

# Small & Medium Enterprises (SMEs) The Canadian Model

Think Dynamic.  
Think Competitive.  
Think Bottom Line.  
Think **Canada.**

***HE Karen McDonald***  
*High Commissioner for Canada  
to Trinidad and Tobago*



**January 18, 2012**



# The importance of SMEs in Canada





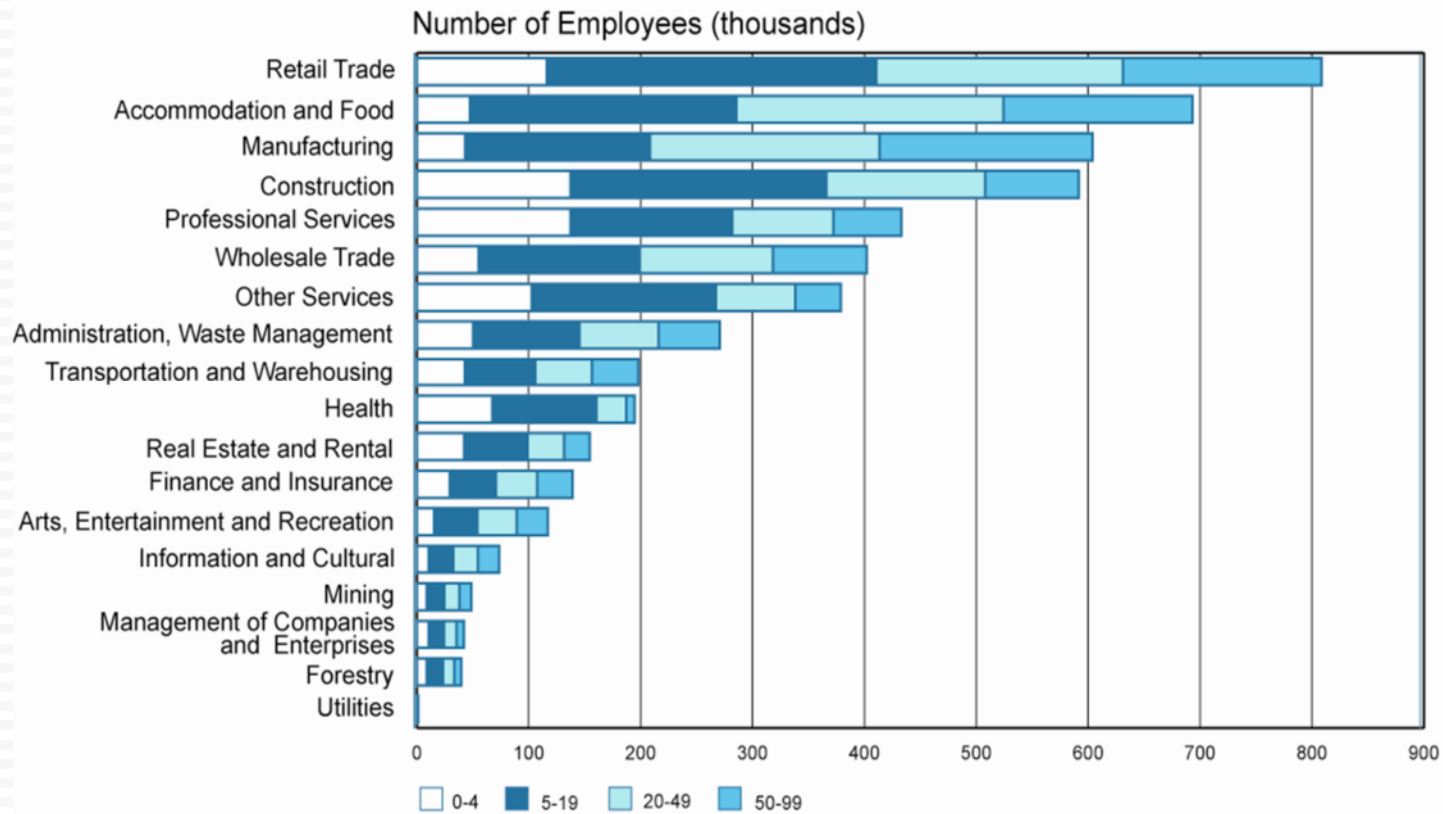
# Small Businesses in Canada...



- **are the largest segment of the Canadian business population**
  - 98 percent of the 1.1 million employer-business establishments are small firms:
    - ◆ Micro firms (1-4 employees) = 54,6%
    - ◆ Small firms (5-99 employees) = 43,4%
  
- **employ 64% of the private sector work force, or 6.8 million people across the country**
  
- **contribute to economic prosperity**
  - Small firms (fewer than 100 employees) = 41,9 % of GDP.
  - Medium firms (between 100-499 employees) = 12,4 % of GDP



## Number of Private Sector Employees by Industry and Size of Business Enterprise, 2007





## Favorable Business Climate in Canada

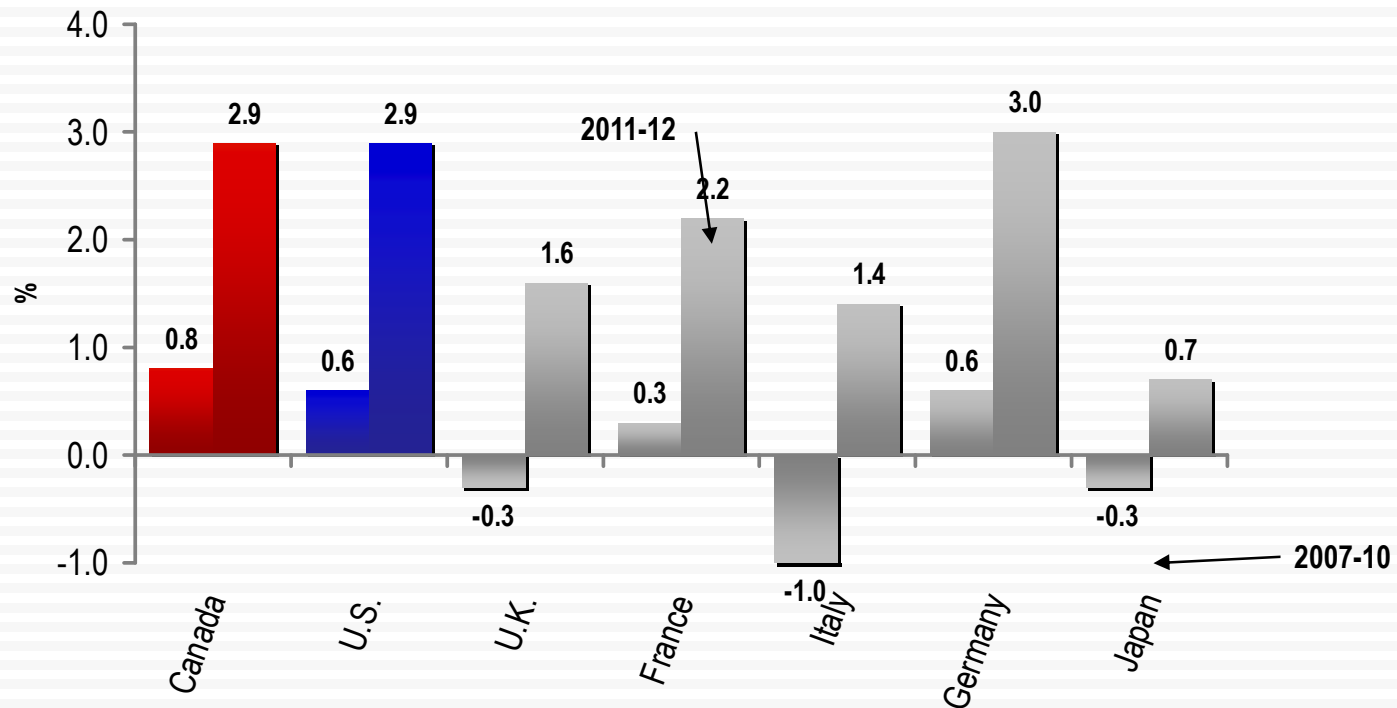




# Canada has a Relatively Strong Economy



Real GDP Growth and Projections (%)

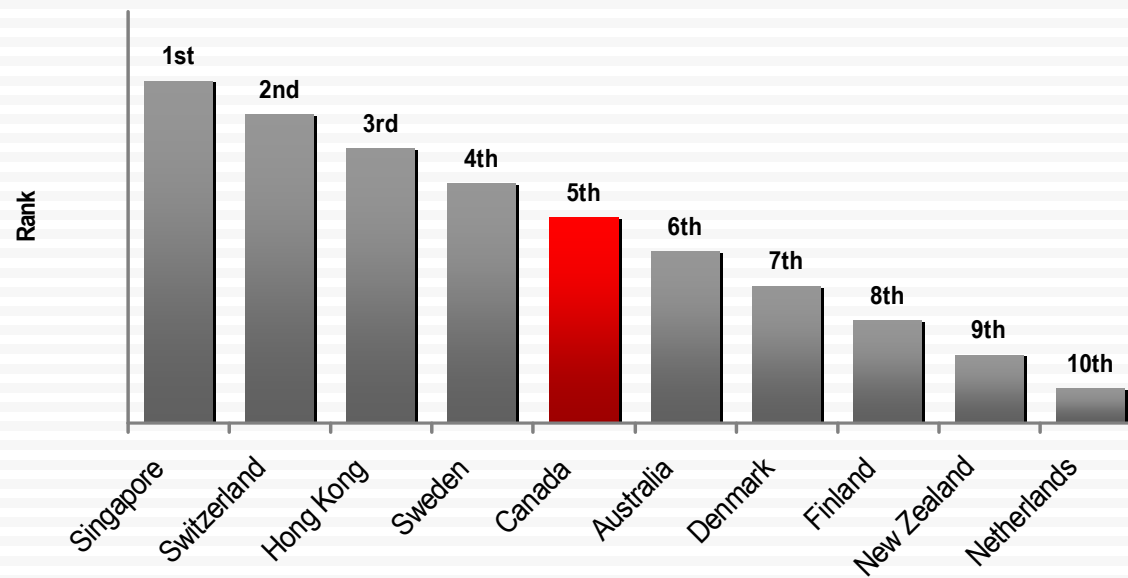


Source: OECD Economic Outlook, No. 89, May 2011.



# Canada's Positive Business Climate

**Business Environment of Top Ten Countries,  
Rank for Forecast Period 2011-2015**



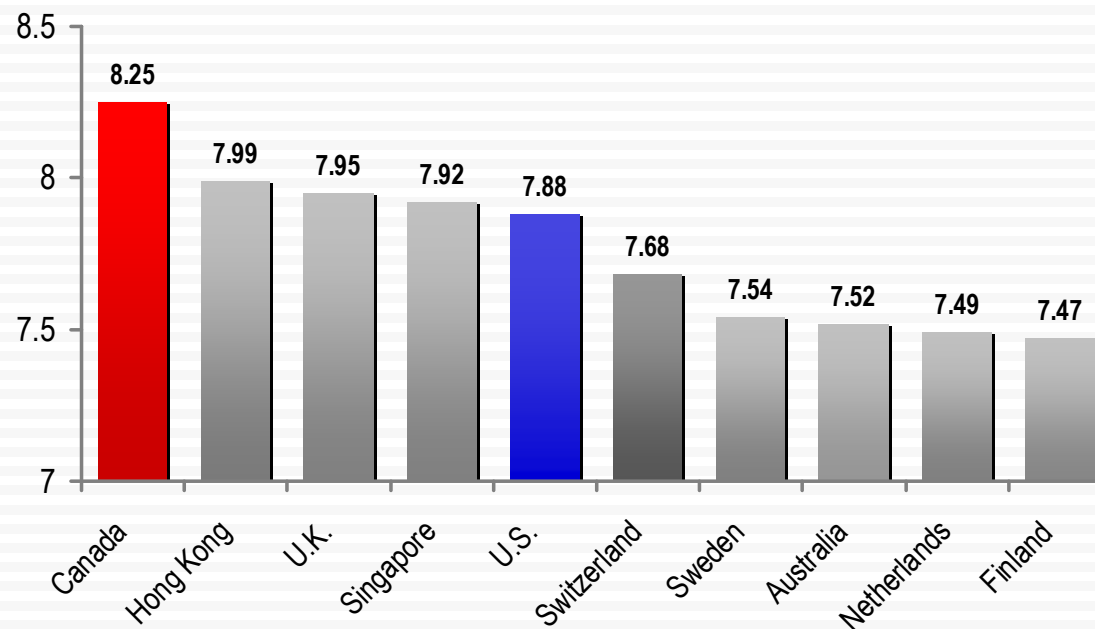
Source: The Economist Intelligence Unit, August 2011



# Easy Access to Capital

Canada was able to weather the storm as world credit markets collapsed in 2008 due to the stability of its equity markets and strength of its economic policy. In 2009, the Milken Institute ranked Canada 1<sup>st</sup> in its Capital Access Index.

**Capital Access Index (Maximum = 10)  
Top 10 Regions/Countries 2009**



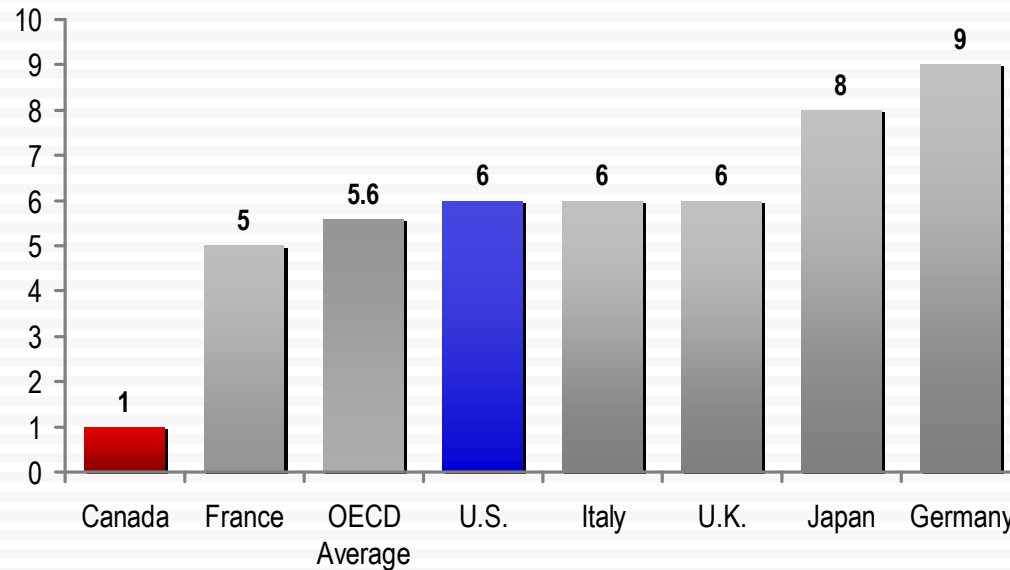
\*Standing among 122 countries. Milken Institute, April 2010



# Fewer Steps in Establishing a Business...



Number of Procedures\*

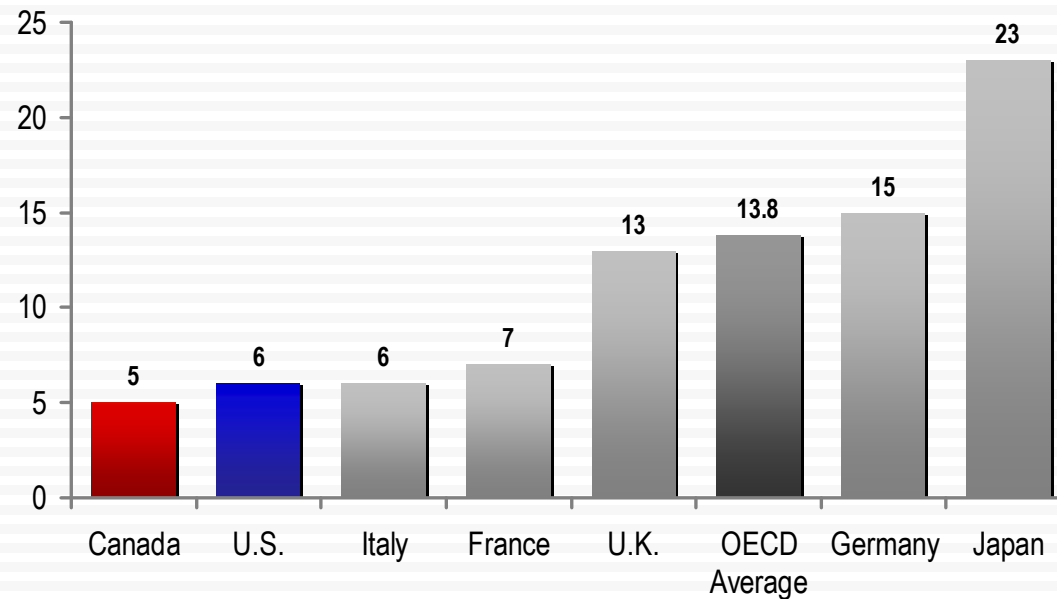


Source: Doing Business in 2011 - The World Bank Group, 2010 \* A "procedure" is defined as any interaction of the company founder with external parties (government agencies, lawyers, auditors, notaries, etc). Interactions between company founders or company officers and employees are not considered as separate procedures. For example, an inauguration meeting where shareholders elect the directors and secretary of the company is not considered a procedure, as there are no outside parties involved.



## ...and in Relatively Less Time

Duration (days)



Source: Doing Business in 2011- The World Bank Group, 2010

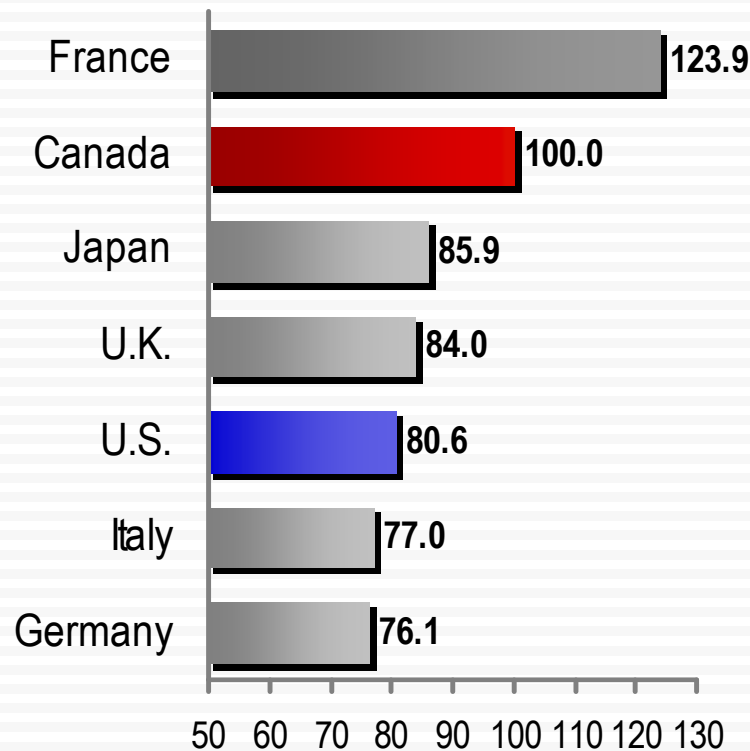


# Quality R&D as its Major Benefit



## Relative Generosity of R&D Tax Incentives\*

(Index: Canada = 100.0)



Source: Warda, Jacek, Rating Measuring Canada's R&D Tax Incentives: May 22, 2009

Note: Relative generosity is determined by dividing the after tax cost of performing \$1.00 of R&D by 1 less the corporate tax rate.

Results are indexed to the relative generosity of Canada's system of tax-based support for R&D. The higher the ratio the more competitive the tax system.

\* Calculations based on large firms



Direct support from Government





# Federal Support for SMEs



- **BIZ PAL** - [www.bizpal.ca](http://www.bizpal.ca)

Challenge: Businesses, especially small businesses, are impacted by the costs and efforts required to comply with Government regulations.

\* BIZ PAL is an online service for Canadian businesses.

- **CANADIAN BUSINESS NETWORK (CBN)** – [www.canadabusiness.ca](http://www.canadabusiness.ca)

Challenge: Small businesses have trouble navigating through the information available to them from various levels of government.

\*The CBN is a key access point to government information services

- **TRADE COMMISSIONER SERVICE (TCS)** – [www.tradecommissioner.gc.ca](http://www.tradecommissioner.gc.ca)

\*The TCS helps companies succeed globally and lower their costs of doing business internationally.



# Financing of Small Businesses





# Available Financing Sources for SMEs



- **BUSINESS DEVELOPMENT BANK OF CANADA (BDC)**

[www.bdc.ca](http://www.bdc.ca)

- **CANADA SMALL BUSINESS FINANCING PROGRAM (CSBFP)**

[www.ic.gc.ca/csbfp](http://www.ic.gc.ca/csbfp)

- **CANADIAN YOUTH BUSINESS FOUNDATION (CYBF)**

[www.cybf.ca](http://www.cybf.ca)

- **EXPORT DEVELOPMENT CANADA (EDC)**

[www.edc.ca](http://www.edc.ca)



# Other Federal Support Programs

## Canadian Innovation Commercialization Program

- (CICP) is a new PWGSC, \$40 million initiative launched in Budget 2010 to help companies bridge the pre-commercialization gap for innovative products and services by awarding procurement contracts, providing performance feedback and providing information to SMEs on how to do business with government.

## Scientific Research and Experimental Development (SR&ED) Tax Incentive Program

- Federal tax incentive program, administered by CRA that encourages Canadian businesses of all sizes, and in all sectors to conduct research and development (R&D) in Canada.
- It is the largest single source of federal government support for industrial R&D.
- The SR&ED program gives claimants cash refunds and/or tax credits for their expenditures on eligible R&D work done in Canada.

## Regional Development Agencies

- Federal agencies that have the responsibility of promoting economic development and expansion, at least in part, by promoting and supporting SMEs.
- FedDev Ontario, Atlantic Canada Opportunities Agency, Economic Development Agency of the Regions of Quebec, Western Economic Diversification Canada and Federal Economic Development Initiative for Northern Ontario.

## Community Futures Development Corporations (CFDC)

- A network of 270 CFDCs across Canada that serve communities by providing services and programs to support in the areas of business development, employment generation and entrepreneurial awareness.



## Other Mechanisms in Place



- **ADVISORY COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP (ACSBE)**

Challenge: The Government is committed to creating an environment that is supportive of small business growth. To do so, the Government needs to be better-informed on small business issues.

[www.reduirepaperasserie.gc.ca/eic/site/pbri-iafp.nsf/eng/h\\_sx00136.html](http://www.reduirepaperasserie.gc.ca/eic/site/pbri-iafp.nsf/eng/h_sx00136.html)

- **RED TAPE REDUCTION COMMISSION (RTRC)**

Challenge: SMEs face a significant time and cost burden from complying with federal regulations.

[www.reduceredtape.gc.ca](http://www.reduceredtape.gc.ca)



# Canada & Corporate Social Responsibility (CSR)





# Canada & Corporate Social Responsibility



## Canada's CSR Approach

- Canada encourages and expects Canadian firms operating abroad to respect all applicable laws, international standards, and to reflect our values and international commitments.
- Canada supports and encourages the Canadian business community to develop and implement CSR standards, tools, and best practices.
- There is, however, a limit to what companies can provide to support social, health, environment, and education concerns of the communities within which they operate.
- Host governments are responsible for legislation that meets the needs of their citizens.
- Canada is active in fostering and promoting CSR at bilateral and multilateral levels.



*Think Canada!*



***Thank you for your time!***