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***FBDB - Summary Of Corporate Plan Fiscal
1990-1994, Summary Of Capital Budget
Fiscal 1990, Summary Of Operating Budget
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FBDB

Summary of Corporate Plan –
Fiscal 1990-1994

Summary of Capital Budget –
Fiscal 1990

Summary of Operating Budget –
Fiscal 1990



Federal Business Banque fédérale
Development Bank de développement

Canada

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Corporate Plan Summary

1.0 INTRODUCTION

A fresh infusion of capital, which restored the debt-to-equity ratio of the Lending Division to 10:1, has permitted the Bank to carry on responding to the continuing demand for supplementary financing that prevailed into fiscal 1989. Stable economic conditions, a growing portfolio and tightly controlled expenses all contributed to once again seeing the Bank's lending activities achieve full cost recovery in fiscal 1988. The Venture Capital Division also enjoyed another profitable year while investing in a record number of early stage companies.

The Bank is no longer seeking approval to expand the Financial Planning Program (FPP) or the Automated Information for Management (AIM) System. These initiatives will be integrated into the Bank's traditional Management Services programs which are gradually being reconfigured within existing reference levels to accommodate the evolving needs of the business community.

In keeping with FBDB's pioneering traditions, the recently introduced Community Business Initiatives program is proving to be an outstanding example of public/private sector cooperation and support. Strategic alliances of this kind continue to be a feature of virtually all of the Bank's programs and services from syndicating venture capital deals to joint seminars and ethno-cultural conferences.

With its comprehensive array of financial and management services, the Bank is especially well situated to assist many Canadian businesses adapt to the accelerating globalization of markets. In addition to existing programs which are particularly pertinent to Canada's trade relationship with the United States, new programs and services are being developed to assist the Bank's clients to capitalize on new market opportunities. There is however, a pressing need to update the Bank's legislation, especially with respect to increasing its statutory capital authority.

2.0 OBJECTS AND MANDATE

The Federal Business Development Bank was incorporated by an Act of Parliament in December 1974. Its objects are to promote and assist in the establishment and development of business enterprises in Canada by providing financial assistance, management counseling, management training, and information. The Corporation in carrying out its mandate is directed to give particular consideration to the needs of smaller enterprises.

In March 1983, the current mandate of the FBDB was determined to include: confirmation of the Bank's role as the Government's principal vehicle for direct term lending with an emphasis on servicing businesses in non-metropolitan areas; the progressive development of an investment banking capability; improved counseling, information services and training programs, including assistance to smaller enterprises in the formulation of their business plans and in the packaging of project financing proposals. The 1983 decision also reaffirmed that the Bank's lending operation should be funded at its historical 10:1 debt-to-equity ratio and on this basis it was directed to return the division to full cost recovery.

Since 1985, FBDB's future role has been examined along with proposals relating to the Bank's current mandate. Commencing in fiscal 1989 the Bank was requested to earn an annual surplus as a cushion against unfavorable economic circumstances.

3.0 CORPORATE OBJECTIVES

The Corporation's objectives take into account the objectives of FBDB's stakeholders and events occurring in the economic/industry environment in which the FBDB operates.

Job creation through private sector investment and deficit reduction remain two of the federal government's primary objectives. Canada's entrepreneurs are seen as the main force behind economic growth and it is for this reason that the federal government remains committed to supporting the development of small business in Canada. As Canada's national agency supporting new and existing small business, FBDB plays an important role in fulfilling these government objectives. Each year, over 100,000 entrepreneurs make use of FBDB's programs to help start and expand their businesses. In fiscal 1988, FBDB's financial services again supported over \$1.4 billion of investments in small and medium-sized businesses that resulted in the creation of 10,000 new jobs across Canada. In the era of deficit reduction and downsizing of government, FBDB remains a cost effective instrument for supporting small and medium-sized firms. The Bank's financial services are cost recoverable while its management services are structured to maximize revenues while controlling costs.

Favorable economic conditions over the past few years have had a positive impact on the small business environment. From 1985 to 1986, firms with less than 20 employees accounted for 65% of the net number of jobs created in Canada. The FBDB was founded to address the needs of such businesses when they are unable to obtain the support they require from conventional sources. Newer businesses in particular face many hurdles in developing their enterprises and meeting competition. Based on a recent survey commissioned by the Bank, a majority of small businesses look to the government to provide information and supplementary financing and despite the challenges they face, smaller firms remain optimistic about the future. The same survey revealed that 45% expected to increase their employment over the next year while 51% planned to undertake additional capital expenditures over the next 12 months. FBDB's services are positioned to help firms at all stages in their development, including the increasing proportions of newer firms started by women, youths, and ethnic Canadians.

In seeking to contribute to the achievement of the objectives of its major stakeholders, the federal government and small business, the Bank strives to be efficient and effective, and to maintain high standards of excellence in delivering its array of financial and management services to entrepreneurs across Canada.

Corporate Plan Summary

The programs and strategies relating to the following objectives are expanded upon in the next section.

FINANCING

- **To provide financing not otherwise available on reasonable terms and conditions to commercially viable businesses.**

MANAGEMENT SERVICES

- **To provide supplementary counseling, training and information to encourage and assist existing and potential entrepreneurs to develop and implement viable business proposals and to improve the commercial viability of their existing enterprises.**

SUPPORT FOR GOVERNMENT PROGRAMS

- **To contribute to and be supportive of relevant government policies and objectives.**

PROMOTING PRIVATE SECTOR PARTICIPATION

- **To continue to identify opportunities and maximize cost effective private sector participation in addressing small business needs.**

EFFICIENCY AND EFFECTIVENESS

- **To continue to manage the financial and human resources of the corporation efficiently and effectively and ensure that a high standard of service is maintained.**

4.0 STRATEGIES / PROGRAMS

4.1 *FINANCING*

FBDB's Financial Services provides term loan as well as venture capital to businesses unable to obtain the required financing under reasonable terms and conditions.

4.1.1 Term Lending

After three years of significant growth following the last recession, loan authorizations levelled off in fiscal 1988 and, based on current forecasts it would appear that the demand for supplementary financing in fiscal 1989 will approximate last year's experience. These Bank-wide trends tend to mask an earlier, more pronounced slowdown in loan demand in Western Canada, especially in Manitoba and Saskatchewan.

As a supplemental lender, the demand for FBDB loans is a function of the availability of smaller loans from the private sector. Based on recent survey results, we know that since 1985 one out of every five smaller firms has been refused conventional financing.

As noted in last year's Corporate Plan, "unlike the private sector that is able to diversify risk over a broad spectrum of financing opportunities, the Bank's loss exposure is concentrated in a portfolio of loans that conventional lenders are unwilling to consider". Under current economic conditions the measures that the Bank employs to manage risk and monitor loan quality work well. Indeed, a recently completed special examination of the Lending Division's operations by Price Waterhouse concluded among other things that:

"...the management systems and practices in effect in the Loans Division provide reasonable assurance that, in all significant respects, the risk is properly evaluated when authorizing the loans, that the loans are made to businesses which meet the conditions set out in the FBDB Act, that the loan portfolio is managed and monitored in a way such as to protect the assets of the Bank and finally that the resources used are managed economically and efficiently."

The Bank's matching policies with respect to the management of its assets and liabilities are also proving as effective as its portfolio quality and risk diversification strategies. Also, the Bank is operating its Lending Division with 60% fewer employees than it had at the beginning of the decade. This represents a permanent reduction in operating overheads of the order of 1 % of outstanding principal or \$20 million annually which has also contributed significantly to the Bank's ongoing cost recovery performance.

However, a slowdown in the economy could put pressure on the Bank's bottom line. In this regard, Treasury Board, in approving the Bank's fiscal 1988-93 Corporate Plan requested that the Bank plan to earn an annual surplus to serve as a cushion against unfavorable economic circumstances and that it continue to place a high priority on ensuring that its provisions for loan losses are maintained at prudent levels.

4.1.2 Venture Capital

There is significantly more venture capital in Canada (particularly in Québec) than has previously been the case and this situation should continue to improve. However, while there is likely to be more venture capital and more investment opportunities, this will probably result in the big funds getting bigger with very little of the increased activity finding its way into earlier stage investments.

Most venture capitalists orient their investments towards the management and/or leveraged buyouts and upper (mezzanine) end of the market where returns are usually more immediate. The problem still remains that we have very few early stage venture capitalists in Canada. FBDB's aim is to promote investments in Canada and the concurrent development of Canada's venture capital industry.

It does this in a number of different ways: through advertising its willingness to play a catalytic role in syndicating deals, the Bank attracts foreign as well as domestic capital to address the venture capital requirements of Canadian business. For example, it was successful in bringing together Pacific Rim money and expertise with domestic investors to form a general trading company based in Canada. As lead investor, the Bank also actively promotes the establishment of new venture capital funds having a geographic or sectoral focus. In this way it was instrumental in the creation of the only venture capital fund in Saskatchewan. This fund has now made investments in eleven companies with good growth potential. Again, as lead investor and co-sponsor, FBDB was successful in importing American expertise to launch Canada's first biotechnology fund which, since its inception in late 1987, has invested in three companies. As a result of these kinds of initiatives, the Bank not only encourages investment in a developing specialized market but also plays a role in expanding the skills and knowledge of Canadian venture capital investors. Since the United States is a natural market for many Canadian companies, FBDB is also interested in exploring the potential for reciprocity between itself and U.S. venture capitalists. By building these kinds of international relationships it may be possible to further help the development of Canadian companies not only by attracting more capital to Canada but by providing avenues of financial, operating and technical support for their activities in other countries.

As an investor in its own right, **FBDB's** aim is to stimulate investment in companies looking for equity financing particularly in the early stages of development such as start-up and first round financing. A key role the Bank plays is in attracting other investors with which to syndicate the financing. In fiscal 1988, the Venture Capital Division authorized \$22.5 million and every dollar the Division invested was matched by 2.8 dollars from the private sector. As at year end, the Division had a total of \$53.5 million invested.

In 1983, the Bank's investment activities were capitalized and restructured to conform to the program parameters established for the then newly created Venture Capital Division. Since then, the resultant portfolio of relatively more mature investments that were inherited at that time, have produced a cash flow, including divestitures, sufficient to carry the operation. This has postponed having to draw upon additional capital commitments in approved reference levels. Having capitalized on all of the more immediate divestiture opportunities and shifted its focus to early stage investments, the Bank now finds itself at the stage where it will be obliged to rely upon the remainder of the government's original funding commitment to maintain the program over the next three years.

4.2 MANAGEMENT SERVICES

The objective of the Bank's Management Services continues to centre on providing supplementary counseling, training and information to encourage and assist existing and potential entrepreneurs to develop and implement viable business proposals and to improve the commercial viability of their enterprises.

Management Services functions are neither mutually exclusive nor do they serve a homogeneous market. Relying to the maximum extent possible on private sector and other government measures, they provide a full range of support that covers the spectrum from relatively low cost general purpose type programs, through enriched formats appropriate to groups of individuals with similar needs, to one-on-one firm-specific applications. In this manner the Bank responds to the needs of a very large and diverse cross-section of the small business community in a cost effective manner.

As a departure from previous years, the Bank is not requesting additional funding to expand either the Automated Information for Management (AIM) System or the Financial Planning Program. In the future, various elements of these pilot undertakings will continue to be maintained to the maximum extent possible within its

traditional Management Services which, as noted in last year's Corporate Plan, are being reconfigured within approved reference levels to adapt to the evolving need of the Bank's supplementary market. In the process, mature and/or obsolete offerings are either phased out, maintained or refurbished and updated.

4.2.1 Information Services

The growth in the demand for small business related information continues unabated. These requests are met through a variety of services. The Business Information Centre (BIC) toll free telephone service will deal with over 180,000 enquiries in fiscal 1990 while the Small Business Information Service (SBIS) will handle more than 32,000 enquiries. Together they generate some 399,000 referrals to other government programs. Of interest to small business intermediaries, the ABC Handbook now distributed through CCH Canada Ltd. provides a description of all Federal and Provincial programs applicable to small and medium sized businesses. The Bank also stages Information Sessions and Exhibits at business trade fairs.

The Bank's most advanced method for searching and providing small business' information is by way of the Automated Information for Management (AIM) system. This system, operational in all FBDB branches, provides up-to-date information to the BIC, SBIS as well as to all other FBDB services. The initiative to establish a distribution network of businesses and government intermediaries to disseminate this information has however, been curtailed due to limited resources. The intention is to maintain the system in its present mode pending the outcome of an evaluation expected early in fiscal 1990.

4.2.2 Training

Employing the case study method, and available in both one-half and full day formats, the Bank's regular seminar program is offered to the general public, usually attracting smaller groups ranging from 12 to 30 participants each. In collaboration with others, FBDB also develops and presents joint seminars which are usually designed to address a specific management issue and/or industry sector. The Bank expects a total of approximately 25,000 registrants to participate in 1,400 seminars in fiscal 1990.

Workshops are presented in collaboration with both provincial governments and private sector groups. Usually of limited duration, they lend themselves to meetings of business associations, Small Business Week and the particular needs of special interest groups.

Business Management Courses consist of a series of 30 hour modules on small business related management disciplines that are updated and published by the FBDB for exclusive delivery by the provincial and territorial education ministries through their adult education programs. The Bank expects to sell approximately 38,000 of these courses in fiscal 1990.

The Bank's training products are progressively becoming more community oriented as they focus on the pre-start and start-up markets as a means of fostering increased business formation and development. The first in a new series of seminars, for example, is designed to screen would-be entrepreneurs contemplating starting up or buying their own business. The balance of the series is a logical follow-on for those who decide to pursue a career in business for themselves.

The Bank is developing a new program targeted towards new and existing exporters. It will provide practical tips and advice on selling to and expanding in the United States market. The Bank is also experimenting with individual and institutional external "network resources" to present its management seminars.

4.2.3. Community Business Initiatives (CBIs)

Aimed at fostering economic growth by accelerating the development of management expertise and reducing small business failures, **CBIs** incorporate those small business incubator features that have proven the most successful. By combining group instruction and problem solving together with on-site advisory assistance, **CBIs** help the owners of small businesses employ information and apply proven management techniques to achieve clear, realistic training objectives which they established for themselves at the outset of the program. This **CBI** concept is unique, as it concentrates on groups of 25/30 non-competing local businesses and provides an all embracing individualized framework of the Bank's main services as well as co-ordination of outside support services from both public and private sectors.

The FBDB has so far completed 7 **CBIs**, 23 others are currently in progress and 21 others are expected to be launched in the very near future, the majority of which have been sponsored by Employment and Immigration Canada or by local Commercial and Industrial Training Commissions.

4.2.4 Counseling (CASE)

With a survival rate among **CASE** clients which is 30% higher than the rate for Canadian businesses with less than 100 employees generally, **CASE** continues in its original format relying on retired executives to counsel smaller enterprises. At the same time, it must adapt to the increasing sophistication of its clientele while

constantly exploring ways of improving productivity and cost recovery. To respond to requests for counseling related to the new trade agreement with the United States for example, experts in the areas of international trade, export promotion and trade development/financing have been located (via the Canadian Exporter's Association) and added to the CASE counselor roster. With new initiatives in the areas of productivity and cost recovery, CASE continues to be one of the Bank's programs most appreciated by clients with approximately 10,000 contracts annually.

4.2.5 Packaging and Intermediation

This service draws on the expertise of the Bank in the preparation of financial proposals and in addressing the difficulties many smaller businesses encounter in translating their ideas into a business plan that can command the financial resources they require. Frequently the report must address the specific requirements of several funding organizations as the document will serve as a base for a combination of grants, short term and long term loans, lines of credit, equity contributions, etc. Approximately 50% of this activity currently involves grants etc. from federal regional development agencies (ACOA, WDO, FEDNOR).

The Bank may be retained to intermediate on behalf of the client and may provide back-up financing, assuring the client of ultimate success if funds are not available from conventional sources. In fiscal 1990, about 250 packages are expected to be completed.

4.2.6 Equity Matchmaking

This service introduces investors to entrepreneurs in need of funding and/or management expertise. A computerized national database of investors and opportunities allows specialized staff to screen participants, and act as facilitators/animators in the negotiation process. In terms of numbers of transactions, the 38 matches recorded in fiscal 1988 place the Bank in the forefront of this type of brokerage activity in Canada, as it relates to smaller businesses. In fiscal 1989 the Bank was obliged to curb the heavy demand this service places on its limited resources. It now offers the placement of a notice of the investment or opportunity. "Introductions" is an insert supplement to the quarterly "Profits" publication which is mailed to over 800,000 businesses across Canada and "Introduction Plus" is mailed monthly to agents, government departments, embassies, individuals, etc., both in Canada and abroad.

4.2.7 Strategic Planning

Strategic Planning centres on market and environmental analyses, the setting of goals, and the identification of issues, options and action plans to help improve small business performance. The documentation is simple and above all, internally generated and usable. The Bank anticipates entering into contracts covering the preparation of 130 business plans in fiscal 1990.

4.2.8 Publications

The Do-It-Yourself Planning kits enable business persons to analyze their own financial statements, prepare cash flows, evaluate the purchase of a business and to prepare financing requests either by themselves or, with the help of a CASE counselor. The four fact-filled Minding Your Own Business (MYOB) pocketbooks discuss and analyze important aspects of successfully running a small business. A new Exporter's Handbook is expected to be ready for distribution early in fiscal year 1990, and will be targeted to small and medium-sized business owners/managers who are interested in, or already involved with exporting.

4.3 SUPPORT FOR GOVERNMENT PROGRAMS

Through all of its various services, FBDB contributes substantially to the government's economic development objectives.

4.3.1 Economic Impacts

The provision of financing, information, counseling and training, all of which help owners/managers to start-up and expand their business operations, lead to significant employment impacts.

Small businesses as well as newly-formed enterprises generate the majority of new jobs created in the Canadian economy. In providing loans, venture capital, and management services to entrepreneurs, FBDB's activities lead to significant employment impacts each year. In fiscal 1989, customers receiving loans from FBDB anticipated creating 10,000 new jobs. FBDB's total portfolio of loan customers on the books employ an estimated 180,000 persons across Canada. This represents roughly 2% of total private sector employment nation-wide. This percentage is even greater in high unemployment areas of the country. For example, in Newfoundland where the unemployment rate averaged 18.6% in 1987, FBDB's loan customers in that province employ 5% of private sector workers. FBDB loan customers also employ a significant proportion of youths. A survey commissioned by FBDB of its fiscal 1985 borrowers indicated that 26% of the businesses' employees are youths (less than 25 years of age)

- a greater share than the 21% of youths comprising Canada's total employed workforce. The Bank's venture capital division also generates significant job creation impacts. FBDB's investee companies currently employ 5,200 persons having created an average of 27 jobs per firm over the last four years.

As previously noted, business births and young firms are responsible for the major share of all new jobs created in Canada. Again in fiscal 1988, one-half of the Bank's loans went to businesses in operation for less than 5 years while eighty-nine percent of fiscal 1988 loan authorizations went to small firms (i.e. those with less than 20 employees). Fifty percent of the Bank's Venture Capital Division's investments in fiscal 1988 were "early stage" businesses compared to only 20% for private sector venture capitalists in 1987. A total of 33% of the CASE counseling assignments completed during fiscal 1988 assisted businesses at the start-up stage. In addition, a large share of seminar attendees and information enquiries involve individuals contemplating or just starting a business. A recent study revealed that 69% of information enquiries fall into this category.

FBDB financing activities supported over \$1.4 billion in small and medium-sized business investments in fiscal 1988. Private sector leverage of FBDB's venture capital division has averaged 3.4:1 over the last five years. In other words, since the Division's creation in 1983 it has been instrumental in attracting \$340 million from private sector investors. FBDB's special emphasis on entrepreneurs residing outside Canada's major urban centres directs economic benefits to local more remote communities. With 77 branches across the country, FBDB's activities translate national priorities into community job creation and local economic development.

4.3.2 Fostering International Trade and Investment

FBDB contributes to helping entrepreneurs increase their exports and to encouraging foreign investment in Canada. Exporters make up over one-third of the Bank's manufacturing loan accounts while over 50% of its venture capital investee accounts fall into this category. The pilot export receivables guarantee program has to date provided financing to 60 exporters for over \$12 million. FBDB has recently organized a Community Business Initiative dedicated to exporters. Located in Vancouver, over 30 business participants were trained and counseled on how to export their products/services abroad. The Bank also works with other government agencies such as Investment Canada and Employment and Immigration Canada in encouraging immigrant entrepreneurs to invest in Canadian business. The Bank also promotes positive working relations with foreign development agencies. In March 1988, for example, it participated in the World Federation of Development Financing

Institutions conference attended by about 150 development bankers from 60 countries. FBDB has also participated in various exchange agreements with other development banks who wish to learn more about the Bank's operations in order to improve their own organizations.

4.3.3 Program Delivery

Student Business Loans

The Bank delivers Employment and Immigration Canada's (EIC) loan guarantees to full time students for the purposes of starting-up small businesses during the summer months in the provinces of Newfoundland, Québec, Manitoba, Saskatchewan, Alberta, the Yukon and the Northwest Territories. (The other provinces manage their own independent student loans programs.) Student Business Loans is a component of "Challenge" which is EIC's summer employment program for students. This cooperative arrangement will continue under the present terms and conditions.

Regional Agencies

The Bank has put forward for Atlantic Canada Opportunities Agency's consideration a proposal for a joint venture CBI program as well as a proposal for addressing the equity related financing needs of early stage businesses in the Atlantic region. In addition to seconding resources, the Bank has provided the Western Diversification Office with general guidance in the areas of credit processing and has prepared over 100 detailed submissions for their consideration. To the end of October, 1988, the investigation and packaging of 174 requests for FEDNOR's Small Business Program grants had either been completed or were in progress. The Bank has also assisted FEDNOR in developing policies and procedures related to credit applications and investigations. Discussions remain on-going to ascertain other areas of mutual cooperation and support with these agencies.

Mollusc Growers Loan Program

As a result of the December 1987 mussel crisis in Atlantic Canada, the Federal Cabinet agreed to provide up to \$2 million in repayable loans, to be delivered by the FBDB to mollusc growers in the Atlantic provinces and Québec. The Bank authorized 36 loans that resulted from 50 loan applications/enquiries accepted during the program's allowed duration.

The Moncton Regional Development Initiative Board

The Moncton Regional Development Initiative Board was established to administer a \$4 million fund setup to assist displaced employees of the closed Canadian National (CN) shop. In addition to having a senior officer handle all enquiries for assistance to the Board, the Bank has provided entrepreneurship awareness seminars and self-employment counseling to laid off CN employees, packaged over 60 loan applications and continues to offer seminars and counseling assistance as required.

Other Activities

The Bank is also involved in preparing business plans or proposals for grant assistance on behalf of the Enterprise Cape Breton Corporation and the Pictou County Development Fund Corp.

Many Federal and Provincial departments and other groups and their clients use the Bank's CASE, Seminar, and FPP programs extensively. These departments have either contracted, funded or jointly sponsored FBDB's programs.

4.3.4 Public Policy

The Bank continues to pursue the objectives of legislation relating to Official Languages, Employment Equity, and Pay Equity.

4.3.5 Non-Traditional Entrepreneurs

The Bank makes a special effort to ensure that its services accommodate the needs of the increasing number of non-traditional entrepreneurs such as women, youths, ethnics, aboriginal, etc. starting up and operating small and medium-sized businesses. Some of the initiatives directed at these entrepreneurs involve a "Women and Financing" pamphlet which was prepared and recently distributed to all associations representing women entrepreneurs. A kit to assist new Canadians in setting up businesses in Canada will be released in 1989. Another pamphlet will be prepared in 1989 containing helpful hints aimed at young entrepreneurs starting a business. In collaboration with provincial governments and various private sector groups and organizations, FBDB helps sponsor conferences, seminars, workshops, information sessions, awards, etc., particularly directed to women, youth, ethnics and aboriginal. The Bank was also instrumental in the formation of five regional ethno-cultural advisory committees in British Columbia, the Prairies, Ontario, Québec and the Atlantic provinces. To help it address women's issues, the Bank is involved with five groups of women entrepreneurs and professionals.

4.4 PROMOTING PRIVATE SECTOR PARTICIPATION

All of **FBDB's services** are designed to maximize the extent to which the private sector participates in the promotion and delivery of each of its programs. On the financial services side, FBDB seeks to act as a catalyst to increase the availability of debt and equity to smaller firms. The term lending program, in fiscal 1988, supported over \$1.2 billion in small business investments, including \$400 million from other sources of financing in addition to the over \$800 million in loans authorized by the Bank. With respect to larger financing proposals that lend themselves to syndication, the Bank actively seeks to promote maximum private sector leverage through *pari-passu* joint financing packages. Private sector financial institutions play a key role in the delivery of FBDB's guarantee programs, the Student Business Loans and export receivable financing services. Since its inception in 1983, the Venture Capital division has succeeded in helping investee firms obtain \$3.40 from private venture capitalists for every dollar invested by **FBDB**. In addition, the Bank directly supports the creation and development of specialized venture capital pools across the country.

The private sector is also actively involved in **FBDB's** management services. The CASE counseling program is delivered through FBDB by a roster of about 1,000 experienced, private sector business persons. FBDB works with private sector associations and groups to develop joint seminars of interest to businesses in particular fields. In addition, the Bank will often seek private sector experts to deliver its training programs such as full or half day seminars, workshops and information sessions. The **CBI**s are led by private sector members selected from the local community. FBDB enlists the support of the private sector to help promote usage of the Bank's data sources on federal, provincial and local small business assistance programs and government regulations. In addition, it recently reached an agreement with CCH Canada Ltd. to publish subsequent versions of FBDB's ABC Book. Each year FBDB, the Chambers of Commerce, and Boards of Trade stage Small Business Week. In all of these ways, the Bank works with private enterprise to enhance the level of coordinated support for entrepreneurs and to enlist the expertise of experienced business persons in the delivery of its programs.

It is **FBDB's** objective to continue to work with the private sector in meeting the needs of the Bank's small business clientele across Canada. Through its leverage effect, such action optimizes the supplemental nature of the Bank's role.

4.5 EFFICIENCY AND EFFECTIVENESS

As confirmed by the two main measures of non-interest expenses and cost recovery rate the Bank is continuing to improve its cost effectiveness. In Financial Services non-interest expenses as a percentage of the average loans portfolio has declined from 2.9% in fiscal 1987 to 2.7% in fiscal 1988. The Management Services cost recovery rate moved from 20.3% in fiscal 1987 to 22.8% in fiscal 1988. In addition, the Venture Capital Division has increased funds administered per professional staff.

FBDB is also continuing its process of program evaluation. The purpose of this review is to ensure that the Bank's services and programs continue to meet their objectives.

5.0 PERFORMANCE EVALUATION - FISCAL 1989

The following table provides estimates of performance indicators for fiscal 1989 and 1990 and compares the latest 1989 estimates with targets set in FBDB's previous Corporate Plan (Fiscal 1989).

	<u>FISCAL YEAR 1989</u>		<u>FISCAL YEAR 1990</u>
	<u>FISCAL 1989-93</u> <u>CORPORATE</u> <u>PLAN</u>	<u>LATEST</u> <u>ESTIMATES</u>	<u>FISCAL 1990-94</u> <u>CORPORATE</u> <u>PLAN</u>
<u>PERFORMANCE INDICATORS</u>			
<u>LOANS:</u>			
Operating expenses as a % of average amount outstanding	2.8%	2.8%	2.8%
Provision for losses as a % of average amount outstanding	1.8%	1.8%	1.8%
<u>VENTURE CAPITAL:</u>			
Net Income (\$ millions)	\$0.8	\$1.5	\$1.3
Leverage of private sector funds	3.2:1	3.0:1	3.0:1
Load factor per professional staff (number)	5	5	6
<u>MANAGEMENT SERVICES:</u>			
Traditional services cost recovery rate	25.1%	26.7%	25.5%
Financial Planning Program cost recovery rate	40.070	39.0%	49.3%

6.0 BUDGET SUMMARIES

ASSUMPTIONS:

(1) Generally continuing stable economic conditions.

(2) Capital Paid in by Canada:

Loans Division

The attached forecast is predicated on funding the Lending Division at a 10:1 debt-to-equity ratio in accordance with approved capital payments of \$10 million in fiscal 1990.

Venture Capital Division

Planned capital payments are intended to supplement internally generated funds so that the portfolio is entirely capitalized with equity.

(3) The Bank Will borrow \$392 million in fiscal 1990. After retirements of outstanding debt, net borrowings will increase by \$59 million, resulting in \$2.1 billion in outstanding debt as at March 31,1990.

STATEMENT OF GOVERNMENT FUNDING TRANSACTIONS
FROM CONSOLIDATED REVENUE FUND

(\$ millions)

	FISCAL 1988 <u>ACTUAL</u>	FISCAL 1989 <u>EST.</u>	<u>FISCAL YEARS</u>				
			<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<u>LOAN (REPAYMENTS)</u>	(51.0)						
 <u>BUDGETARY PAYMENTS</u>							
Loans Division		25.0	<i>10.0</i>				
Venture Capital Division		10.0	9.4				
Investment in Cominco Ltd.	51.0						
Management Services Division	26.8	27.0	27.6	27.5	27.5	27.5	27.5

CAPITAL BUDGET SUMMARY

FISCAL 1990

CAPITAL BUDGET SUMMARY

FISCAL 1990

STATEMENT OF CHANGES IN CASH POSITION

for the year ended March 31

(\$ '000)

	<u>Actual</u> <u>1988</u>	<u>Current</u> <u>Estimates</u> <u>1989</u>	<u>Budget</u> <u>1990</u>
Source of cash:			
Loans (term borrowings)			
from sources other than Canada	\$539,413	\$ 344,000	\$ 400,000
Net increase in short-term notes	86,179	(11,000)	(8,000)
Paid in by Canada - Loans		25,000	10,000
- Venture Capital		10,000	9,400
- Cominco	28,000		
Deposit from Canada	23,000		
Repayments by borrowers and investees	408,308	465,500	556,200
Others	<u>6,263</u>	<u>(1,450)</u>	<u>2,380</u>
	1,091,163	832,050	969,980
Income for the year:	6,427	4,500	5,300
Items not requiring an outlay of cash			
Provision for losses	34,779	42,300	46,200
Depreciation of fixed assets	1,012	850	1,900
Amortization of debt issue expenses	3,191	2,000	2,000
Net changes in accrued interest	<u>11,422</u>	<u>(4,000)</u>	<u>2,600</u>
Cash flow from operations	<u>56,831</u>	<u>45,650</u>	<u>58,000</u>
	1,147,994	877,700	1,027,980
Use of cash:			
Disbursements to borrowers and investees	744,648	709,300	683,700
Repayment of maturing notes to Canada	51,000		
Repayment of maturing notes to sources other than Canada	272,600	233,000	333,000
Debt issue expenses	2,660	1,000	1,000
Capital expenditures	<u>675</u>	<u>1,750</u>	<u>4,480</u>
	1,071,583	945,050	1,022,180
Increase (decrease) in cash and Treasury Bills, net of cheques outstanding	<u>\$ 76,411</u>	<u>\$ (67,350)</u>	<u>\$ 5,800</u>

OPERATING BUDGET SUMMARY

FISCAL 1990

STATEMENT OF OPERATIONS
FINANCIAL SERVICES

(\$ millions)

	<u>1988 Actuals</u>			<u>1989 Estimate</u>			<u>1990 Budget</u>		
	<u>Loans</u>	<u>Venture Capital</u>	<u>Total</u>	<u>Loans</u>	<u>Venture Capital</u>	<u>Total</u>	<u>Loans</u>	<u>Venture Capital</u>	<u>Total</u>
Interest and investment income - Loans	260.2		260.2	288.4		288.4	308.0		308.0
Venture Capital investments		6.6	6.6	-	4.8	4.8		6.8	6.8
	260.2	6.6	266.8	288.4	4.8	293.2	308.0	6.8	314.8
interest expense	164.4	-	164.4	181.0	-	181.0	193.0	-	193.0
Net interest and investment income	93.6	6.6	100.2	107.4	4.8	112.2	115.0	6.8	121.8
Provision for losses on Loans, Guarantees and Venture Capital investments	34.3	0.5	34.8	42.0	0.3	42.3	44.0	2.2	46.2
Net interest and investment income after provision for losses	59.3	6.1	65.4	65.4	4.5	69.9	71.0	4.6	75.6
Salaries and staff benefits	35.4	1.4	36.8	38.5	1.7	40.2	40.7	1.9	42.6
Premises and equipment, including deprecation	8.5	0.3	8.8	8.1	0.3	8.4	9.5	0.3	9.8
Other expenses	12.5	0.9	13.4	15.8	1.0	16.8	16.8	1.1	17.9
Non-interest expenses	56.4	2.6	59.0	62.4	3.0	65.4	67.0	3.3	70.3
Net income for the year	2.9	3.5	6.4	3.0	1.5	4.5	4.0	1.3	5.3

Corporate Plan Summary**SUMMARY OPERATING BUDGET**

MANAGEMENT SERVICES

(\$ millions)

	FISCAL 1988 <u>ACTUAL</u>	FISCAL 1989 <u>ESTIMATE</u>	BUDGET <u>1990</u>
Salaries & Staff Benefits	19.6	22.6	22.7
Premises & Equipment	4.1	4.2	4.1
Other Expenses	<u>11.0</u>	<u>10.0</u>	<u>11.0</u>
Total Expenditures	34.7	36.8	37.8
Less: Revenue from CASE Counseling Training Seminar Registration, and Other Activities	<u>7.9</u>	<u>9.8</u>	<u>10.2</u>
Amount recovered from the Department of Regional Industrial Expansion	<u>26.8</u>	<u>27.0</u>	<u>27.6</u>
Expenditures were incurred as follows:			
Management Counseling	7.2	7.5	7.4
Management Training	4.8	5.8	7.0
Information Services	<u>10.4</u>	<u>8.8</u>	<u>8.7</u>
Traditional (Net)	22.4	22.1	23.1