effectiveness) requires community-based as well as program oriented information.

More extensive information gathering would have been feasible, from the standpoint of allocating evaluation resources, if consistent summary data had been available from files. In view of the ongoing needs for program evaluation, and internal reporting of CEDF activities, it is recommended that summary information on program outputs be kept on file. Appendix 9 presents suggested elements of summary information, and is designed to facilitate periodic internal reporting and account review activities, as well as to augment and consolidate information contained in the Basic Interview and Loan Statistics records.

6.2 Recommendations for Distributional Improvements

Geographic Location - Review of applications for CEDF assistance indicated need for last resort finance in numerous functionally remote communities not included in the Northern Affairs planning region. Policy guidelines of August 1980, explicitly restrict CEDF financial assistance to locations defined in the Northern Affairs Act. On the whole, need for community development assistance in the north is greater than in the south, but conspicuous exceptions to this generality exist throughout Manitoba.

Greater northern need for CEDF service could be reflected in guidelines which restricted training efforts to northern communities, and/or established a ceiling on southern lending. Greater numbers of commercial lending institutions in southern Manitoba, and the high level of other public agency investment documented in Chapter 3, suggested that current restrictions on geographic distribution of lending should be reconsidered. Exceptions to the current location criteria are recommended to be based on the following considerations:

1. where the proposed project constitutes a demonstrable improvement to the diversity of services and employment potential available within a community, or a group of communities,

2. where bank finance is contingent on CEDF guarantees, or grant funding is contingent on CEDF bridge finance, that requests for financial assistance from applicants residing in communities south of Northern Affairs jurisdiction be considered eligible for financial assistance.

Restriction on Reserve Loans - The current federal/provincial stalemate over financial assistance to Treaty Indians must be overcome if the potential for commercial self-reliance on reserves is to be realized. Institutional means for circumventing real property obstacles to securing loans can be implemented. It is therefore, recommended that negotiation between representatives of CEDF, the federal Department of Indian Affairs and Northern Development (DIAND), the Indian Economic Development Fund (IEDF), and other interested organizations be proposed by CEDF. Negotiations should undertake to effectively resolve the issue of reserve security by:

1. setting a ceiling on amounts to be secured on reserve by IEDF and local band councils, and/or,

2. establishing mutually agreeable criteria on the types of projects to be secured, and/or,

3. some other combination of eligibility criteria, possibly involving grant funding agencies, or regional development programs.

6.3 Recommendations for Developmental Improvements

Analysis of files indicated limited diversity in perception of business opportunities on the part of applicants, and limited financial prospects for those opportunities which were perceived. Means by which higher "success rates" might be realized for business opportunities which were actionable, have been reviewed under operational recommendations. The documented level of need in northern communities, and the substantial reduction in numbers of applications received by CEDF from remote communities, combine to constrain the level and kind of economic development which can be realized through response oriented CEDF programming as it currently operates.

The role of CEDF in marginal and functionally remote local economies is unique. The importance of the Fund's role is derived from both providing business and service development, and providing access to economic opportunity for disadvantaged individuals and groups. Increased benefits from business/service development and opportunity access could be derived from an extended developmental role for CEDF. Extended CEDF service might combine a number of forms, but in the short term is limited to two general approaches:

1. Broaden the input base to which CEDF responds and thus, the range of proposals to which the Fund is able to respond.
2. Augment or replace response orientation with a more active outreach role.

In relation to business/service development, the option of broadening input implies an increased emphasis on expanded access to opportunity, particularly in remote northern communities. The objective would be to increase awareness of business opportunities through providing information and consultation services. CEDF's referral and coordination functions would become more important components of programming, and be directed to matching enterpreneurial needs with available resources. Examples of specific actions which could be taken to broaden the input base are:

(i) Implementation of a referral follow-up procedure. Such services would ensure that required assistance was secured by applicants, or that all possible sources of assistance had been thoroughly investigated. Referral follow-up would be particularly valuable where technical information and research are important components of unusual production processes (note that the limiting factor in such processes is as likely the ability to comprehend technical information as the implementation of a project which would require sophisticated management skills (small scale animal husbandry and horticulture being good examples of such projects)).

(ii) Greater coordination of effort with regional scale programs (eg. Northlands) and institutions (eg. regional development corporations) might serve to clarify small scale business opportunities and regional development objectives. Diffusion of information could be promoted informally (through CEDF consultants and Board members) or preferably, through periodic circulation of information bulletins which would report the Fund's activities and major activities and programs conducted by other agencies.

(iii) Active advertisement of CEDF program objectives and services offered. Some form of CEDF advertisement is required to maintain awareness of opportunities offered through CEDF services in geographically remote communities. Explicit statement of the Fund's willingness to support small production and service projects (eg. crafts, mechanical services), as well as examples of past CEDF sponsored projects, would be expected to stimulate proposals which are appropriate to the current and potential scope of CEDF operations.

(iv) Increased emphasis within CEDF on product marketing services. Extension of marketing analysis could be combined with a referral service and would emphasize expansion and strengthening of existing business, as well as providing "high-level" management support for one of the more problematic aspects of new production oriented projects.

Augmenting or replacing CEDF's response orientation with an active role in initiating business development (option 2), implies an increased emphasis on business/service development (relative to opportunity access), and would entail a number of difficult political considerations. Resolution of technical and methodological problems related to identifying and priorizing community needs does not represent a major barrier to implementing an outreach approach.

Local politics are such that projects initiated directly by the Fund (such as those which might follow from matching a list of eligible local entrepreneurs to prospective business opportunities--as is the practice of the Newfoundland/ Labrador Development Corporation) would likely be resented by the majority of local citizens who would be excluded from such efforts due to lack of conspicuous business acumen. Proposals for production and service projects which had been identified as economically advantageous and important, could be developed and initiated by CEDF in several ways, the two most obvious of which are:

(i) through consultation with existing community development corporations and local governments (who would establish CDC's as a prerequisite for financial assistance). Consultation would identify preferences and priorities in the range of possible projects, and establish the necessary management and control functions.

(ii) through active advertisement within communities, of CEDF's willingness to support specific types of projects which had been determined to represent important potential contributions to the stock of services available within designated communities. Such advertisements might include a basic set of services which all communities should enjoy, and would invite applications for projects which would contribute to providing basic services.

In general terms, local government involvement and/or sanction would be a prerequisite for successfully implementing and managing an outreach approach. Increased CEDF staff resources and services are implied by the outreach option, which might most effectively be implemented by establishing a regional CEDF office in a major northern centre (eg. Thompson).

The option which is preferred will reflect complex considerations, many of which are beyond the immediate scope of CEDF programming. CEDF will continue to operate in the context of a larger regional development framework. As well as providing opportunities for local self-reliance, CEDF programming contributes to both the stock of management expertise in remote communities and the provision of services. Given present demographic trends, need for management skills and basic services will continue to increase, particularly in native communities. CEDF's ability to meet increased economic need will depend on the Fund's ability to extend the range of actionable opportunities in remote locations.

APPENDIX I

FIELD INTERVIEW QUESTIONNAIRE

GENERAL QUESTIONS			APPLICANT GROUP
1.		How did you hear about CEDF?	All
2.	(a)	Why did you start business or project?	All
	(b)	Why did you not take the loan?	A4
	(c)	Why did you not get loan?	B, C
	(d)	Why did you not continue with your application?	D
3.	(a)	What did the Fund do for you?	All
	(b)	What did the Fund not do for you that you think it should have?	All
4.		When you first talked to CEDF, how did they respond?	All

ATTITUDE

5.	(a)	Do you know what CEDF is doing in your community and in the North?	All
	(b)	What do you think a development agency should be in the North?	All
	(c)	What suggestions would you make for improving the Fund if you ran it?	All
6.	(a)	Did CEDF serve your needs?	All
	(b)	What needs do you have that CEDF did not serve?	All
	(c)	How would you rate CEDF service?	A & C
7.	(a)	If you needed another loan, would you go back to CEDF?	A & C
	(b)	Would you recommend CEDF to your friends? ...	All
	(c)	Would you apply to CEDF again?	B,C & D
	(d)	Why did you not pay back the loan?	A2
	(e)	Did CEDF take too long to think about your application?	All
	(f)	Did CEDF ask you anything, or ask you to do anything that you didn't think was right?	All
	(g)	Do you still think your original idea was good?	All
8.	(a)	Do you think CEDF should make just loans? ...	All
	(b)	Do you think CEDF should try to get their money back when someone doesn't pay?	All

SOCIAL

9.	(a)	What changes did the project make in your life?	A
	(b)	Were the changes mostly good, bad or so/so?	A
	(c)	Did your contact with CEDF change your feelings?	B,C & D

SOCIAL CONT'D | APPLICANT GROUP

10. (a) Do you think your project helped your community? .... A
    (b) How do you think it helped? .... A

11. (a) What are you doing now? .... All
    (b) What were you doing different when you had the project? A2

12. (a) What problems did you have when you started? A's
    (b) What problems did you have when you started running it? .... A's

ECONOMIC

13. (a) Could you have started without CEDF? .... A
    (b) Did you go ahead with the project without CEDF? .... B
        i. How did it turn out? ....
    (c) Did CEDF refer you to other people for money? C
        i. did you get it? Why/why not? C
        ii. how did the project turn out? C
        iii. who did you get money from? C
        iv. was the money hard to get? C

    (d) How long did your project run? A2
    (e) Did you stay at your project after you paid your loan? A1

14. (a) After you get your CEDF loan, did you ever try to get a loan from someone else? .... A1 & 2
    (b) Did you get a loan from someone else? .... A1 & 2
    (c) Did they give you service as good as CEDF? A1 & 2

15. Did your income change after the project? .... A

16. (a) How many people did you hire? .... A
    (b) Were they all local? .... A
    (c) Did you have trouble with them? .... A
    (d) What jobs did your workers have? .... A
    (e) What was their pay like? .... A

17. Do you think it is important for a person to have equity in a project? .... All

* * * * * *

APPENDIX 2

2.0 THE STRUCTURE AND USE OF APPLICATION CODES
2.1 CLASSIFICATION SCHEME FOR CEDF APPLICATIONS
2.2 GEOGRAPHIC DISTRIBUTION OF SUB-GROUP FOR REFUSAL CLASS
2.3 SECTORAL DISTRIBUTION OF SUB-GROUP FREQUENCIES FOR REFUSAL CLASS
2.4 DISTRIBUTION OF SUB-GROUP FREQUENCIES FOR REFUSAL CLASS BY APPLICATION TYPE

APPENDIX 2.0

THE STRUCTURE AND USE OF APPLICATION CODES

The data set was structured to record information on up to 7 financial applications per account. Application codes were designed primarily to record the outcome of an application, and secondarily to record the reason for the outcome (Appendix 2.1) In 84 cases more than one outcome, or more than one reason for an outcome was recorded for either or both of the first two applications.

In each case, the application was classified according to the first code. Reasons for refusal were used as direct indicators of CEDF appraisal criteria, and indirect indicators of socio-economic conditions (within which appraisal criteria were applied). Consequently, the breakdown of those 84 cases was important in establishing the validity of the classification scheme, and interpretations based on it. The 84 cases were distributed as follows:

i.	More than 1 outcome	
	- referred to more than 1 source of assistance	5
	- undeveloped and referred	6
	- refused and referred	17
		28
ii.	More than 1 reason for the outcome	48
	(applies to applications which were refused. The distribution of secondary reasons for refusal appears in each of appendices 2.2 - 2.4)	
iii.	Other (eg. referral with non-loan)	8
		84

The conclusions which follow from a detailed examination of duplicate codes are as follows:

i) CEDF's referral function was slightly under-represented by the classification scheme presented in Table 2.0.

ii) a. Frequency of refusal was essentially unaltered by inclusion of secondary reasons for refusal. Project characteristics remained the dominant reasons for refusal of applications, though the importance of management characteristics was slightly understated.

b. The relative distribution of reasons for refusal within project and management sub-groups was essentially unchanged, though the importance of "management expertise" (B 3C subgroup) appeared to have been substantially under-represented, particularly as regards applications from "NA Community only" locations, and as regards applications for retail business (See Appendices 2.2 and 2.4).

APPENDIX 2.1
CLASSIFICATION SCHEME FOR CEDF APPLICATIONS

A -- accepted for CEDF financing

1. repaid loan
2. defaulted loan
3. current loan (active)
4. loan approved but no disbursements made

   a. loan payment regular (repaid) and business appears stable and on-going

   b. project management, remains a problem and future uncertain

   c. unstable business continues with on-going support and/or subsidy from CEDF or other public agency

   d. business terminated

   e. business sold to community or other

B -- rejected

1. loan size, location or project characteristics exceed mandate (including policy restriction on lending)

2. project characteristics unacceptably risky

   a. extant competition (or expected)

   b. insufficient market for product

   c. loan size precludes viability (principle + interest + personal income)

3. management characteristics unacceptably risky

   a. inadequate security

   b. excessive liabilities

   c. doubtful expertise and ability

   d. personal qualities

4. required layering is not possible or has yet to be secured.

5. lack of community support (or opposition)

6. lack of community interest in profits or project.

C -- referred to

1. alternative financing

   a) commercial
   b) DIAND/IEDF
   c) ARDA
   d) MDC
   e) LIP
   f) Provincial Line Department
   g) Canada Council
   h) FBDB (IDB)
   i) Secretary of State

2. training programs

   a) CASE (Canada Assistance for Small Enterprise)
   b) other institutions on informal training

3. consulting services (research)

   a) project development ("pro forma")
   b) project assessment including research grants

D -- lack of response to CEDF "prospect"

1. initial application not forthcoming following client contact (assumption: file creation indicates inquiry potential).

2. initial application followed by request for complete project analysis and cost breakdown--no response.

3. initial application approved and request withdrawn.

4. CEDF conditions not met (i.e. initial application financially adequate but subject to institutional agenda: e.g. layering or jurisdiction)

5. project application being processed while subject of application changed e.g. alternative purchase of business arranged.

E -- other

1. administration of trusts

2. not a loan application e.g. inter-agency discussion and policy formulation.

APPENDIX 2.2 A GEOGRAPHIC DISTRIBUTION OF SUB-GROUP FREQUENCIES FOR REFUSAL CLASS

Geographic Location	Frequency of Reason for Refusal											
	Mandate	Project				Management				Other	Total	
	B1	B2	B2A	B2B	B2C	B3A	B3B	B3C	B3D	B4	Total	Percent
North of Northern Affairs												
*Urban LGD	23(1)	3	–	6(1)	11(1)	2	6(2)	1(1)	1	2	55(6)	5.3
Non-Urban LGD	3	1	–	–	3	1	(1)	1(1)			9(2)	0.9
*NA Community and Reserve	4(1)	1	7(1)	8(1)	8	1(1)	2(2)	2(1)		6(1)	39(8)	3.8
Reserve Only	1	–	1	1	5		1	1	1	(1)	11(1)	1.1
*NA Community Only	8	1	3(1)	12(1)	13(3)	5	7(3)	8(7)	3	9	69(15)	6.6
Non Community	3				1					1	5	0.5
Unorganized Community			1								1	0.1
South of Northern Affairs												
Reserve	–		1	1	3		(1)			1	6(1)	0.6
Non Reserve	25(2)	1	3(1)	7(1)	8(2)	2	3(2)	2(3)	1(1)	5(1)	57(13)	5.5
Unrecorded	–	–	–			1	(1)	(1)			1(2)	0.1
Total	67(4)	7	16(3)	35(4)	52(6)	12(1)	19(12)	15(14)	6(1)	24(3)	253(48)	
Total Percent	6.5	0.7	1.6	3.4	5.0	1.2	1.8	1.4	8.6	2.3		24.5

B1 Mandate
B2 Unspecified Project Characteristics
B2A Existing Competition
B2B Insufficient Market
B2C Loan Size

B3A Inadequate Security
B3B Excessive Liabilities
B3C Doubtful Expertise
B3D Personal Qualities
B4 Other (includes 1 unspecified refusal in each)

( ) Indicates secondary reasons for refusal

APPENDIX 2.3 SECTORAL DISTRIBUTION OF SUB-GROUP FREQUENCIES FOR REFUSAL CLASS

Economic Sector	Frequency of Reason for Refusal											
	Man-date	Project				Management			Other			
	B1	B2	B2A	B2B	B2C	B3A	B3B	B3C	B3D	B4	Total	Percent Total
Primary												
Agriculture				1	1				1		3	0.3
Forestry			1	4	1	3	1 (2)	1 (2)	1		12 (4)	1.2
Secondary												
Manufacture	5			3	1 (1)	–	1	(1)			10 (2)	1.0
Construction	4 (1)	1	1	5	3 (1)		(1)	2	(1)	1 (1)	17 (5)	1.6
Tertiary												
Transportation	5	1	3 (1)	5 (2)	6 (1)	1	2 (3)	(1)		2	25 (8)	2.4
Trade	3 (1)	–					2 (2)				5 (7)	0.5
Tourist	9	1	1 (1)	(1)	6 (1) (1)	1 (1)		2 (1) (8)	1	9 (1) (1)	30 (13)	2.9
Retail*	24	–	10	5 (1)	11 (1)	4	9	5	1	9	78 (1)	7.5
Restaurant	3	1		2	4	1		1		1	13 (2)	1.3
Recreation	4	1	(1)	3	4		(1)	2			14 (1)	1.4
Taxi/Bus	3 (2)	–		4	7		1 (1) (1)		1	2	18 (4)	1.7
Other Service	2	2		2	4	1	3	1 (1)	1		16	1.5
Non Profit	2	–		–	1						3	0.3
Unrecorded	3			1	3	1	(1)	1			9 (1)	0.9
Total	67 (4)	7	16 (3)	35 (4)	52 (6)	12 (1)	19 (12)	15 (14)	6 (1)	24 (3)	253 (48)	
Total Percent	6.5	0.7	1.6	3.4	5.0	1.2	1.8	1.4	0.6	2.3		24.5

B1 Mandate
B2 Unspecified Project Charac.
B2A Existing Competition
B2B Insufficient Market
B2C Loan size
B3A Inadequate Security
B3B Excessive Liabilities
B3C Doubtful Expertise
B3D Personal Qualities
*B4 Other (includes 3 unspecified retail refusals)

( ) Indicates secondary reasons for refusal

APPENDIX 2.4 DISTRIBUTION OF SUB-GROUP FREQUENCIES FOR REFUSAL CLASS BY APPLICATION TYPE

Project Type	Man-date	Project				Management				Other		
	B1	B2	B2A	B2B	B2C	B3A	B3B	B3C	B3D	B4	Total	Total Percent
New*	$44^{(4)}$	2	$12^{(2)}$	$28^{(3)}$	$40^{(6)}$	9	$14^{(9)}$	$10^{(13)}$	6	$19^{(3)}$	$184^{(40)}$	17.8
Purchase Existing*	13		$4^{(1)}$	2	10	$2^{(1)}$	$3^{(2)}$	$4^{(1)}$	(1)	5	$43^{(6)}$	4.1
Expand Existing	5	2		$4^{(1)}$	1		1				$13^{(1)}$	1.3
Refinance Existing	2	1		1			1				5	0.5
Unrecorded	3	2			1	1	(1)	1			$8^{(1)}$	0.8
Total	$67^{(4)}$	7	$16^{(3)}$	$35^{(4)}$	$52^{(6)}$	$12^{(1)}$	$19^{(12)}$	$15^{(14)}$	$6^{(1)}$	$24^{(3)}$	$253^{(48)}$	
Total Percent	6.5	0.7	1.6	3.4	5.0	1.2	1.8	1.4	0.6	2.3		24.5

B1 Mandate
B2 Unspecified Project Charac.
B2A Existing Competition
B2B Insufficient Market
B2C Loan size
B3A Inadequate Security
B3B Excessive Liabilities
B3C Doubtful Expertise
B3D Personal Qualities
*B4 includes 2 unspedified new and unspecified purchase existing

( ) Indicates secondary reasons for refusal

APPENDIX 3

SUMMARY OF APPLICATIONS BY LOCATION, COMMUNITY AND TRANSPORTATION MODE

APPENDIX 3

Classification of community location ideally includes consideration of demography, transportation and service characteristics, and socio-economic and spatial relationships between communities. A far simpler classification of location was adopted for analysis and review of data. Locations are classed primarily according to the Northern Affairs planning region boundary. Secondarily, the kind of settlement/location is classed according to 'institutional identity'. In addition, a less than satisfactory attempt was made to distinguish smaller Local Government Districts from larger regional centres (a distinction which might be elaborated on a number of characteristics which were not systematically analyzed). A summary of applications according to community and location appears below. Data are arranged under each of four classes of available transport mode. Errors in coding location are also noted.

CODING ERRORS

Community	Coding Error	Number of Applications Affected
1) L Grand Rapids	should be Reserve Only under Plane and Winter Road access	2
2) Wanipigow	should be NA only	2
3) Jenpeg River	should be Non-Community	1
4) Cross Lake	access should be coded Road	tables not affected

ACCESS=ROAD

LOCAT	COMUN	ACCEPT	EXCEPT	REJECT	REFER	UNDEV	OTHER	TOTAL
•		157	12	186	85	274	12	726
LGD URBAN		37	4	37	24	82	4	188
LGD NON URBAN		7	0	9	4	12	0	32
NA COM & RES		15	3	13	6	21	0	58
RESERVE ONLY		5	0	7	4	12	1	29
NA COM ONLY		38	0	54	11	69	1	173
NORTH NOT NA		1	0	1	3	2	0	7
NON COMMUNITY		0	0	2	0	2	0	4
SOUTH : RESER		11	1	6	4	18	1	41
SOUTH : NON R		42	4	57	29	56	4	192
OUT OF PROV		1	0	0	0	0	1	2
LGD URBAN	FLIN FLON	0	1	1	0	3	0	5
	LEAF RAPIDS	5	1	3	7	14	1	31
	LYNN LAKE	0	0	2	0	3	0	5
	SNOW LAKE	3	1	1	0	2	0	7
	THE PAS	22	1	18	15	50	2	108
	THOMPSON	7	0	12	2	10	1	32
LGD NON URBAN	GRAND RAPIDS	7	0	6	3	10	0	26
	L GRAND RAPIDS	0	0	1	1	0	0	2
	WANLESS	0	0	2	0	2	0	4
NA COM & RES	CRANE RIVER	2	0	2	0	2	0	6
	EASTERVILLE	7	0	1	4	5	0	17
	MOOSE LAKE	2	0	7	1	8	0	18
	NELSON HOUSE	0	1	0	0	2	0	3
	NORWAY HOUSE	3	2	2	1	2	0	10
	PELICAN RAPIDS	1	0	1	0	1	0	3
	SKOWNAN	0	0	0	0	1	0	1
RESERVE ONLY	FAIRFORD	1	0	5	1	3	0	10
	FISHER RIVER	0	0	0	1	0	0	1
	JACKHEAD	0	0	0	1	0	0	1
	KOOSTATAK	0	0	0	0	2	0	2

		[illegible]	[illegible]	[illegible]	[illegible]	UNDEV	OTHER	TOTAL
RESERVE ONLY	LK ST MARTIN	0	0	0	0	2	0	2
	PEGUIS	0	0	0	0	0	1	1
	PINE CREEK	0	0	0	0	1	0	1
	(2) WANIPIGOW	0	0	0	0	2	0	2
	WATERHEN	4	0	2	1	2	0	9
NA COM ONLY	ANAMA BAY	2	0	0	0	1	0	3
	BARROWS	0	0	2	0	1	0	3
	BISSETT	1	0	1	0	2	0	4
	CAMPERVILLE	8	0	13	2	14	0	37
	CORMORANT	2	0	3	1	9	0	15
	CRANBERRYPORTAG	6	0	9	2	6	0	23
	DALLAS	1	0	0	0	1	0	2
	DUCK BAY	3	0	7	1	9	0	20
	(3) JENPEG JNCT	0	0	1	0	0	0	1
	MALLARD	1	0	1	0	0	0	2
	MANIGOTAGAN	11	0	4	1	1	1	18
	MEADOW PORTAGE	0	0	0	0	1	0	1
	NATIONAL MILLS	0	0	1	1	0	0	2
	PINE DOCK	0	0	0	0	4	0	4
	SEYMOURVILLE	0	0	1	1	1	0	3
	WABOWDEN	3	0	10	2	19	0	34
	WESTGATE	0	0	1	0	0	0	1
NORTH NOT NA	CHANNING	1	0	0	0	0	0	1
	HODGSON	0	0	1	1	2	0	4
	MANIBRIDGE	0	0	0	1	0	0	1
	PONTON	0	0	0	1	0	0	1
NON COMMUNITY	BAKERS NARROWS	0	0	1	0	0	0	1
	KANUCHUENRAPIDS	0	0	0	0	1	0	1
	SUNSET BEACH	0	0	1	0	0	0	1
	WELLMAN LAKE	0	0	0	0	1	0	1
SOUTH : RESER	BROKENHEAD	0	0	1	1	0	1	3
	BUFFALO POINT	0	0	1	0	0	0	1
	EBB & FLOW	1	0	2	0	8	0	11
	FORT ALEXANDER	5	1	1	2	2	0	11
	LITTLE BLACK R	0	0	0	1	0	0	1
	LONG PLAINS	1	0	1	0	0	0	2
	SANDY BAY	2	0	0	0	6	0	8
	SCANTERBURY	2	0	0	0	0	0	2
	SIOUX VALLEY	0	0	0	0	2	0	2
SOUTH : NON R	ALONSA	0	0	1	1	0	0	2
	ALTONA	0	0	0	1	0	0	1
	AMARANTH	1	1	1	1	3	0	7
	ARNES	0	0	0	1	0	0	1
	ASHERN	0	0	1	1	1	1	4

LOCAT	COMUN	ACCEPT	EXCEPT	REJECT	REFER	UNDEV	OTHER	TOTAL
SOUTH : NON R	BEAUSEJOUR	2	0	3	0	0	0	5
	BIRCH RIVER	1	0	0	0	0	0	1
	BOWSMAN	0	0	1	0	0	0	1
	BRANDON	1	0	1	0	0	0	2
	CAMPER	0	0	0	0	1	0	1
	CAYER	1	0	0	0	0	0	1
	CLANDEBOYE	0	0	0	0	1	0	1
	COWAN	0	0	0	0	1	0	1
	DAUPHIN	0	0	2	1	3	1	7
	DEERHORN	0	0	0	0	1	0	1
	DELORAINNE	0	0	0	0	1	0	1
	ELMA	0	0	0	1	1	0	2
	ERIKSDALE	0	0	1	1	2	0	4
	ETHELBERT	2	0	0	0	0	0	2
	FISHER BAY	0	0	1	1	1	0	3
	GIMLI	0	0	3	0	0	0	3
	GLENBORO	0	0	0	0	1	0	1
	GRANDVIEW	0	0	1	1	0	0	2
	GRISWOLD	1	0	0	0	0	0	1
	GYPSUMVILLE	0	0	1	0	1	0	2
	HECLA ISLAND	0	0	0	1	0	0	1
	KINOSOTA	0	0	0	0	1	0	1
	LAC DU BONNET	1	0	1	0	5	0	7
	LUNDAR	0	0	1	0	0	0	1
	MAFEKING	3	0	2	0	0	0	5
	MARCHAND	0	0	1	0	0	0	1
	MINITONAS	0	0	0	0	1	0	1
	MOOSEHORNE	2	0	0	1	1	0	4
	NINETTE	0	0	1	0	0	0	1
	OAK LAKE	1	0	0	0	0	0	1
	OAK POINT	0	0	0	1	1	0	2
	PINE FALLS	2	0	2	2	2	0	8
	PINE RIVER	0	0	2	0	1	0	3
	POPLARFIELD	0	1	0	1	0	0	2
	PORTAGE	0	0	1	0	5	0	6
	POWERVIEW	0	0	0	0	2	0	2
	RENNIE	0	0	1	0	0	0	1
	RICHER	2	0	1	0	1	0	4
	RIVERS	0	0	0	2	0	1	3
	RIVERTON	0	0	1	2	1	0	4
	ROBLIN	1	0	1	0	0	0	2
	SAN CLARA	0	0	1	1	1	0	3
	SELKIRK	0	0	1	1	2	0	4
	ST AMBROSE	0	0	2	0	0	1	3

LOCAT	COMUN	ACCEPT	EXCEPT	REJECT	REFER	UNDEV	OTHER	TOTAL
SOUTH : NON R	ST GEORGE	0	0	0	0	1	0	1
	ST LAURENT	9	2	3	2	3	0	19
	ST LAZARE	0	0	1	0	0	0	1
	ST PIERRE	0	0	1	0	1	0	2
	ST ROSE DU LAC	0	0	0	0	1	0	1
	STEINBACH	0	0	0	0	1	0	1
	STONEWALL	0	0	0	0	1	0	1
	SWAN RIVER	0	0	1	0	0	0	1
	TOLSTOI	0	0	1	0	0	0	1
	VICTORIA BCH	0	0	0	0	1	0	1
	VIRDEN	0	0	0	1	0	0	1
	VITA	0	0	2	0	0	0	2
	VOGAR	6	0	2	0	0	0	8
	WALLACE	0	0	0	0	1	0	1
	WARREN	0	0	0	1	0	0	1
	WINNIPEG	6	0	9	2	3	0	20
	WOODLANDS	0	0	0	1	0	0	1
	WOODMORE	0	0	1	0	0	0	1
	WOODRIDGE	0	0	0	0	1	0	1
OUT OF PROV	GAINSBOROUGH	1	0	0	0	0	0	1
	SASKATCH	0	0	0	0	0	1	1

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---------------------------- ACCESS=RAIL (AND PLANE) ----------------------------

LOCAT	COMUN	ACCEPT	EXCEPT	REJECT	REFER	UNDEV	OTHER	TOTAL
•		37	2	31	14	44	5	133
LGD URBAN		18	2	18	12	28	3	81
NA COM & RES		1	0	0	0	5	0	6
NA COM ONLY		18	0	13	2	11	2	46
LGD URBAN	CHURCHILL	15	2	13	11	26	3	70
	GILLAM	3	0	5	1	2	0	11
NA COM & RES	PUKATAWAGAN	1	0	0	0	5	0	6
NA COM ONLY	ILFORD	11	0	5	0	3	2	21
	PIKWITON	2	0	6	0	3	0	11
	SHERRIDON	0	0	0	0	1	0	1
	THICKET PORTAGE	5	0	2	2	4	0	13

ACCESS=PLANE AND WINTER ROAD AND/OR WATER

LOCAT	COMUN	ACCEPT	EXCEPT	REJECT	REFER	UNDEV	OTHER	TOTAL
.		38	7	30	22	36	2	135
NA COM & RES		33	7	24	14	26	1	105
RESERVE ONLY		2	0	4	6	4	0	16
NA COM ONLY		3	0	2	2	6	1	14
NA COM & RES	BERENS RIVER	7	3	8	3	5	0	26
	BLOODVEIN	1	1	0	0	0	0	2
	CROSS LAKE	20	3	10	6	15	1	55
	GODS LAKE	0	0	2	2	0	0	4
	OXFORD HOUSE	4	0	0	2	1	0	7
	POPLAR RIVER	0	0	1	0	2	0	3
	ST THERESA PT	1	0	2	1	2	0	6
	WASSAGAMAK	0	0	1	0	1	0	2
RESERVE ONLY	GARDEN HILL	2	0	4	6	4	0	16
	ISLAND LAKE	1	0	0	0	4	0	5
	MATHESON ISLAND	0	0	1	1	0	0	2
	S INDIAN LAKE	2	0	1	1	2	1	7

ACCESS=PLANE OR WATER ONLY

LOCAT	COMUN	ACCEPT	EXCEPT	REJECT	REFER	UNDEV	OTHER	TOTAL
.		5	3	5	5	15	1	34
NA COM & RES		2	1	2	1	6	0	12
RESERVE ONLY		0	1	0	0	2	0	3
NA COM ONLY		0	1	0	0	1	0	2
NON COMMUNITY		3	0	3	4	6	1	17

NA COM & RES	BROCHET	2	1	0	1	4	0	8
	RED SUCKERLAKE	0	0	2	0	2	0	4
RESERVE ONLY	HIGH ROCK LAKE	0	0	0	0	1	0	1
	TADOULE LAKE	0	1	0	0	1	0	2
NA COM ONLY	BIG BLACKRIVER	0	0	0	0	1	0	1
	LOON STRAITS	0	1	0	0	0	0	1
NON COMMUNITY	BALIN LAKE	0	0	1	0	0	0	1
	BIRCH LAKE	0	0	0	0	1	0	1
	BRACKEN DAM	0	0	0	1	0	0	1
	HARROP LAKE	0	0	1	0	0	0	1
	KISSISSINGLAKE	0	0	0	1	0	0	1
	LAKE WPG	0	0	0	0	1	0	1
	LIMESTONE LAKE	0	0	0	0	1	0	1
	NOKOMIS LAKE	0	0	0	1	0	0	1
	NUELTIN LAKE	0	0	1	0	0	0	1
	S KNIFE LAKE	0	0	0	0	1	0	1
	SAVAGE ISLAND	0	0	0	0	0	1	1
	SETTING LAKE	1	0	0	0	0	0	1
	SICKLE LAKE	1	0	0	0	0	0	1
	UTIK LAKE	0	0	0	0	1	0	1
	WALKER LAKE	0	0	0	1	0	0	1
	WASHAHIG LAKE	0	0	0	0	1	0	1
	WRONG LAKE	1	0	0	0	0	0	1

------------------------------------ ACCESS=. ------------------------------------

LOCAT	COMUN	ACCEPT	EXCEPT	REJECT	REFER	UNDEV	OTHER	TOTAL
.		237	24	252	126	369	20	1028
NORTH NOT NA		1	0	1	3	2	0	7
LGD URBAN		55	6	55	36	110	7	269
LGD NON URBAN		7	0	9	4	12	0	32
NA COM & RES		51	11	39	21	58	1	181
RESERVE ONLY		7	1	11	10	18	1	48
NA COM ONLY		59	1	69	15	87	4	235
NON COMMUNITY		3	0	5	4	8	1	21
SOUTH : RESER		11	1	6	4	18	1	41
SOUTH : NON R		42	4	57	29	56	4	192
OUT OF PROV		1	0	0	0	0	1	2
(Unrecorded)				(1)		(2)	(3)	(6)

APPENDIX 4

EXPLANATION OF MANAGEMENT PROBLEMS

The occurrence of management problems was recorded in the order of appearance in files, and problems were not weighted or priorized. The paucity of year end financial suggested that record-keeping is a problem with most clients. Where record-keeping was not cited in files as being a problem, it was not recorded as one. Management problems, then, tend to reflect CEDF's perspective of difficulties encountered in monitoring and supporting clients and do not reflect the full slate of operating difficulties encountered by clients.

1. Market changes - applies to changes in demand for project products and services.

2. Institutional Rigidity - applies where the client and/or the Fund confront rules or regulations which will not 'bend' in the client's favour.

3. Labour turnover.

4. Management turnover - applies to those larger projects where a professional manager is trained and/or commissioned to oversee operations.

5. Personal problems - applies where family or other personal relationships are strained either by demands of the project or for other undetermined reasons.

6. Personal health - applies where the client suffers health problems either as a result of stress or other factors unrelated to business operation.

7. Community opposition - applies where the operation of the business or the individual who manages the business is opposed by significant numbers of community members.

8. Communication - applies where project operation is hampered by the absence of telephone or radio-phone communications facilities.

9. Mistrust or objection to CEDF financial or management conditions.

10. Refusal to comply with CEDF financial or management conditions.

11. Cash flow
    a) accounts receivable
    b) accounts payable

12. Inexperienced or untrained management
    a) operation
    b) accounting (financial statements and cash flow)

13. Indeterminant management structure - applies where management of the project is vested in more than 1 individual or a group involved in more than one management function.

14. Maintenance cost
    a) overhead
    b) repair
    c) replacement

15. Labour productivity or payment structure

16. Extra-project events or activities - applies where the project suffers as a result of events unrelated to the business itself (vandalism, fire) or other business interests in which the client is concurrently engaged.

APPENDIX 5

CONSUMER AND INDUSTRIAL MACHINERY PRICE INDICES AND COMMODITIES

APPENDIX 5

COMMUNITIES ECONOMIC DEVELOPMENT FUND

POLICY GUIDELINES

1. GEOGRAPHIC LOCATION:

The Fund shall consider applications for assistance to establish or expand small to medium-sized economic enterprises, provided that they shall be located in those communities as defined in the Northern Affairs Act.

2. EQUITY:

Where in the opinion of the Board, it is established there is equity available to the applicant, it shall be understood such equity, in case or otherwise, shall be provided to the business to be financed.

3. GRANTS:

Direct capital assistance provided by the Fund shall, in all cases, be by means of loans or guarantees: where in the opinion of the Board, there are additional requirements to cover costs of management or other training, then the Fund will assist the applicant in applying for special grant assistnace.

4. TRAINING:

In addition to its stringent control of disbursement of loan proceeds, the Fund shall provide an ongoing monitoring programme for all businesses which it finances and the applicant shall provide information on all facets of the business for periodic review and scrutiny by the Board. Where, in the opinion of the Board, an applicant requires management or other training, the Board shall reserve the right to encourage sugh an applicant to undertake a training programme before any loan commitment may be made.

5. TREATY INDIANS:

Where, in the opinion of the Board, circumstances exist which prevent Treaty Indians from obtaining adequate financing from any other resources, consideration shall be given to applications in the following circumstances:

1) Where the enterprise has received a Government contract capable of being assigned to the Fund.
2) For bridge financing proposals which have received a Special ARDA grant on the understanding the enterprise shall not be located on Reserve Land and the Fund shall be provided with adequate collateral security over the assets of the proposed business.
3) It shall be understood that such assistance shall be provided only for enterprises located in those communities which fall within the definition contained in the Northern Affairs Act.

6. SECURITY REQUIREMENTS:

In determining the extent to which the loan or loans shall be secured, the Board shall take into consideration the nature and location of the fixed and other assets being financed.

7. BANK GUARANTEES:

Where, in the opinion of the Board, the financing required falls within the terms of reference of the chartered banking system, the Fund shall encourage and assist the applicant to arrange such financing through a chartered bank and, where necessary, shall provide the chartered bank with a guarantee rather than a direct loan from the Fund to the applicant.

APPENDIX 6

CEDF POLICY GUIDELINES (September, 1980)

APPENDIX 6: CONSUMER AND INDUSTRIAL MACHINERY PRICE INDICES AND COMMODITIES

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980*
Consumer Price Index (1971=100)	100.0	104.8	112.7	125.0	138.5	148.9	160.8	175.2	191.2	213.5
Industrial Machinery and Equipment (1955=100)										
I.M.E. Total Index (1955=100)	159.6	163.4	171.0	194.3	225.2	242.4	261.6	289.3	320.9	358.7
Conversion Factor: 0.6265665*	100.0	102.4	107.1	121.7	141.1	151.9	163.9	181.3	201.1	224.7
Forestry (1955=100)	126.1	127.6	131.4	151.0	171.8	180.3	196.3	218.2	244.0	264.9
Conversion Factor: 0.7030214*	100.0	101.2	104.2	119.7	136.2	143.0	155.7	173.0	193.5	210.1
Manufacturing: Wood Products (1955=100)	155.3	157.1	164.5	190.1	217.9	242.6	256.1	274.1	300.2	335.1
Conversion Factor: 0.643915*	100.0	101.2	105.9	122.4	140.3	156.2	164.9	176.5	193.3	215.8
Construction (1968=100)	108.4	110.8	114.9	130.1	161.0	168.0	191.2	219.3	248.9	276.6
Conversion Factor: 0.9225092*	100.0	102.2	106.0	120.0	148.5	155.0	176.4	202.3	229.6	255.2

* 1980 = August 1980

* 1971=100, equals 1955 Index x conversion factor(s)

Note: Machinery indices are adjusted by adding federal tax, transport and installation changes. Data were unavailable for a transportation margin supplement to reflect higher transport and installation costs in northern locations.

Source: Statistics Canada, Capital Expenditures Prices Section, Prices Division

LIST OF COMMODITIES

1. Consumer commodities:

Food
Housing
Clothing
Recreation
Transport
Health
Personal Care

2. Industrial Machinery and Equipment Commodities

FORESTRY

Slashers
Skidders
Trailers
Light Trucks
Transceivers
School Buses
Log Loaders
Cars
Crawler Tractors
Graders
Tracked Vehicles
Heavy Trucks
Front End Loaders (Wheeled)
Tree Harvesters
Logging Boats
Chain Saws

WOOD PRODUCTS (MANUFACTURING):

Band Resaws
Circular Saws
Sawmill Machinery
Sawmill Woodworking Machinery
Edgers
Planers
Woodworking Machinery
Nailing Machinery
Dust Collectors
Lift Trucks
Presses, Loan and Unload
Log Carriages
Debarkers
Hogs, Wood
Woodchippers
Chip Screens
Scissor Lifts
Lathe Chargers
Lathe Chargers
Panel Feeders
Hot Presses

CONSTRUCTION:

Excavator Cranes, Crawler Mounted
Excavator Cranes, Rubber Tired
Concrete Mixers
Road Graders
Pumps
Rockdrills
Off-Highway Dump Trucks
Portable Air Compressors
Front-End Loaders
Asphalt Equipment
Scrapers
Crawler Tractors
Aggregate Equipment
Attachments
Other Wheeled Tractors

APPENDIX 7

DEFAULTED FINANCE

Default* Rate	Number of Loans	Dollar[3] Value of Laons	Number of Guarantees	Dollar[4] Value of Guarantees	Number of Approvals[5]	Dollar Value of Approvals[6]
Gross Percentage[1]	30.2	21.7	38.6	28.9	29.1	22.9
Net Percentage[2]	43.0	45.0	42.5	33.4	40.6	42.0

*263 individual loans and guarantees were reviewed (including 4 unrecorded approvals assumed to comprise a single loan or guarantee). Annual reports list 289 disbersements, excluding grants and including at least some of 24 applications which were approved for finance and later declined by prospective clients (the A4's). Since computer analysis represented client identities numerically, computer entries were not cross checked with Annual Reports. Other calculations suggest numbers and dollar values are accurate to approximately 3% of actual values.

Dollar values measure only the total current dollar value of approved finance, and do not account partial repayment of defaulted finance. Dollar values therefore represent the maximum dollars which CEDF could have lost.

1 - Gross figures include current approvals

2 - Net figures exclude current approvals

3, 4 - numbers presented in Table 3.0

5 - numbers presented in Table 4.0

6 - dollar values derived as follows:

value of repaid approvals (loans + guarantees) = 2,277,978

value of defaulted approvals (loans + guarantees) = 1,647,709

value of current approvals (loans + guarantees) = 3,279,535

value of total approvals (loans + guarantees) = 7,205,222

The dollar value of 4 approvals was unrecorded (3 were current, 1 was defaulted).

APPENDIX 8

8.0 CONTINUED OPERATION OF PROJECTS ACCORDING TO PROPRIETORSHIP AND ECONOMIC SECTOR

8.1 CONTINUED OPERATION OF PROJECTS ACCORDING TO LOCATION AND SECTOR

APPENDIX 8.0

Continued Operation of Projects According to Proprietorship and Economic Sector

Proprietorship of Project	Primary			Secondary		Tertiary												
	Agriculture	Forestry	Fishing	Manufacture	Construction	Transport	Trade	Tourism	Retail	Restaurant	Recreation	Taxi/Bus	Other Service	Public Admin.	Non Profit	Total	Total Percent
Single Proprietor																	
Total Projects	2	9	1	4	5	8	3	14	20	10	6	24	16			122	66.3
Number Operating	2	6	1	2	2	3	2	8	11	2	4	13	5			61	33.2
Number Discontinued		2		2	1	5	1	3	7	4	1	7	9			42	22.8
Number Sold		1			2			3	2	4	1	4	2			19	10.3
Partnership																	
Total Projects		6		1	2	3		3	7	2	2		2			28	15.2
Number Operating		2				1		3	6	1	1					14	7.6
Number Discontinued		2			2	2			1		1		2			10	5.4
Number Sold		2		1						1						4	2.2
Community Development Corporation																	
Total Projects		1		2	4	1			1	1				1		11	6.0
Number Operating		1		1	3				1							6	3.3
Number Discontinued				1	1					1						3	1.6
Number Sold						1								1		2	1.1
Community Council																	
Total Projects														4	1	5	2.7
Number Operating														4	1	5	2.7
Number Discontinued																	
Number Sold																	
MMF Local																	
Total Projects															1	1	0.5*
Number Operating															1	1	0.5*
Number Discontinued																	
Number Sold																	
Cooperative																	
Total Projects				1											1	2	1.1
Number Operating																	
Number Discontinued				1											1	2	1.1
Number Sold																	
Band Council																	
Total Projects				2	1			1	1		1					6	3.3
Number Operating				1	1			1	1		1					5	2.7
Number Discontinued				1												1	0.6
Number Sold																	
Incorporated																	
Total Projects				1	1	1		1	1							5	2.7
Number Operating				1		1			1							3	1.6
Number Discontinued					1											1	0.6
Number Sold								1								1	0.5*
Other																	
Total Projects			1	2											1	4	2.2
Number Operating			1	1											1	3	1.6
Number Discontinued				1												1	0.6
Number Sold																	
Total																	
Number Projects	2	16	2	13	13	13	3	19	30	13	9	24	18	5	4	184	100.0
Number Operating	2	9	2	6	6	5	2	12	20	3	6	13	6	4	3	99	53.8
Number Discontinued		4		6	5	7	1	3	8	4	2	7	11			59	32.1
Number Sold		3		1	2	1		4	2	6	1	4	1	1	1	26	14.1

*Rounding error = 0.1

APPENDIX 8.1

Continued Operation of Projects According to Geographic Location and Economic Sector

GEOGRAPHIC LOCATION	Economic Sector: Primary			Secondary		Tertiary											
	Agriculture	Forestry	Fishery	Manufacture	Construction	Transport	Trade	Tourism	Retail	Restaurant	Recreation	Taxi/Bus	Other Service	Public Admin.	Non-Profit	Total	Total Percent
North of Northern Affairs																	
Urban LGD																	
Total Projects	1			2	1	2		7	11	2	1	6	10	1	2	46	25.0
Number Operating	1			1				5	10	1	1		4		2	25	13.6
Number Discontinued				1	1	2		1	1			2	5			13	7.0
Number Sold								1		1		4	1	1		8	4.4
Non-Urban LGD																	
Total Projects			1					2			1					4	2.2
Number Operating			1					2			1					4	2.2
Number Discontinued																	
Number Sold																	
NA Community and Reserve																	
Total Projects		7		1	4	2	1		1	8	2	9	3	1	1	40	21.7
Number Operating		4		1	2	1	1				2	5	2	1	1	20	10.9
Number Discontinued		2				1			1	4		4	1			13	7.1
Number Sold		1			2	1				4						7	3.8
Reserve Only																	
Total Projects				1				1				2	1			5	2.7
Number Operating								1				2				3	1.6
Number Discontinued													1			1	0.6
Number Sold				1												1	0.5*
NA Community Only																	
Total Projects		7		1	3	7	2	4	9	2	3	3	2	3		46	25.0
Number Operating		4			1	3	1	2	4	2	2	2		3		24	13.0
Number Discontinued		1		1	1	4	1	1	4		1	1	1			16	8.7
Number Sold		2			1			1	1				1			6	3.3
Non Community and Unorganized Community																	
Total Projects								4								4	2.2
Number Operations								2								2	1.1
Number Discontinued																	
Number Sold								2								2	1.1
South of Northern Affairs																	
Reserve																	
Total Projects	1			1					3		1	2	1		1	10	5.4
Number operating	1								1			2				4	2.2
Number Discontinued				1					2		1		1		1	6	3.2
Number Sold																	
Non-Reserve																	
Total Projects		2	1	7	5	2		1	5	1	1	2	2			29	15.7
Number Operating		1	1	4	2	2			4			2				16	8.7
Number Discontinued		1		3	3			1					2			10	5.4
Number Sold									1	1	1					3	1.6
Out of Province																	
Total Projects									1							1	0.6
Number Operating									1							1	0.6
Number Discontinued																	
Number Sold																	
Total																	
Number Projects	2	16	2	13	13	13	3	19	30	13	9	24	18	5	4	184	100.0
Number Operating	2	9	2	6	6	5	2	12	20	3	6	13	6	4	3	99	53.8
Number Discontinued		4		6	5	7	1	3	8	4	2	7	11		1	59	32.1
Number Sold		3		1	2	1		4	2	6	1	4	1	1		26	14.1

APPENDIX 9

SUGGESTED ELEMENTS OF A SUMMARY INFORMATION RECORD

SUGGESTED ELEMENTS OF A SUMMARY INFORMATION RECORD

	Application 1	Application 2
Date of initial contact		
Community of origin		
Project Summary		
Date application submitted		
Date application reviewed by Board		
Outcome of application		
Loan amount		
Loan term: interest rate		
Date of initial disbersement		
Date of repayment/default		
Guarantee amount		
Guarantee term: interest rate		
Date of initial disbersement		
Date of repayment/default		
Value of public investment		
Value of commercial investment		
Value of proprietor investment		
Value of total investment		
Number of months project operated		
Future prospects for project/ outcome of project		
Problems anticipated		
Problems encountered		
Controls recommended		
Control implemented		
Summary of required changes in terms		
Evaluation of controls effects		

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