

CanNor and Territorial Businesses

The Canadian Chamber of Commerce has identified the lack of tools available to businesses in our territories as one of Canada's Top 10 Barriers to Competitiveness. Canada needs economic strength in all of its regions to compete. Reducing the dependence of Canada's territories on the federal government for financial transfers and jobs as well as improving the conditions for private sector growth will improve our national competitiveness. This cannot happen without more tools for businesses in the territories to increase their economic footprint.

In 2009, the federal government created the Canadian Northern Economic Development Agency (CanNor) to "develop a diversified, sustainable and dynamic economy across Canada's three territories...by delivering funding programs to Northerners and Aboriginal people, guiding resource development and major projects across the North through the Northern Projects Management Office, undertaking research to support the development of evidence-based policies, advocating for Northern economic prosperity and diversification, and collaborating with and aligning the efforts of other federal departments, territorial governments, Aboriginal organizations and industry."¹

The Strategic Investments in Northern Economic Development (SINED) is CanNor's largest funding program and the one used to support private sector initiatives. SINED's current funding (\$20 million annually) is in place until March 31, 2016 and the program is under review. Businesses in Canada's territories appreciate the acknowledgement by the federal government that the territorial economies warranted the establishment of a dedicated economic development agency and have had successful partnerships with CanNor that have brought benefits to the business community and – as a result – the economy. An example is the Whitehorse Chamber's Yukon Business Development Program (YBDP), which received CanNor support until March 31, 2014. Under this program, selected companies and First Nation economic development corporations receive personalized business development assistance to help them reach their full market potential. The YBDP has helped more than 54 businesses in Yukon. One example of the success of the program is a business connected to the resource sector. The owner came to the program working out of his garage and after several years in the program, he now employs more than 12 people and has gone from gross sales of \$100,000 per year to more than \$4 million.

The Whitehorse Chamber's Partnering for Success program, which was also supported by funding from SINED, brings representatives from industry, governments and First Nations together to discuss business issues and ways to enhance the Yukon economy. Partnering for Success has resulted in changes to several pieces of legislation in Yukon including the *Business Corporations Act*, the *Landlord Tenant Act*, the *Workers' Compensation Board Act*, the *Condominium Act* and the *Land Titles Act*.

That said, territorial chambers of commerce and their members believe that CanNor's ability to fulfill its mandate as an enabler for the private sector is hampered by a lack of business experience/sense of urgency within the agency as well as a cumbersome, lengthy and bureaucracy-laced application, review and approval process. The difficulties cited by territorial businesses and chambers of commerce in navigating the application process for CanNor support was corroborated by the Auditor General of Canada, Michel Ferguson, when he appeared before the House of Commons Public Accounts Committee to speak to his office's Spring 2014 Report. "Mr. Ferguson said that CanNor's 'administration of (contribution) agreements was weak.' For example, he explained that it took on average over nine months after an application was received for a contribution agreement to be signed, with the result that some of the contribution agreements were signed late in the fiscal year they covered, and some recipients had only a short period of time to spend funds."²

CanNor is undoubtedly meeting its 90-day application completion standard "which starts when a complete application for funding is received"³. However, delays in acknowledging applications, changing parameters

¹ Treasury Board Secretariat, 2015-16 Main Estimates Parts I and II The Government Expenditure Plan and Main Estimates, page II-65.

² Report of the Standing Committee on Public Accounts of the Spring 2014 Report of the Auditor General of Canada, Chapter 6, Transfer Payments Programs – Canadian Northern Economic Development Agency, February 2015

³ Ibid.

regarding supplementary documentation required, and the amount of funding available as well as long time gaps associated with each are capped by the fact that the Minister must approve each application. While businesses support the need for due diligence in the spending of public funds, the current process results in frustration and the waste of precious private – and government – time and money. Businesses cannot operate in this manner – for long – nor should the publicly-funded agencies that have been established to assist them in creating sustainable economic growth.

Territorial businesses find it extremely difficult to contact CanNor staff. At present, there is no personnel directory on CanNor sites. When combined with CanNor’s history of not returning calls, it is very difficult – if not impossible – to apply for programs, clarify documentation requirements, etc.

CanNor is a relatively new agency that inherited some of the programs it delivers from other departments “that had deficiencies identified in past evaluations and audits. While attempting to address these issues, CanNor also had to develop and deliver new programs.”⁴The territorial business community acknowledges this but also believes that CanNor can improve its efficiency and effectiveness in delivering programs to support the private sector.

Several territorial businesses and the chambers of commerce that represent them have said there is some confusion – particularly amongst small businesses – regarding who to approach for financing amongst CanNor, Business Development Bank of Canada (BDC) and the private banks. CanNor could assist by working with BDC and private banks to clarify and communicate appropriate funding sources for various businesses.

Recommendations

That the federal government:

1. Introduce the following enhancement/changes to the application and approval process for the Canadian Northern Economic Development Agency’s (CanNor) Strategic Investments in Northern Economic Development (SINED) program:
 - a. Establish an advisory committee of business people in each territory/region to identify opportunities to invest CanNor funding most effectively in private sector initiatives as a complement to its role in accepting applications on a reactive basis only.
 - b. Acknowledge within 5 business days the receipt of funding applications.
 - c. Follow up with a preliminary assessment of applications – including additional documentation required – within 10 business days after the original acknowledgement.
 - d. Communicate a final decision on applications within 90 working days of receiving funding applications or provide an explanation to the applicant(s) of why this is not possible.
 - e. Approval at the territorial level of applications for funding less than or equal to \$100 thousand that meet the required criteria.
 - f. Provide detailed marketing/communications requirements in its approval letters.
 - g. Communicate its requirements with other partners, e.g., territorial governments, Crown Corporations.
2. Make SINED a permanent program, reviewing it after 5 years in order to provide planning certainty for CanNor and territorial businesses.
3. Establish an “ease of access to CanNor’s offices and personnel” as a performance standard for the agency.
4. Mandate CanNor to provide access to information on the variety of sources of capital available to business enterprises and entrepreneurs. This information is to include matching sources of capital to business lifecycle, stage of commercialization and ability to provide required financing information to capital providers. Capital

⁴ Ibid.

providers would include, but not be limited to: government agencies and programs (both federally and territorially), the Business Development Bank of Canada, private banking institutions, credit unions, alternative financing providers, venture capital, angel investors and private equity.