

2018 Northern Policy Hackathon

Background Research | Summary



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INTRODUCTION¹

The Northern Policy Hackathon (NPH) is a unique opportunity to convene key stakeholders from the three territories (Northwest Territories, Nunavut, and Yukon) and Inuit Nunangat² to build policy capacity and develop policy recommendations on important and relevant issues to the North. The aim is to ensure that policy decisions about the North are made for the North and by the North.

The Gordon Foundation hosted its second Northern Policy Hackathon on August 21 and 22, 2018. This year's topic addressed the following question: How can the federal government support northern³ small and medium sized enterprises (SMEs)⁴ in growing locally and internationally?

SMEs are an integral part of the Canadian economy and international markets, accounting for 97.9 per cent of all firms in Canada and 40.7 per cent of Canadian merchandise exports by value.⁵ The Northern Policy Hackathon is timely as the Government of Canada is focusing its attention on developing the Arctic Policy Framework⁶, promoting inclusive and progressive growth and trade, fulfilling its commitment to improving socio-economic outcomes for Indigenous peoples and the Truth and Reconciliation Calls to Action, and negotiating new free trade agreements.

In preparation for the Northern Policy Hackathon, The Gordon Foundation, with the assistance of Karen Everett, conducted a scan of federal, territorial and provincial policies and programs that support the growth of northern SMEs in domestic and international markets, and of existing challenges and recommendations.

This document is a summary of the background research, which aimed to provide the Northern Policy Hackathon participants with the results of this scan of existing research regarding northern SMEs. The full report, including a full bibliography, can be found on The Gordon Foundation's website.

The first section of the report provides an overview of the economic context for SMEs in the three territories and Inuit Nunangat.

The second section identifies federal government initiatives that support northern SMEs.

The third section discusses the barriers and challenges experienced by SMEs and presents current recommendations by various groups on how to support SME growth.

The fourth section explores the supports provided by each territory and region in Inuit Nunangat as well as by non-governmental actors.

Truth and Reconciliation Commission Calls to Action

Business and Reconciliation 92

We call upon the corporate sector in Canada to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources. This would include, but not be limited to, the following:

1. Commit to meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects.
2. Ensure that Aboriginal peoples have equitable access to jobs, training, and education opportunities in the corporate sector, and that Aboriginal communities gain long-term sustainable benefits from economic development projects.
3. Provide education for management and staff on the history of Aboriginal peoples, including the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, Treaties and Aboriginal rights, Indigenous law, and Aboriginal–Crown relations. This will require skills based training in intercultural competency, conflict resolution, human rights, and anti-racism.

1. This summary is not a complete guide to small and medium sized enterprises (SMEs) in the North, nor an all-encompassing review of all policies and programs impacting SMEs.

2. Inuit Nunangat consists of the Inuvialuit Settlement Region (Yukon and NWT), Nunavut, Nunavik (northern Quebec), and Nunatsiavut (northern Labrador). See Inuit Tapiriit Kanatami, "Maps of Inuit Nunangat (Inuit Regions of Canada)," *Inuit Tapiriit Kanatami*, accessed June 11, 2018, <https://www.itk.ca/maps-of-inuit-nunangat/>

3. The report uses "northern" or "North" for Nunavut, Northwest Territories, Yukon, and Inuit Nunangat.

4. In Canada, small businesses typically have 1 to 99 employees and medium businesses operate with 100 to 499 employees. A "micro" category exists for businesses with 1 to 4 employees; however, this category is included in the "small" category because federal programs tend to follow the SMEs as a whole. See Canada, "Glossary," *Government of Canada*, last modified February 14, 2017, https://www.ic.gc.ca/eic/site/cis-sic.nsf/eng/h_00005.html#employment_size_category.

5. Innovation, Science and Economic Development Canada. *Key Small Business Statistics June 2016*. (Ottawa: Innovation, Science and Economic Development Canada, 2016), 7, [https://www.ic.gc.ca/eic/site/061.nsf/vwapj/KSBS-PSRPE_June-Juin_2016_eng-V2.pdf/\\$file/KSBS-PSRPE_June-Juin_2016_eng-V2.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/KSBS-PSRPE_June-Juin_2016_eng-V2.pdf/$file/KSBS-PSRPE_June-Juin_2016_eng-V2.pdf); Global Affairs Canada, *Canada's State of Trade: Trade and Investment Update 2017*, (Ottawa: Global Affairs Canada,,2017), 68, http://www.international.gc.ca/economist-economiste/assets/pdfs/performance/state_2017_point/SoT_PsC_2017-Eng.pdf

6. The Arctic Policy Framework will focus on several themes, including "strong, sustainable and diversified Arctic economies" and "the Arctic in a global context". See Canada, "Toward a new Arctic Policy Framework," Government of Canada, last modified August 16, 2018, accessed July 23, 2018, <https://www.aadnc-aandc.gc.ca/eng/1499951681722/1499951703370>

SECTION 1

Overview of the Economic Context for SMEs in the Canadian North

This section provides a closer look at the northern economic landscape and explores the contribution of northern small and medium sized enterprises (SMEs).

It should be noted that the research for this section encountered several challenges. On the one hand there is a lack of statistics on northern SMEs, their contribution to the economy, export values, and on Indigenous-owned SMEs. On the other, the federal government's definition of SMEs and criteria for calculating the number of businesses excludes self-employed individuals and micro-businesses. Given that many northern businesses fall into these categories, it is therefore difficult to fully grasp the northern economy and determine the types of supports or economic policies that are required to strengthen it.

Synopsis

Less than 1 per cent of Canadian businesses are found in the North. More specifically, only 4,325 SMEs are located in the three territories, 123 businesses in Nunavik (most being micro-businesses) and 75 SMEs in Nunatsiavut. The majority of the businesses in the territories have fewer than 500 employees and are found in a broad range of industries, thus demonstrating the diversity of the northern economy. For the territories, the three sectors with the most businesses include construction, retail trade, and public administration. For Nunavik, businesses were found in 100 sectors; the sectors were not provided. In Nunatsiavut, Inuit businesses mainly participate in transportation, environment, services, construction, logistics/expediting, manufacturing, real estate/accommodations, retail, tourism, and wholesale and retail sales.

Indigenous-owned businesses are an important aspect of the northern economy. Statistics Canada does not break down business ownership by Indigenous/non-Indigenous status. Calculating Indigenous-owned business is further

complicated by the fact that the majority of Indigenous businesses across the country are sole proprietorships, and therefore do not meet the criteria to be counted as a business by the federal government. In the territories, northern Indigenous businesses are “most likely to work for governments at the federal, provincial/territorial and municipal levels.”⁷ These findings suggest that Indigenous businesses are less likely to export goods, both within Canada and abroad.

SMEs provide a considerable amount of employment in each of the territories, where 57 per cent of employees work for businesses that have 1 to 299 employees. In terms of SME contribution to the economy, for the Northwest Territories and Nunavut, mining provides the largest share of the gross domestic product (GDP). Public administration provides the largest share of the GDP in the Yukon. Agriculture, forestry, fishing and hunting have the smallest shares of the GDP in both the Yukon and Nunavut, whereas manufacturing has the smallest share in the Northwest Territories. It is important to note that this information includes large businesses since statistics are not available by the size of the business. Generally, discussions on the northern economy tend to focus on the “high value” industries and development projects like mining, as well as on the number of jobs the public sector provides to the economy.⁸ As a result, the role and potential of smaller businesses may not be factored into larger conversations on the regional economy.

Northern businesses export a broad range of goods. Most of the value of exported goods comes from extractive resources. Yukon sends most of their exports to the United States, the Northwest Territories send most of their exports to Belgium, and Nunavut's top export destinations are China, Mexico and Germany. There are only two sectors in which the territories do not produce exports: the first is animal or vegetable fats and oils and their cleavage products, prepared edible fats, and animal or vegetable waxes; and the second is arms and ammunition, and parts and accessories thereof.

The territories also participate in interprovincial and interterritorial trade. The value of goods that the territories export within Canada is significantly higher than what they export internationally.

7. Canadian Council for Aboriginal Business, *Promise and Prosperity: The 2016 Aboriginal Business Survey* (Toronto: Canadian Council for Aboriginal Business, 2016), 18, <https://www.ccab.com/wp-content/uploads/2016/10/CCAB-PP-Report-V2-SQ-Pages.pdf>

8. Canadian Chamber of Commerce, *Our National Competitiveness and Canada's Territories* (Ottawa: Canadian Chamber of Commerce, 2015), 7, 8, 12, <http://www.chamber.ca/download.aspx?t=0&pid=0f2dc38d-602a-e511-837b-000c29c04ade>

SMEs are an important part of Canadian tourism as they make up 99 per cent of the industry.⁹ Tourism is also an important aspect of the northern economy. Tourism is on the rise in all three territories, and more so in the Northwest Territories. Indigenous tourism is making a contribution. In 2014 there were 58 Indigenous-owned tourism-related businesses in the Yukon, 88 in the Northwest Territories and 65 in Nunavut.

9. Pierre-Olivier Bédard-Maltais, *SME Profile: Tourism Industries in Canada March 2015*, (Ottawa: Industry Canada, 2015), 1, [https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SMEPTIC-PPMEITC_2015_eng.pdf/\\$file/SMEPTIC-PPMEITC_2015_eng.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SMEPTIC-PPMEITC_2015_eng.pdf/$file/SMEPTIC-PPMEITC_2015_eng.pdf)

SECTION 2

Federal Government Supports for SMEs in the Canadian North

The previous section provided an overview of Canada's northern economy with regards to the industries in which northern businesses operate and the value of their export trade. Section 1 showed that the majority of businesses in the North are small or medium sized, meaning they have less than 500 employees.

Considering that "On average, 98 per cent of new firms survived the first year, 63 per cent survived after five years, and merely 43 per cent survived after ten years,"¹⁰ it is important that Canada's northern SMEs have access to different programs and services that can help them succeed. This section presents existing federal policies and programs that help small and medium-sized enterprises (SMEs) grow and export their goods overseas.

Synopsis

The Government of Canada has a range of policies and programs that support Canadian SMEs, and in some cases, help SMEs specifically located in the territories and Inuit Nunangat. This section provides an overview of some of these policies and programs. It shows how they assist with business development, exporting, innovation, technology, entrepreneurship, financing, and capacity building. It is important to note that while there are a number of supports for SMEs, there remains a lack of services specifically tailored to northern SMEs.

The federal budget is one of the mechanisms used by the government to support SMEs. *Budget 2017* promised to make it easier for Canadian businesses to access information and services related to innovation. *Budget 2018* also made a number of promises to SMEs. For example, it proposes changes to business taxation to help SMEs, and a year-long extension of the Mineral Exploration Tax Credit. Further, there will be funding to improve small businesses' access to legal advice about intellectual property. *Budget 2018* also seeks to make it easier for SMEs, and

especially SMEs owned by women, to access government contracts. Businesses in rural areas will also benefit as the budget aims to make Internet access more accessible via satellite connection.

Federal policies and programs for SMEs are offered by more than 20 government departments and bodies in Canada.¹¹ According to Canada Startups, there are currently 303 grant programs, 147 loan programs, and 231 assistance programs available from the Canadian government, with an additional 862 private funding programs offered for small business owners.¹² Some of these services and programs are provided by the following federal departments and agencies:

The **National Research Council of Canada (NRC)**'s *Industrial Research Assistance Program* (NRC IRAP) offers technology assistance to SMEs at all stages of the innovation process, and connects SMEs with Industrial Technology Advisors to improve their use of technology for innovation.¹³ Northern SMEs have access to the IRAP through regional offices. NRC also provides *Concierge*, which is a clearing house of information for SMEs on programs, services and funding, as well as the *Canada Accelerator and Incubator Program* (CAIP) that funds a small number of accelerators and incubators offering service to early-stage firms and entrepreneurs. However, none of the selected incubators were in northern Canada.

The **Business Development Bank of Canada (BDC)** is a Crown corporation that provides a number of services to SMEs, including financing options and advisory services for women and Indigenous entrepreneurs. The BDC helps SMEs build capacity through their advisory services that focus on strategic management, operations, and marketing. Specific advice for small business is also available. The BDC provides loans to entrepreneurs and SMEs for start-up costs, to provides working capital, and to purchase equipment and technology so a business can expand and purchase new space.

The **Canadian Northern Economic Development Agency (CanNor)** works across the territories to improve economic development through supporting the *Innovation and Skills*

10. Richard Archambault and May Song, *Canadian New Firms: Birth and Survival Rates Over the Period 2002-2014*, (Ottawa: Innovation, Science and Economic Development Canada, 2018), 7, [https://www.ic.gc.ca/eic/site/061.nsf/vwapj/CNF_BSR-NEC_TNS_2002-2014_May2018_eng.pdf/\\$file/CNF_BSR-NEC_TNS_2002-2014_May2018_eng.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/CNF_BSR-NEC_TNS_2002-2014_May2018_eng.pdf/$file/CNF_BSR-NEC_TNS_2002-2014_May2018_eng.pdf)

11. Organisation for Economic Co-operation and Development. *SME and Entrepreneurship Policy in Canada*, (Paris: OECD Publishing, 2017), 29, DOI: <http://dx.doi.org/10.1787/9789264273467-en>, https://read.oecd-ilibrary.org/industry-and-services/sme-and-entrepreneurship-policy-in-canada_9789264273467-en#page4

12. Canada Startups, "Starting a Small Business in the Northwest Territories," *Canada Startups*, accessed July 12, 2018, <https://www.canadastartups.org/northwest-territories/>

13. National Research Council Canada, "The ITA Advantage," *National Research Council Canada*, last modified June 14, 2017, <https://www.nrc-cnrc.gc.ca/eng/irap/about/advisors.html>

Plan, strengthening and diversifying the northern economy. CanNor provides a number of programs that are relevant to northern SMEs, including: *Strategic Investments in Northern Economic Development (SINED)* which provides up to 50 per cent of project funding related to innovation, economic growth and diversification, capacity development, and economic infrastructure; *Entrepreneurship and Business Development Program*, which is part of the *Northern Aboriginal Economic Opportunities Program (NAEOP)* that provides financial support to Indigenous entrepreneurs, businesses, and commercial entities to expand their businesses; and the *Economic Development Initiative* that “provides funding for projects that encourage economic growth in the North’s Francophone communities.”¹⁴ CanNor also works with territorial colleges to increase the availability of adult basic education services through the renewed *Northern Adult Basic Education Program (NABEP)*. The program provides funding to at least 20 businesses and offers tailored assistance through its regional development agencies.

Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) helps Indigenous communities advance their business development and economic growth. CIRNAC has several programs that support Indigenous businesses, such as the *Canada Small Business Financing Program* and the *Indigenous Skills and Employment Training strategy* to better support the Aboriginal Financial Institutions network and Indigenous entrepreneurs. CIRNAC also has a *Procurement Strategy for Aboriginal Business (PSAB)*.

Innovation, Science and Economic Development Canada (ISED) offers services to SMEs such as a one-stop digital platform, *Innovation Canada*, where businesses can receive a tailored list of all relevant government programs and services. ISED also provides the *Connect to Innovate* program that will introduce high-speed Internet to rural and remote communities, and *Futurpreneur Canada* which provides young entrepreneurs with financing, mentorship, and resources to help plan, manage and grow their

businesses. The Ministry has a *Women Entrepreneurship Strategy* to help women start, sustain and grow their businesses, a new national *Intellectual Property (IP) strategy*, and *Connecting Canada’s Business Registries* project which is a digital platform that connects all of Canada’s business registries.

Budget 2018 expresses a desire to improve Canada’s ability to access new and existing foreign markets. There are several agencies and departments that assist SMEs in exporting their goods. The **Business Development Bank of Canada (BDC)** helps SMEs to export their goods through advisory and financial services, including export readiness assessment, market identification and entry strategies, working capital, and asset financing.

The **Canada Border Services Agency (CBSA)** also helps businesses to export their goods by identifying different requirements for exporters and carriers, as well as supplying information on the different ways to report exports.

The **Canadian Commercial Corporation (CCC)** is a Crown corporation that helps Canadian exporters secure international contracts with government buyers around the world. SMEs benefit from working with the CCC through risk mitigation and cost reduction associated with exporting, and the CCC builds and maintains international relationships for SMEs.

There are other agencies and departments that support the export of goods from SMEs. **Canadian Heritage’s** plans for 2018-2019 include investing \$125 million over five years to implement Canada’s first *Creative Export Strategy* aimed at strengthening Canada’s cultural and creative industries.

Export Development Canada (EDC) provides insurance and financial services, small business solutions to Canadian exporters and investors and their international buyers, and uses their networks to connect SMEs with new markets.

14. Canadian Northern Economic Development Agency “Economic Development Initiative,” *Canadian Northern Economic Development Agency*, last modified July 20, 2018, para. 1, <http://www.cannor.gc.ca/eng/1385494707664/1386784548880>

Global Affairs Canada (GAC) is pursuing a progressive trade agenda. GAC also offers a harmonized contribution program through the *Global Markets Support Program* for international business development activities of Canadian SMEs and Canadian innovators. The *Global Markets Action Plan* (GMAP) sets the federal governments export agenda, which includes ensuring access to international markets. The GMAP assists SMEs to expand into new markets.

Finally, the **Trade Commissioner Service (TCS)** provides information and advice to businesses on foreign markets. The TCS also offers online guides on different aspects of exporting, and provides direct financial assistance to SMEs seeking to develop new export opportunities and markets.

SECTION 3

Existing Challenges and Recommendations

The previous section outlined some of the sources of federal government support for small and medium-sized enterprises (SMEs). This section identifies existing challenges for SMEs, and presents recommendations that have been put forward by various bodies.

Synopsis

A significant challenge with federal programming for SMEs is that there are simply too many options. More than 20 federal government departments and bodies offer more than 250 programs for SMEs and entrepreneurs in Canada.¹⁵ In order to address this issue, Innovation, Science and Economic Development (ISED) set up the *Innovation Canada*¹⁶ website, which is a one-stop shop for innovation business programs. The website aims to facilitate access to innovation funding and programming for businesses across Canada. It is relatively new, and it is not clear whether it has been evaluated to date regarding use and reducing barriers for businesses.

Despite certain efforts, such as the Innovation Canada website, challenges remain for SMEs. It was beyond the scope of the research to assess the challenges with every federal department. However, this section addresses some of the challenges related to financing, program support, capacity building, data on SMEs, exporting goods, technology development, and other regional concerns.

One challenge associated with starting and maintaining a business is the restrictions on the eligibility of support programmes for part-time entrepreneurs.

Another major challenge is related to accessing funding and financing, more specially:

- ▶ Limitations of certain federal funding programs that rule out self-employed individuals, micro businesses, and traditional economies;
- ▶ Financial services that do not match the needs of Indigenous businesses;
- ▶ Low financial literacy, which hinders access to complex funding programs;

- ▶ Administrative burden and paperwork involved in accessing funding, which prevents SMEs from seeking further assistance.

Insurance is also a key issue because high insurance costs can be a large inhibitor for SME start up, development, and growth.

Other challenges identified include the lack of research and macroeconomic data on business development across the North, and documentation of lessons learned from examples of successful northern business development. The absence of information prevents government and businesses from making informed decisions and providing appropriate programs and services that meet the needs of northern SMEs.

Canada's northern SMEs also face difficulties in accessing trade opportunities. International trade assistance is usually given to established SMEs that are "export ready" and have a certain annual revenue. Due to these restrictions, smaller businesses that are considering exporting will need to find assistance elsewhere. Further, other challenges exist for northern SMEs who want to participate in interprovincial and interterritorial trade, such as internal trade barriers due to differences in rules and regulations across territories and provinces, and a lack of developed transportation infrastructure.

Several organizations and researchers have made recommendations to address specific areas of program support and business development, including financing, innovation, data, technology development, capacity building and exporting. They focus on the "big picture," where policies and programs must recognize how the economy in the North is different than in southern Canada. Regional economic development policy must account for the needs of northern residents and the northern mixed economy, and a "northern-centric business view" could be explored. Enhancing SME growth in the North may also require a re-thinking around government Arctic policy and how the federal government engages, either directly or through associations, with SMEs in the design, testing and communications planning for federal budget initiatives targeted towards them.

Program-based recommendations have been made in particular to the Canadian Northern Economic Development Agency's (CanNor) operations and relationship with SMEs. For example, there should be a closer relationship between

15. Organisation for Economic Co-operation and Development, *SME and Entrepreneurship Policy in Canada*, 29.

16. Canada. "Innovation Canada."

the agency and local businesses to improve larger decision-making processes during the different stages of the application process. CanNor should provide more information about its business funding programs, as well as other sources of funding and services that northern SMEs could access. In general, business development for SMEs could be further enhanced if there was a more cohesive federal management program, such as an “integrated national SME and entrepreneurship policy strategy” that includes “the federal government’s vision, objectives, priorities, and proposed actions to support SMEs and entrepreneurship, and assigns responsibilities for appropriate interventions across government departments and bodies.”¹⁷

A number of groups¹⁸ have made recommendations to improve financing for SMEs:

- ▶ Simplify access to financing;
- ▶ Strengthen financial literacy and capabilities;
- ▶ Eliminate the requirement for on-site visits by financial institutions;
- ▶ Improve the capacity of Aboriginal Financial Institutions;
- ▶ Promote awareness of funding opportunities from Aboriginal Financial Institutions;
- ▶ Ensure the standards required to access funding are relevant and achievable for Indigenous businesses;
- ▶ Provide local businesses with group insurance and micro-loans;
- ▶ Review small business taxation; and
- ▶ Explore the establishment of an Arctic Development Bank.

Several recommendations have also been made for business innovation, including the observation that definitions of innovation from southern Canada may not be appropriate for the North. Additionally, the federal government should consider establishing a new federal program that specifically supports non-technological innovation, and that innovation services be inclusive of “social innovations and environmental innovations”¹⁹ that could be applicable to northern businesses.

Export-related recommendations have been provided by several groups, such as the following:

- ▶ Increase awareness of government assistance programs related to exporting;
- ▶ Ensure that northern SMEs have the ability to export internally;
- ▶ Promote northern creative industries by investing in developing markets for their products, providing spaces in communities for SMEs, and sharing of best practices;
- ▶ Possibly consider the North a “special economic zone,”;
- ▶ Explore the development of free trade agreements among northern regions or pan-Arctic or Inuit-to-Inuit agreements.

Recommendations have also been put forward to address entrepreneurial challenges, especially for potential Indigenous businesses owners. Entrepreneurship in the North tends to be community-based and to reflect collective community values. In the recommendations, northern businesses request that services be tailored to the social, economic and cultural realities of northern communities. They also request that services be provided with more assistance in terms of tools and information to stimulate entrepreneurship and creativity, mentorship, and support beyond financing. Other recommendations relate to the benefit of having a one-stop business information shop that could help businesses and individuals navigate the requirements to start and grow a business; an information package and webpage targeting start-up businesses and developers; information sharing and networking opportunities; and forums for business owners and government to share information on business issues and opportunities.

Limited access to broadband affects SME growth and survival, and there continues to be insufficient broadband in the North. Inuit organizations and others in the North have called on the federal government to revise its infrastructure program criteria to allow for Arctic broadband to

17. Organisation for Economic Co-operation and Development, *SME and Entrepreneurship Policy in Canada*, 31.

18. For a full list of recommendations and groups, please see the full research document available on The Gordon Foundation’s website.

19. Cameron MacLaine, Melissa Lalonde and Douglas Watt. *Startup Canada Day on the Hill: Connecting Canada’s Entrepreneurship Community*, (Ottawa: The Conference Board of Canada, 2014), 5, https://www.conferenceboard.ca/docs/default-source/public-pdfs/cbi_startup-canada.pdf?sfvrsn=0

be considered a project of “national infrastructure” under the *Building Canada Fund*. Some Indigenous groups have taken matters into their own hands. For example, The Eeyou Communications Network is an Indigenous-led project focused on providing internet to First Nations communities through a unique business model.²⁰

Collecting appropriate statistics on businesses in the North has been recommended. For example, the government should collect information to monitor survival rates following one, three, and five years, and monitor both short-term and long-term progression of businesses. Further, macroeconomic data on business development across the North would be useful, as well as documentation on lessons learned in successful northern business development.

Capacity building is required for the continued successful growth of SMEs. Several recommendations have been made regarding increasing support for skills development, and more support for internship opportunities for youth from companies operating in the North. The need for mentors in various industries has also been flagged as an important but lacking service. Further, improvement of financial literacy through the integration of relevant courses in the school curricula and adult education programs have been proposed. Programs such as the *Taii Trigwatssi* (Breaking Trails), developed by the Gwich'in Tribal Council are a good example of the kinds of investments by the Government of Canada that offer skill-training on life-skills, adult basic education, and workplace skills.

20. Jeffrey, Anja, et al., *Building a Resilient and Prosperous North: Centre for the North Five-Year Compendium Report* (Ottawa: Conference Board of Canada, 2015).

SECTION 4

Territorial and Provincial Realities

Sections 2 and 3 provided overviews of federal government policies and programs that support northern small and medium-sized enterprises (SMEs), their challenges, and existing recommendations to improve federal government support. This section presents some of the business development programs and supports provided by territorial and provincial governments, as well as others. It also presents identified challenges with these programs and a few recommendations.

Synopsis

There are some differences between the programs offered by territorial and provincial government and those offered at the national level, reflecting some of the ways in which the economy in the North is different than that of southern Canada.

The **Government of Yukon** has a number of programs and services that assist businesses. Since all businesses in the Yukon are classified as small or medium, all of these programs and services are geared toward small and medium-sized enterprises (SMEs). The *Regional Economic Development Fund* is available to registered businesses, and covers at least 15 per cent of total project costs. The government also offers the *Business Incentive Program* that “provides rebates to contractors working on eligible Government of Yukon contracts as incentive to hire Yukon residents and use Yukon manufactured goods and services.”²¹ The *Yukon Small Business Investment Tax Credit* and the *Enterprise Trade Fund* aim to develop the capacity of businesses wanting to enter new markets, but it does not contribute to general operating costs. There are also programs for various specific industries, such as *Yukon Media Development*, the *Yukon Venture Loan Guarantee Program*, the *Tourism Cooperative Marketing Fund*, and the *Cultural Industries Training Fund*. The government further supports entrepreneurial activities through the *Yukon*

Business Development Program and recently provided a contribution to the *YuKonstruct Makerspace Society* for the creation of a Yukon Innovation Hub. Finally, challenges identified include programs not being tailored towards the needs of SMEs, onerous paperwork required for business that have been awarded a grant or loan, and competition among all businesses for the same funding, in several cases.

The **Government of Northwest Territories**, and in particular the Department of Industry, Tourism and Investment, actively seeks to promote territorial business development through numerous programs. *Economic Development Officers* provide a range of advisory services that support the growth and development of new and existing businesses. There is also support for entrepreneurial activity through the *Support for Entrepreneurs and Economic Development* program. Micro-businesses in the areas of “Film, Arts & Crafts, and the Prospector’s Grubstake”²² have access to government support to buy needed equipment through the *Micro Business Program*. The *Tourism and Business Mentorship Program* connects business owners in the tourism industry with a mentor. There is also the *Tourism Product Diversification and Marketing Program* that provides funding for business and market expansion. In addition, the *BizPal Portal*²³ is designed to provide prospective and new business owners with permit and license information. Other examples of programs include the *Community Futures Program* that offers economic growth support in individual regions, and the *Aboriginal Tourism Champions Program*. There may be some challenges regarding these programs. First, there might be difficulties in fostering the development of small, new and micro businesses as many of the programs are targeted towards businesses that are somewhat established. Further, it can be difficult for SMEs to plan their program applications, as many websites do not specify when applications will start being received.

The **Government of Nunavut’s Business Plan 2018-2021** includes several priorities that focus on SMEs in Nunavut such as “develop a compendium of sources of financial, technical and marketing assistance and place the information on the bureau website for Nunavut-based small scale businesses to seek support to expand their business operations.”²⁴ In

21. Yukon, “Business Incentive Program,” *Yukon Government: Economic Development*. last modified July 16, 2017, para. 1, <http://www.economicdevelopment.gov.yk.ca/general/business-incentive-program.html>

22. Northwest Territories, Industry, Tourism and Investment. “Micro Business (SEED).” *Northwest Territories, Industry, Tourism and Investment*, last accessed June 30, 2018, para. 1, <http://www.iti.gov.nt.ca/en/services/micro-business-seed>

23. “Northwest Territories, Industry, Tourism and Investment. “BizPal.” *Northwest Territories, Industry, Tourism and Investment*, last accessed June 30, 2018, <https://www.iti.gov.nt.ca/en/services/bizpal>

24. Nunavut, *Business Plan: Government of Nunavut & Territorial Corporations 2018-2021*, Iqaluit: Government of Nunavut, 2018, https://www.gov.nu.ca/sites/default/files/2018-2021_business_plan-eng.pdf

addition, the Department of Economic Development and Transportation offers programs and supports to businesses such as the *Small Business Support Program*, which provides three streams of funding, one for small business, one for entrepreneurial development, and one for the support of sustainable livelihoods. The *Strategic Investments Program* is designed to help businesses complete a financing package for a major expansion or start-up. However, the accompanying policy document states that this funding is for “larger Nunavut business ventures in strategic sectors of Nunavut’s economy.”²⁵ There is also the *Community Tourism and Cultural Industries Program*, which is to help provide training to enhance business operations as well as product and infrastructure development. The Government of Nunavut funds the Business Development Centre of Nunavut which offers training, counselling, economic development assistance, and small business financing. Further, the Nunavut Business Credit Corporation (NBCC) is an agent of the Government of Nunavut that is designed to stimulate economic development and employment in Nunavut. Although SMEs are able to apply for support, they are also competing with other organizations for the same funding. This has the potential to limit entrepreneurship and small business growth.

SMEs in Nunatsiavut are able to access programming and support from the Government of Newfoundland and Labrador as well as the Nunatsiavut Government. The **Government of Newfoundland and Labrador’s** programs and support include *Small Business Counseling* in a range of areas, including start-up and expansion, and for different challenges the business may face. This program is complemented by the *Business Retention and Expansion Diagnostic* program where “existing local businesses are visited and interviewed to identify some of the issues limiting retention and expansion”²⁶ and receive support to address them. The *Economic Diversification and Growth Enterprises* program provides incentives to encourage new business investment, and offers tax rebates to businesses. The *Business Investment Fund* provides support to small businesses with different aspects of exporting their goods through the Business Investment Program (loan) and the Business Development Support Program (grant). Another export program is the *Beyond Your Backyard – Export*

Readiness Program, which is a diagnostic and preparation tool for companies interested in or currently exporting goods or services to international markets.

The **Nunatsiavut Government** provides services and programs mainly through the Education and Economic Development Department. Some examples include the *Inuit Pathways* program, which is meant to help build skills within the workforce. The government also “assists and promotes Labrador Inuit businesses through the Nunatsiavut Business Centre Incorporated.”²⁷ One challenge includes the lack of important information for certain programs, which may be seen as a barrier by certain SMEs.

The Government of Québec and Kativik Regional Government (KRG) offer business services that may be of interest to SMEs in Nunavik. **The Government of Québec** has several programs and policies including *Plan Nord*, which promotes regional, sustainable, and economic development in the northern part of the Province. The *Fonds d’initiatives* is a program of *Plan Nord* that provides financing for projects in a number of areas, including tourism. The government also offers SMEs assistance regarding their tax obligations. Other programs include the *Aboriginal Initiatives Fund III* which focuses on the development of entrepreneurial activities, and *Programme Exportation – Subventions Pour Les Entreprises Québécoises* (Export Program – Funding for Quebec Enterprises).

Kativik Regional Government (KRG) also has several business development programs for the Nunavik region. These include the *Makigiarutiit Fund*, which involves the distribution of loans and direct contributions to various businesses in the region; the *Inuit Business Development Fund*, which helps create jobs through research and development, establishment of businesses, and economic development projects; the *Business Equity Fund* which promotes business in the region; and the *Entrepreneurship Support Measure Fund*, which provides technical support for starting a business as well as mentorship. Certain challenges include the fact that these funds do not have information on contact persons or deadlines, thereby making it potentially difficult for SME owners to access them. Further, with regard to the Government of Québec,

25. Nunavut, Department of Economic Development and Transportation, *Strategic Investments Program Policy*, (Iqaluit: Government of Nunavut, Department of Economic Development and Transportation, 2015), 1, https://www.gov.nu.ca/sites/default/files/strategic_investments_program_policy_2015.pdf

26. Newfoundland and Labrador, Tourism, Culture, Industry and Innovation. “Business Retention and Expansion Diagnostic.” *Newfoundland and Labrador, Tourism, Culture, Industry and Innovation.*, last modified May 16, 2018, para. 1, <http://www.tcii.gov.nl.ca/regionaldev/businessretention.html>

27. Nunatsiavut, “Economic Development,” *Nunatsiavut Kavamanga = Government*, last accessed July 13, 2018, <http://www.nunatsiavut.com/departement/economic-development/>

language barriers will most certainly make it difficult for non-French speaking owners of SMEs in Nunavik to access existing programs and services.

A few recommendations have been made regarding territorial and provincial business supports. The first is with regard to the promotion of entrepreneurship education. The Canadian Council of Aboriginal Businesses and the Canadian Chamber of Commerce recommend increasing the number of educational courses for businesses and integrating entrepreneurship into the education curriculum. The second relates to the lack of business incubators in the North. There appears to be a growing interest in this area; from Whitehorse to Yellowknife and Iqaluit. Non-governmental actors have set up incubation-related initiatives, including Inspire Nunavut, EntrepreNorth, and YuKonstruct Makerspace Society.

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