

GETTING STARTED IN AQUACULTURE A GUIDE FOR ABORIGINAL ECONOMIC DEVELOPMENT

Final Report

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1.0 INTRODUCTION

Aquaculture, the farming of aquatic organisms including fish, molluscs, crustaceans and aquatic plants, is the fastest growing food production sector in the world. At a time when global fisheries can no longer be depended upon to provide stable employment and to meet the growing demand for fish and seafood, aquaculture has emerged to successfully diversify the economic base of many rural and coastal communities. Today, aquaculture represents about one-third of the volume of global fish production and by 2030 the FAO projects that it will be the dominate source of supply as less than ½ of all seafood products consumed will originate from traditional fisheries¹.

Aquaculture is also changing seafood consumption patterns. In the United States, for example, Canada's largest export market for fisheries products, 45% of all seafood consumed is produced through aquaculture. High-quality farm-raised seafood is now available on a consistent, year-round basis, providing consumers with a superior level of convenience and value.

In its 2002 review of global aquaculture practices, the FAO concluded that "*public management of aquaculture is not dissimilar to public management of agriculture and, in developed economies, management and enforcement costs as a share of the value of the produce are lower for aquaculture than for capture fisheries.*" Therefore, "*public policy support for aquaculture is likely to grow worldwide.*" The challenge today is for governments, industry and entrepreneurs to re-evaluate policy and regulatory approaches and business strategies respecting aquaculture to develop mechanisms that will enable this sector to grow and prosper.

Today, aquaculture encompasses a variety of activities in land-based systems, in freshwater lakes and in various regions of Canada's marine coastal zone (Figure 1).

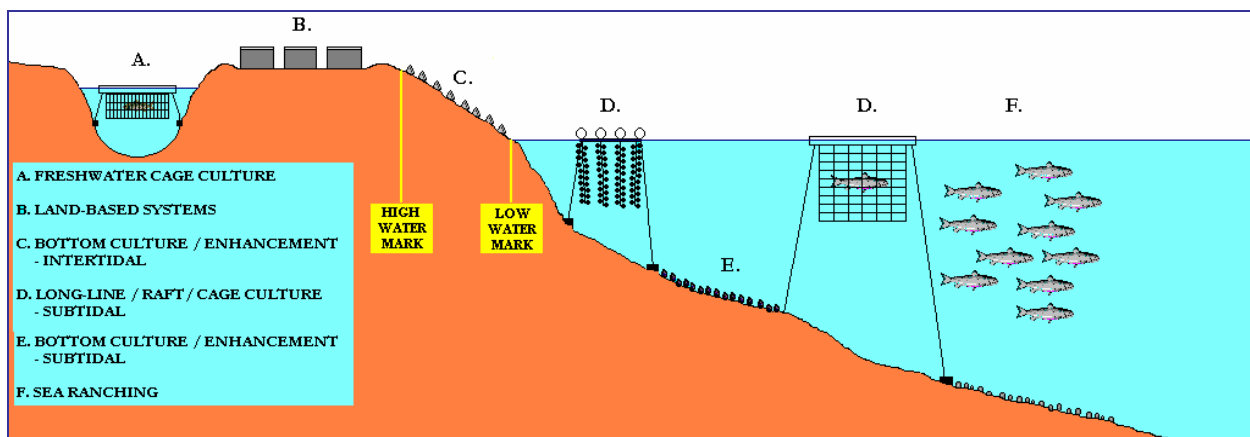


Figure 1: Scope of aquaculture activities in Canada
(Source: Legislative and Regulatory Review of Aquaculture in Canada, OCAD 2001)

¹ FAO (2004). The State of World Fisheries and Aquaculture - 2004, FAO Fisheries Department. Rome.

Since the mid-1980s, aquaculture production tonnage in Canada has increased at an impressive rate, reaching more than 176,000 tonnes valued at Cdn \$639 million in 2002 (Statistics Canada, 2005). Salmon is the most important species grown by Canadian aquaculturists, accounting for 68% of the volume and 74% of the value of Canada's aquaculture industry. Blue mussels 13.2%, oysters 8.2% and trout/steelhead 4.3% also contribute significantly to the value of the sector.

The pace of aquaculture development in Canada, however, has not kept up with that in other leading fish and shellfish farming nations. Canada does not rank among the top 20 aquaculture producing nations and generates less than one-third of 1% of global farmed fish and seafood production. This level of production, however, is far below Canada's capacity and capability. Canada has the resources to be a much more significant supplier of aquaculture products.

Potentially, aquaculture would appear to be a good fit for Aboriginal economic development. As a rapidly growing renewable resource food industry, and given First Nations' apparent advantageous access to production sites, it is possible for Aboriginal ventures to create a substantial presence in the industry, establish profitable companies, and bring much needed employment and revenues into their communities.

*"Aquaculture development represents an important opportunity for Aboriginal people in all regions to contribute to, and fully benefit from, Canada's economic growth and prosperity. The benefits of greater economic participation through aquaculture and related activities include wealth creation; the development of technical; managerial and entrepreneurial skills; the development of community economic infrastructure; revenue for the community; and the opportunity for Aboriginal people to remain in their communities."*² Moreover, aquaculture development would be consistent with government objectives to promote entrepreneurial skills and job creation among Aboriginal people.

Globally, aquaculture development has demonstrated its ability to:

- Increase productivity from aquatic resources;
- enhance export revenues and improve the balance of trade for many nations;
- enhance employment opportunities for young people and women;
- introduce long range stability into the food production industry through product diversity and year-'round supply;
- produce products tailored to specific markets needs (e.g. size, texture, colour, etc.);
- generate spin-off economic development opportunities in the related supplies and services sectors; and
- help create more innovative and knowledge-based economies.

² DFO's Aquaculture Policy Framework. DFO, 2002.

Being dependent on a healthy and productive aquatic environment, aquaculture benefits from being located in rural and remote areas with high-quality water resources. In fact, a principal limiting factor for continued expansion of aquaculture in many countries is the lack of adequate growing areas with clean water. Thus, aquaculture development naturally occurs in remote coastal and rural areas where such opportunities exist. The added benefit is that these areas often suffer from higher-than-average unemployment rates and lower-than-average family incomes. Through direct and indirect employment in aquaculture, people are able to find meaningful, permanent employment in their communities, providing strengthened local economies and improving the quality of life in many rural areas.

The following principles are fundamental for aquaculture development to provide sustainable economic opportunities in Aboriginal communities:

Achieving Cultural Sustainability

- Address community and social issues
- Respect customs and values
- Incorporate education, including traditional ecological knowledge, as a fundamental aspect of growth and sustainability

Achieving Economic Sustainability

- Develop realistic business plans
- Avoid under-capitalization
- Select good production sites
- Pursue commercially successful species and technologies
- Install good financial and operational management
- Conduct thorough market research

Achieving Ecological Sustainability

- Consider the impact of all decisions on future generations

2.0 GETTING STARTED IN AQUACULTURE

2.1 Initial Planning

Throughout the world, aquaculture ventures have often been hit-and-miss enterprises; while some ventures have proved to be extremely profitable others have been economic failures. A prime cause of many of the failures is the lack of an objective initial assessment, sufficient planning and mismanagement. Thorough, practical and realistic planning by experienced people is necessary, including honest evaluations of whether the right capabilities and circumstances exist to be successful.

At this initial stage, expert assistance may be required for site evaluation, feasibility assessments, business planning (including market and competition assessments) and preliminary operational design. It is critical, however, that the proponents of the venture provide the leadership throughout the assessment process. Those who will own and operate the farm and take on the financial responsibilities and obligations for it must be deeply and personally involved. It is they who have to live with the results and they who will have to make it work. And it is they who will benefit if it succeeds and suffer if it fails. They must understand fully what is being contemplated and what will be required for success – from both themselves and from others. The main issues that must be addressed during the initial planning phase are outlined by the following questions.

(1) Is it worth entering the business? Will the venture be viable and self-sustaining without the need for ongoing assistance? Can it make money?

As the developer, you (not your advisors, not your friends, not Government Officials) need to be certain that the proper planning and circumstances exist to give the venture a realistic chance of being successful and that the expected returns will compensate for the risk. Nothing is without risk and all aquaculture ventures have some degree of uncertainty. Risk identification and management, therefore, are essential.

Establishing a competitive venture is most important. In aquaculture, the competition is often global, not local or regional and thus it may be necessary to meet international competitive standards. Although this may seem daunting, it is possible to establish competitive ventures.

(2) Which species present an attractive business opportunity?

The technology exists to cultivate several aquatic species. It is important to recognize, however, that the technical capability to grow a species does not necessarily mean that it will be economically viable to grow it. An important step, therefore, is to conduct a pragmatic opportunity assessment for the species under consideration. The template presented in Table 1 illustrates the type of information that is important.

Table 1: Factors used to evaluate the commercial culture potential of various aquaculture species.

Factor	Requirements
<i>Status of Culture Technology:</i>	<ul style="list-style-type: none"> ▪ Species is successfully cultured commercially; i.e. profitably ▪ Further core knowledge development is not required. ▪ Commercial husbandry techniques and technologies are available. ▪ No significant challenges persist.
<i>Seed Stock Supply:</i>	<ul style="list-style-type: none"> ▪ The complete life-cycle can be managed. ▪ Commercial quantities of fry or spat can be readily obtained. ▪ Captive brood stocks (if required) are based on sufficient founding parents to provide genetic variability that permits progress in selective breeding and domestication. ▪ Domestication and selective breeding have produced a variety of brood stocks from which a stock can be chosen to optimize productivity in various aquaculture operations (if required).
<i>Early Rearing Requirements:</i>	<ul style="list-style-type: none"> ▪ Fry / spat can be reliably reared under commercial culture conditions. ▪ The fry or spat have no nutritional challenges.
<i>Grow-out Requirements:</i>	<ul style="list-style-type: none"> ▪ Growth rate is sufficient to reach market size in an acceptable period. ▪ Water temperature for optimal growth is achievable at low cost. ▪ Feed conversion and other performance factors are acceptable. ▪ Tolerance to commercial rearing densities and circumstances.
<i>Nutrition:</i>	<ul style="list-style-type: none"> ▪ Nutritional requirements specific to the species are well-defined for all life-stages. ▪ Commercial feeds that meet the nutritional requirements for all life-stages are available and affordable (if required).
<i>Fish Health:</i>	<ul style="list-style-type: none"> ▪ The species is not particularly susceptible to disease. ▪ Disease diagnosis and treatment is documented and available.
<i>Marketability:</i>	<ul style="list-style-type: none"> ▪ A ready market exists for the product. ▪ Pricing is sufficient to compensate for the total cost of production, processing and transportation and to generate returns on investment
<i>Suitability:</i>	<ul style="list-style-type: none"> ▪ The species is compatible with the environmental and socio-economic interests of local / regional Aboriginal communities.

It is important to avoid the trap associated with growing a species simply because a particular site is available that appears to be well-suited for that particular species. This is insufficient information to base a venture on and has proven to be a fatal first step on more than one occasion. The species assessment must be thorough to identify, address and reduce business risk and to avoid generating false optimism.

(3) What capacities and capabilities are required?

First, are the necessary financial, administrative, technical, and commercial capacities in place to get through the approval process? In particular, the financial requirements for successfully navigating the environmental assessment and site approval processes can be considerable.

Second, are the necessary capacities in place to farm the species and manage the business venture? It is important to identify the scope and nature of additional outside technical or business assistance that may be required and to make arrangements to secure that assistance. This will be most important for producing species not presently being commercially farm-raised in Canada (e.g. sea cucumber) but for which the technology exists elsewhere. It is common to hire or contract for outside assistance with the necessary expertise and experience for the species under consideration to facilitate development, planning, construction, and early start-up phases of aquaculture ventures.

(4) What non-market external constraints or obstacles must be addressed and resolved?

In Canada, policy and regulatory constraints may impose significant business risk on aquaculture operations and can have a determining influence on whether a venture will succeed or fail. A key issue is whether government authorities will permit aquaculture for the species at the site, and whether they will impose requirements that compromise the viability of the venture. For instance, the production of filter feeding shellfish (e.g. clams, mussels, oysters) is contingent upon the federal government's delivery of growing water surveys under the Canadian Shellfish Sanitation Program in the area where the venture is to be located. In British Columbia, the province is engaged in a number of wider consultation and planning exercises aimed at identifying areas suitable for aquaculture applications including:

- Integrated Coastal Resource Planning Processes;
- Aquaculture Opportunity Studies;
- Shellfish Aquaculture Action Plans;
- Economic Measures Memoranda of Agreement with First Nations on Shellfish Development; and
- Regional Community Shellfish Development Consultation Committees.

In regions where one or more of these processes has been conducted, the review and approval process may be expedited since prior consultation has occurred.

The following aquaculture opportunity studies have been undertaken in BC as part of the broader effort to relocate some salmon farm licenses:

- Nootka Sound (Finfish);
- Quatsino (Finfish);
- Kyuquot Sound (Finfish);
- North Island Straits (Broughton to Cape Caution, Finfish)

The following comprehensive land use plans have been undertaken:

- Central Coast (completed);
- Clayquot Sound (in progress);
- Haida Gwaii – Queen Charlottes (in progress)

Similarly, in some regions, First Nations shellfish MOU's have been negotiated (or are being negotiated). In such areas, site approval could potentially be easier, faster and less costly due to the background work that has already been completed.

(5) Overall, is the situation favourable toward making a commitment?

The issues identified above are a barometer to gauge whether it is advisable to pursue aquaculture development. If several of the questions cannot be answered affirmatively with a fairly high degree of confidence, aquaculture may be inadvisable.

Additionally, it should be recognized that development of an aquaculture venture may require several years from initial project planning and development to first harvest. Several more years may pass before positive cash flow is generated. A considerable investment in time, money and effort is generally required before positive returns materialize. Therefore, it is important to be realistically confident that the returns will indeed be generated but also to be comfortable with the timelines and challenges involved. Success in aquaculture stems from fully understanding what needs to be done, putting the necessary capabilities into place and being committed to doing whatever needs to be done to succeed.

2.2 Planning & Development Processes

The process of planning and developing an aquaculture venture can be segregated into several steps, described below. Note that there is overlap between some of the steps and that these stages are not necessarily independent of each other. Nor are all of the stages necessary; pilot projects, for example. It is also important to note that the time frames associated with planning and development processes is highly variable, depending on jurisdictional, human resources and species-specific issues.

Scoping

- Identify the aspirations and goals of the individuals and community
- Determine the type and scale of venture to be pursued
- Conduct necessary feasibility studies
- Develop initial business concept(s)
- Detailed project planning and design

Capacity Building

- Install necessary project planning and management (administration) personnel
- Identify training and skills development needs
- Develop human resources for planning and operational requirements
- Address financial management requirements

Site Application

- Compile background reports and EA submissions
- Meet with government officials to review project scope and environmental effects

Pilot Project / Demonstration Farm

- May be beneficial to further refine the direction and development of the venture
- Useful for formal aquaculture training and skills development
- Not necessarily intended to be commercially viable
- Refine business plan for commercialization

Semi-Independence

- Transition from government support to financial independence
- Refine business plan for future growth and development
- Revise skills development and training requirements

Independence

- Fully functioning business venture dependent on sales of cash flow
- Expand scope of business opportunities through vertical or horizontal integration if necessary or desirable

Major Tasks	Phase of Project Planning & Development					
	Scoping	Capacity Building	Site Application	Pilot Project	Semi-Independence	Independence
Initial Consultations	■					
Business Planning	■					
Infrastructure		■				
Training / Skills Dev.				■		
Mentoring				■		
Diversification						■
Time Frame (years)	→					

3.0 AQUACULTURE APPLICATION & APPROVAL PROCESS IN BC

3.1 Federal Requirements

Approximately 21 federal acts are in one way or another related to the regulation and management of aquaculture operations, product processing and marketing and/or support for aquaculture. The main impacts on aquaculture operations, however, are derived from four pieces of legislation:

- *Fisheries Act* (FA);
- *Navigable Waters Protection Act* (NWPA);
- *Species at Risk Act* (SARA); and
- *Canadian Environmental Assessment Act* (CEAA);

The *Fisheries Act* contains provisions protecting fish and fish habitat. The Department of Fisheries and Oceans (DFO) can review any proposed aquaculture development and the proponent must obtain an authorization under the Act if it is found that the development could adversely affect fish habitat. The granting of an authorization is governed by the policy of “no net loss” of fish habitat and may be accompanied by a requirement for the proponent to undertake activities to mitigate potential effects and/or undertake compensatory actions to ensure there is not a net loss of fish habitat quantity or quality in the area in question.

In addition to the possible effects of a proposed aquaculture site on fish habitat, DFO also reviews proposals with regard to other areas of its mandate and regulations under the *Fisheries Act*, including:

- fisheries management (potential impacts on commercial, recreational and/or Aboriginal fisheries);
- introductions and transfers of aquatic organisms; and
- fish health (Fish Health Protection Regulations).

The *Navigable Waters Protection Act* protects the navigability of waters. Canada Coast Guard approval is required for any development that may impede navigation.

The *Species at Risk Act* (SARA) was established to prevent Canadian indigenous species, subspecies and distinct populations of wildlife from becoming extinct, to provide for the recovery of wildlife species that are endangered or threatened as a result of human activity, and to manage species of special concern to prevent them from becoming endangered or threatened. DFO reviews applications for fish farming operations to make sure that they do not contravene the Act.

The *Canadian Environmental Assessment Act* is triggered by the need to grant authorizations under the foregoing acts or when the Government of Canada extends financial assistance to a project. CEAA ensures that the environmental effects of any action of an agency of the Government of Canada are taken into account and mitigated in making a decision to grant an authorization or provide support. A development

triggering the Act must, at least, undergo a preliminary screening to identify potential impacts and, where the potential impacts may be significant, possibly a full environmental review.

Notwithstanding these federal authorities, all aquaculture site applications in BC are submitted to the Province of British Columbia; however, the federal government is significantly involved in the approval process - but within the 'single-window framework managed by the B.C. Ministry of Agriculture and Lands for both levels of government. If an environmental assessment is triggered, a license/lease applicant will have to be in direct contact with DFO to address the requirements of the EA process.

Specific informational requirements for federal authorizations and/or approvals are outlined in the following documents:

- Application Guide for Aquaculture Projects in Canada
<http://www.tc.gc.ca/marinesafety/Ships-and-operations-standards/nwp/aquaculture-guidelines.pdf>
- Marine Foreshore Environmental Assessment Procedures
http://www-heb.pac.dfo-mpo.gc.ca/publications/pdf/shellfish_mfeap.pdf
- Policy for the Management of Fish Habitat
http://www.dfo-mpo.gc.ca/canwaters-eauxcan/infocentre/legislation-lois/policies/fhm-policy/index_e.asp
- Guide To Information Requirements for Environmental Assessment of Marine Aquaculture Projects – Finfish
<http://www.govdocs.aquake.org/cgi/content/abstract/2004/410/4100320>
- Guide To Information Requirements for Environmental Assessment of Marine Aquaculture Projects – Shellfish
<http://www.govdocs.aquake.org/cgi/content/abstract/2004/410/4100270>

3.2 Provincial Requirements

There are 16 Acts and associated regulations of the Province of British Columbia that impact aquaculture. The most important functions of the Province relating to aquaculture are:

- The granting of tenures through Licenses of Occupation and Leases under the *Lands Act*, and
- Licensing under the *Provincial Fisheries Act* to grow specific species on a site.

Additionally, aquaculture facilities are required to meet the requirements of the *Aquaculture Regulation*, including development of an escape prevention plan and compliance with escape prevention standards set out in schedule 2 of the Regulation.

Under the intra-agency agreements, applications for both licenses are to be made simultaneously through one office – the Integrated Land Management Bureau of the British Columbia Ministry of Agriculture and Lands located in Nanaimo.

The *Land Act Tenure*, and a BC *Fisheries Act* Aquaculture License must be obtained before an operation can be developed. Only after a tenure and license have been secured may the operator proceed with:

- building floating or permanent structures;
- constructing equipment storage;
- preparing for harvesting activities;
- setting up environmental monitoring stations;
- developing processing facilities; and
- building other related infrastructure on aquatic lands and upland areas.

Three types of aquaculture tenures are available: an investigative permit, a license of occupation, and a lease. In most cases applications for a particular area are considered on a first come first serve basis.

Virtually all licenses take the form of a License of Occupation, which does not give the license-holder an interest in the land but does grant exclusive rights to use the site for aquaculture. The initial license is for a five-year developmental period. In some situations this developmental permit can be renewed for an additional 5 years. A site must have reached full planned production at the end of the five-year developmental term for a longer term license to be issued. The developmental permit is followed by a 20-year license, renewable for the same term at any time after ten years. The developmental permit appears to be the norm for finfish, while quite often for shellfish an approved applicant will be issued a 20-year license of occupation. In BC, the following applicants are considered eligible to apply for an aquaculture license:

- Canadian citizens or permanent residents 19 years of age or over;
- Incorporated companies registered in B.C.;
- Registered partnerships; cooperatives, and non-profit societies formed under the relevant provincial statutes;
- First Nations can apply through Band corporations or Indian Band and Tribal Councils. Bands or Tribal Councils require a Band Council Resolution that a) authorizes the Council to enter into the tenure agreement, and b) gives the signatories of the tenure document the ability sign on behalf of the Band. For tenures registered in the Land Title Office, First Nations must apply through either a Band corporation or trustees. Band members can elect 1 or more trustees to hold a tenure on behalf of the band. Verification of election must be by way of a letter signed by the Chief and Council of the Band giving the full names of the trustees and stating that they were elected at a properly convened meeting of the board (a Band Council resolution is not required).
- Non-Canadians who own the adjacent upland property (companies must still be incorporated or registered in British Columbia).

Specific informational requirements for provincial authorizations and/or approvals are outlined in the following documents:

- Marine Finfish Aquaculture Application Guide, Siting Criteria and Management Plan
http://www.agf.gov.bc.ca/fisheries/siting_reloc/marineff_applic_guide_main.htm
- Coastal Resource Information Management System (internet based interactive map for viewing coastal and marine data, including aquaculture operations)
<http://ilmbwww.gov.bc.ca/cis/coastal/others/crimindex.htm>
- Licence Applications and Information
http://www.agf.gov.bc.ca/fisheries/Manuals/Licensing/Licensing_Manual.pdf
- Rainbow Trout Pond Application (non commercial)
http://www.env.gov.bc.ca/pasb/application_pdfs/fish_pond.pdf
- Application for Commercial Shellfish Aquaculture Licence
http://www.agf.gov.bc.ca/fisheries/licences/shellfish_appln.pdf
- Guide to Commercial Shellfish Aquaculture Management Plan
http://www.agf.gov.bc.ca/fisheries/licences/guide_shellfish_MP.pdf
- Template for Commercial Shellfish Aquaculture Management Plan
http://www.agf.gov.bc.ca/fisheries/licences/shellfish_MP.pdf

3.3 Typical Costs and Timeframes Associated with Applications

Detailed application and review procedures, together with application costs, rents, and important terms and conditions of tenures are set out in the Aquaculture Policy of Land and Water British Columbia.

The typical fee for new shellfish and finfish aquaculture tenures is \$4,925. To provide partial cost relief for shellfish aquaculture applicants, only \$500 of the application fee is to be paid when the application is submitted. The remainder of the fee is to be paid once a decision has been made on the application. The net amount of the remaining back-end portion of the fee will be determined by factoring in any refund that is due to the client. Specifically, clients applying for new shellfish/marine plant aquaculture tenures will be required to pay:

- \$500 up front at time of application submission; and
- \$4,425 payable at time of tenure offer (no refund, total net payment is \$4,925), or
- \$3,440 payable when an application is disallowed (20% refund, total net payment is \$3,940), or

- \$1,962.50 payable when the application is abandoned (50% refund, total net payment is \$2,462.50)

Multiple shellfish beach sites may be included in a single application if the individual sites would not be economically viable as stand alone tenures and the individual sites are approximately within a 500-meter radius of each other.

Application fees for marine finfish tenures are similar to those for shellfish and marine plants at \$4,925. It is likely, however, that significantly greater costs will be incurred for professional business and technical assistance with farm development.

If, however, an Environmental Assessment is required under CEAA (which is highly likely), additional costs approximating \$25,000 to \$40,000 for shellfish and marine plant ventures and \$100,000 to \$250,000 for marine finfish ventures can be anticipated.

4.0 POTENTIAL RESOURCES TO FACILITATE PLANNING & DEVELOPMENT

Currently there are only limited resources available to facilitate aquaculture planning, applications, site reviews, approvals and farm development. This presents a fundamental challenge to Aboriginal aquaculture development. The AAA is currently working to secure increased government funding to support Aboriginal aquaculture.

Limited support may be available through Indian and Northern Affairs Canada (INAC), Industry Canada and Western Diversification. Additionally, the Business Development Bank of Canada (BDC) has recently initiated a process to become further involved in Aboriginal lending.

4.1 Indian and Northern Affairs (INAC)

4.1.1 Community Economic Development Program

A program designed to accommodate opportunities for long-term development and employment of Aboriginal peoples by helping to maintain stable businesses. Partnerships between Aboriginal businesses, private organizations and all levels of government are eligible.

Program Objective

The Community Economic Development component seeks the increased participation of First Nation and Inuit communities in the economy by increasing community business development and incomes and by decreasing community unemployment.

Total Program Expenditures (\$000) Fiscal Year 2004-05	
Operations and Maintenance	0
Grants	0
Contributions	53,802
Capital	0
Total Program Expenditures	53,802

4.1.2 Community Support Services

Economic development programs to facilitate access to resources, capital and expertise, and the development / implementation of economic development strategies.

Program Objective

Provides core support that is intended to enable recipients to carry out community economic development planning; capacity development initiatives, develop proposals, lever financial resources, and carry out economic development activities.

Total Program Expenditures (\$000)	
Fiscal Year 2004-05	
Operations and Maintenance	830
Grants	0
Contributions	11,345
Capital	0
Total Program Expenditures	12,175

4.1.3 Economic Development Program Management

The Community Economic Development Program provides core financial support for First Nation and Inuit communities for public services in economic development. The financial support is intended for community economic development planning and capacity development initiatives, development of proposals and leveraging financial resources, and carrying out economic development activities. The Community Economic Development Program is expected to lead to community economic benefits including more community employment, greater use of land and resources under community control, enhanced community economic infrastructure, more and larger community businesses, more business opportunities, and a better climate and environment for community economic development.

Total Program Expenditures (\$000)	
Fiscal Year 2004-05	
Operations and Maintenance	119
Grants	0
Contributions	812
Capital	0
Total Program Expenditures	931

4.1.4 Economic Development Proposal Driven Programs

Provides financial support, in response to proposals for viable, community-supported businesses where there is an equity gap.

Total Program Expenditures (\$000) Fiscal Year 2004-05	
Operations and Maintenance	2,841
Grants	0
Contributions	61,397
Capital	0
Total Program Expenditures	64,238

4.2 Industry Canada

4.2.1 Aboriginal Financial Institutions

A network of more than 30 Aboriginal Capital Corporations provides loan and business services to small and medium-sized Aboriginal firms across Canada. Along with Aboriginal Community Futures Development Corporations, these organizations are referred to collectively as Aboriginal Financial Institutions (AFIs). AFIs benefit from the Access to Capital programming created under the Government's Aboriginal Business Development Initiative, in which Aboriginal Business Canada is a partner.

4.2.2 Aboriginal Business Development Program

Aboriginal Business Canada (ABC) provides financial assistance, information, resource materials and referrals to other possible sources of financing or business support. Clients must be individuals of Canadian Indian (on-reserve or off-reserve), Métis or Inuit heritage, or majority-owned Aboriginal organizations or development corporations.

Total Program Expenditures (\$000) Fiscal Year 2004-05	
Operations and Maintenance	7,200
Grants	0
Contributions	28,000
Capital	0
Total Program Expenditures	35,200

4.3 Business Development Bank of Canada (BDC)

BDC is a financial institution wholly owned by the government of Canada. BDC plays a leadership role in delivering financial and investment services to Canadian small businesses, with a particular focus on the technology and export sectors of the economy.

BDC offers long term financing, venture capital, and subordinate financing. BDC's term financing features fixed or floating rates and repayment schedules up to 20 years, tailored to working capital needs.

BDC is taking an added focus on supporting Aboriginal economic development. BDC has established an Aboriginal Banking Unit to increase focus and effort in developing financial products to better serve the Aboriginal market. BDC is seeking to promote the Business Development Bank of Canada's existing services in the Aboriginal market and increase level of activity in the market – specifically to increase access to capital for Aboriginal entrepreneurs.

4.4 Western Economic Diversification Canada (WD)

The Department of Western Economic Diversification has a broad mandate to promote the development and diversification of the economy of Western Canada and advance the interests of the West in national economic policy. Its mission is to support the development and growth of a western Canadian economy that is inclusive, innovative, sustainable and diversified.

4.4.1 Western Diversification Program (WDP)

The core program of Western Economic Diversification is the Western Economic Diversification Program (WDP). WDP is a tool for working with western Canadians to make strategic investments designed to enhance and strengthen the economy in Western Canada. The aim of the program is to facilitate innovation, promote a competitive and expanded business sector and develop sustainable communities. Increasingly, the WDP is used to partner with other levels of government to create sub-programs or agreements (i.e., Western Economic Partnership Agreements, Urban Development Agreements) designed to respond to economic priorities in Western Canada.

The underlying objective of the WDP is to create *a stronger West and a stronger Canada*. Several guiding principles are used to help assess how initiatives contribute to this objective, including:

- A strengthened western Canadian innovation system, which connects western research with industry's commercialization focus;
- An improved business climate in Western Canada, fostering increased competitiveness in global markets and sustained growth;

- Increased economic activity that improves the viability, prosperity, and quality of life for individuals and communities across Western Canada;
- Increased economic research in the areas of sustainable communities, innovation and entrepreneurship to provide a sound base for economic development in areas of importance to Western Canada.

Other elements that are considered when determining the relative merit of proposals include: the measurable impact on the western Canadian economy, viability and sustainability, long-term benefits, and the participation of other stakeholders.

Eligibility

Funding is normally only provided to not-for-profit organizations and may include:

- Industry associations, community and/or economic development organizations & research organizations
- Post-secondary institutions, health organizations/regions engaged in research
- Indian bands, as represented by their Chief and Council
- Provincial or municipal governments, agencies, and crown corporations.

Activities Supported by the WDP

Funding under the WDP may support the following activities:

- Applied research & development leading to commercialization
- Community innovation & capacity building
- Cross industry collaboration
- Developing and increasing participation in domestic and international markets
- Improving business productivity
- Supporting community adjustments to economic changes
- Supporting investment in skills, knowledge and competencies development to support WD's strategic objectives

Eligible Costs

Incremental operating and capital costs that are incurred by the recipient and which are required to achieve the desired outcomes are eligible for consideration and may include:

- Personnel & professional consultation costs
- Purchases, leases and acquisitions of equipment, supplies, or proprietary processes
- Information management and information technology acquisitions
- Other costs specified in the project agreement that are reasonable, incremental and directly attributable to activities necessary to achieve desired results

4.4.2 WD Sponsored Loan Programs

Western Economic Diversification Canada (WD) has also created new and alternative sources of capital for small and medium-sized businesses by working closely with financial institutions to create a specialized series of loan programs. These loan programs target industry sectors important to Western Canada and provide patient and flexible debt capital.

These programs are provided on commercial terms by financial institutions such as chartered banks, credit unions, trust companies, cooperatives, Farm Credit Canada (FCC) and the Business Development Bank of Canada (BDC). Each lending institution funds its own program and makes decisions on all loan approvals. To help small and medium-sized businesses access these specialized loan programs, WD assists with:

- expertise for developing and refining business plans;
- completing technology reviews;
- preparing other documentation required by a lending institution.

Arrangements between WD and financial institutions provide for increased financing of a variety of Pan-western, sector-oriented businesses (e.g. agricultural value-added and knowledge-based industry) as well as provincially and locally targeted loan funds (e.g. micro businesses).

Sector-Oriented Loan Fund Agreements

Knowledge and Growth

WD and the Business Development Bank have established a loan program for companies that develop or apply advanced technologies.

Growth Capital Program

The Growth Capital Program has been designed to benefit small and medium-sized BC companies in traditional industries.

Conservation Finance Program

The Conservation Finance program is a partnership among VanCity Credit Union, Ecotrust Canada, and Western Diversification that aims to promote environmentally responsible business growth in British Columbia.