Help for Small and Medium Enterprises (SME)

The Government of Canada is committed to giving small and medium enterprises (SME) access to compete for government business.

The Office of Small and Medium Enterprises (OSME) in Public Works and Government Services Canada (PWGSC) advocates on behalf of SMEs and encourages their participation in federal government procurement.

How does OSME assist SMEs?

OSME assists SMEs in better understanding how the government buys goods and services by raising awareness of opportunities and by providing the following information services:

- **Buyandsell.gc.ca**, which provides access to federal procurement information and open data including bid opportunities (tenders), standing offers and supply arrangements, and contract history;
- **free seminars and webinars** and one-on-one sessions to assist suppliers in understanding federal procurement;
- a 1-800 InfoLine for suppliers who have questions about the procurement process and related tools.

OSME works with SMEs to address their key challenges and constraints by:

- understanding and reducing the barriers that prevent SMEs from participating in federal procurement;
- advising government buyers and policy makers on SME concerns;
- recommending improvements to procurement tools and processes to encourage SME participation in federal procurement.

OSME also manages the Build in Canada Innovation Program (BCIP), which assists Canadian businesses in testing their innovative goods and services before they are commercialized. For more information on BCIP, visit Buyandsell.gc.ca/innovation.

OSME assists the government in bridging the gap between supply and demand by bringing forward the concerns and challenges of SMEs in the federal procurement process.

How can I contact OSME?

OSME has a network of six regional offices across Canada. Contact the OSME regional office nearest you or call the InfoLine at 1-800-811-1148.

Date Modified: 2014-03-05
SME Research and Statistics

Archived—Financing Global Gazelles

5. Government Policy, Program Incentives and Constraints

Archived Information

Archived information is provided for reference, research or recordkeeping purposes. It is not subject to the Government of Canada Web Standards and has not been altered or updated since it was archived. Please contact us to request a format other than those available.

5.1 Government of Canada policies

The Canadian government has set a clear course aimed at aiding global gazelles to obtain and/or secure financing, by making venture capital investing more attractive, stimulating entrepreneurship and creating an advantage for investment in Canada. Incentives include:

- reduced Canadian corporate income tax; (before June 30, 2005 – 34.86%; after June 30, 2006 – 34.12%, for net income over $400,000);
- elimination of the federal capital tax (currently 0.175%; 2008 nil);
- reduction of taxes on small and medium-sized business (current federal small business deduction limit of 13.12% on net income less than $300,000 – proposed change from $300,000 to $400,000 net income);
- reduction of capital gains tax (in 2000 the tax rate changed from 75% to 50% on capital gains – proposed elimination of capital gains tax in the future);
- expansion of tax free capital gains rollovers for small business investors (2003 – defer the taxation of capital gains on small business shares up to $500,000 if they reinvest the proceeds of disposition in other small businesses);
- reduction of the goods and services tax from 7% to 6.5% during 2006;
- encouraging pension fund participation in venture capital investments (2003 – allow for pension funds to invest in venture capital markets);
- creating targeted venture capital pools (BDC target investments in life science, telecommunications, information technology and advanced technologies – $500 million currently invested); and
- increase in spending on ideas and discoveries generated in universities, colleges, research hospitals and other research institutions, as well as innovative private sector firms (increased federal spending of $13 billion for the period 1998 to 2005).

5.2 Trade agreements

Trade agreements also influence financing for business. Some examples of trade agreements signed by the Canadian and other governments are:

Canada: North American Free Trade Agreement (NAFTA), World Trade Organization on Government Procurement (WTO-AGP), Canada-Korea Telecommunications Equipment Agreement (CKTEA), Agreement on Internal Trade (AIT), Asia Pacific Economic Co-operation (APEC), North Atlantic Treaty Organization (NATO), Canada-Costa Rica Free Trade Agreement (CCRFTA), Canada-Chile Free Trade Agreements
Australia: WTO, USA – Australia Free Trade Agreement (AUSFTA), Thailand – USA Free Trade Agreement (TAFTA), Singapore – Australia Free Trade Agreement (SAFTA) and the Australia-New Zealand Closer Economic Relationship agreement.

Ireland: WTO, (Member of the European Union – European Commission), EU-Mexico Free Trade Agreement, EU-Mercosur Association Agreement (under negotiations), EU-South Africa Free Trade Agreement.


United States: WTO, North American Free Trade Agreement, Pacific Northwest Economic Region, USA-Australia free trade agreement; USA-Central American/Dominican Republic Free Trade Agreement, USA-Chile Free Trade Agreement, USA-Israel Free Trade Agreement, USA-Jordan Free Trade Agreement, USA-Morocco Free Trade Agreement, Singapore Free Trade Agreement.

United Kingdom: WTO, (Member of the European Union – European Commission), EU-Mexico Free Trade Agreement, EU-Mercosur Association Agreement (under negotiations), EU-South Africa Free Trade Agreement.

5.3 Government program incentives

The Canadian government has many program incentives that aid global gazelles in obtaining and/or securing financing.

Two examples of well-known Canadian government institutions that provide incentives aimed at assisting SMEs (including global gazelles) to obtain and secure global financing are:

5.3.1 Business Development Bank of Canada (BDC)

The BDC is a Crown corporation providing financial and consulting solutions for SMEs. The BDC promotes investment and development of Canadian domestic and global businesses operating in knowledge based, growth-oriented industries and export markets, by providing the following services to secure and obtain financing:

- Venture capital investment – investment in every stage of a company's development cycle (seed to expansion). The focus is on technology-based businesses that have high growth potential (advanced technologies, information technology, life sciences and telecommunications).

- Subordinate financing – a hybrid product bringing together both debt and equity financing.

- Education – consultants available with specific industry experience in sales, marketing, business development, production, R&D, strategic direction, executive hiring, commercialization and exporting.

5.3.2 Export Development Canada (EDC)

The EDC is a Crown corporation that provides trade finance and risk management services to Canadian exports and investors in up to 200 markets worldwide. The EDC provides the following services to aid global gazelles in exporting and financing in the world market:

- Financing – pre-shipment financing for exporters that need cash for manufacturing their goods before they export, equity investment to increase market reach by accessing capital, note purchases allowing exporters to extend credit to the foreign buyer, and Canadian foreign investment which allows exporters to meet growing export demands or increase their international positioning.

- Insurance – credit insurance for export transactions, contract insurance for capital goods, service contracts or projects and political risk insurance for overseas investments and assets.

- Bonding – performance security guarantees that allow for 100% guarantee to the bank for a bond, and surety bond insurance providing risk sharing reinsurance for up to 100% of the bond liability.

- Online services – financial and credit information on US and other foreign buyers, online accounts
Receivable insurance for single transactions and access to the Receivables Insurance Centre (RIC), contract bonding and guarantee centre free research information and other online products and services.

In general, the assistance provided to businesses by government institutions is not specifically directed to global gazelles, but they can take advantage of the institutional support.

The following two pages list government program incentives in Canada and other countries that influence financing for businesses.

<table>
<thead>
<tr>
<th>Country</th>
<th>Source of capital</th>
<th>Trade education</th>
<th>Grants &amp; subsidies</th>
<th>Export financing</th>
<th>Domestic tax reduction</th>
<th>Export credit insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>EDC - equity and venture capital investment.</td>
<td>BDC - consulting services, in exporting, e-business, quality, start up and growth &amp; acquisition.</td>
<td>Subsidies and grants from federal and provincial agencies, such as The Small Business Funding Center.</td>
<td>BDC - up to $150,000 in start-up financing.</td>
<td>Small business deduction.</td>
<td>EDC - credit, contract and political insurance.</td>
</tr>
<tr>
<td></td>
<td>BDC - equity and venture capital investment, focus on IT and life sciences.</td>
<td>EDC - export and import consulting.</td>
<td>Various university grants for research and development.</td>
<td>EDC - pre-shipment financing, equity investments, note payables.</td>
<td>Research and Development tax credits.</td>
<td>RDTOH.</td>
</tr>
<tr>
<td></td>
<td>Many provincial sources of capital across Canada.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>AusIndustry, R&amp;D Start - funding for R&amp;D stages of new projects for companies with a turnover less than $50 million.</td>
<td>Austrade - free consulting, advice and information for export.</td>
<td>Export Market Development Grants - reimburses up to 50% of export promotion expenses above $15,000 incurred in the previous financial year.</td>
<td>Export Finance and Insurance Corporation (EFIC) - medium to long-term finance through direct loans, export finance guarantees, documentary credit guarantees and bonds.</td>
<td>AusIndustry - tax deduction of up to 125% of R&amp;D expenditures, custom duties and GST exemption on imported goods intended for reexport, income tax exemptions to assist companies to win international contracts, and tax credits to shareholders when dividends paid.</td>
<td>Export Finance and Insurance Corporation (EFIC) - political risk insurance, medium term payments insurance and unfair bond calling insurance.</td>
</tr>
<tr>
<td></td>
<td>Innovation Investment Fund - up to $500,000 for seed, start up or early expansion funding.</td>
<td>AusIndustry - Building Entrepreneurship in Small Business Program (BESB).</td>
<td>AusIndustry - Regulation reduction and incentive grants.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td>Enterprise Ireland - financing for companies exploring new opportunities and high potential start up companies; partners with Enterprise Ireland, International Selling Program - free consulting, advice and information for business creation export.</td>
<td>Enterprise Ireland - Various subsidies and grants for feasibility studies, R&amp;D, environmentally superior products,</td>
<td>Enterprise Ireland - various support and consulting services for exporters (but does not provide direct financing).</td>
<td></td>
<td>Industrial Development Agency - tax credits for R&amp;D expenditures, tax deductions on certain intellectual</td>
<td>Enterprise Ireland - various support and consulting services for exporters for obtaining sources of credit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>Programs and Initiatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>Government does not have a venture capital program, and does not support third-party organizations as a financier of last resort. Foundation for Research, Science and Technology (FRST) – up to 33.3% of eligible costs of R&amp;D. New Zealand Trade &amp; Enterprise – grants for capacity building and market development. New Zealand Export Credit Office (ECO) – export credit guarantees for short, medium and long terms, covering an exporter if the importer or their bank defaults on payment.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>USSBA – investment, business loan and disaster loan programs, and bonding for contractors. Oversees programs such as New Markets Venture Capital Program and Small Business Investment Company Program. Small Business Administration (SBA) – consulting and counseling on start-up and exporting. Various subsidies and grants, such as FAST Grant for Small Business Innovation Research. Export-Import Bank of the US (EXIMBANK). SBA – loans, and provides guarantees and insurance for loans. Department of Agriculture – incentives for agricultural exports. Tax credits to companies for making their businesses accessible to persons with disabilities, for hiring certain low income groups, for having certain activities in certain Indian reservations, for being located in certain distress zones, for having research activities. State tax credits for investing in certain industries, e.g., biotechnology. EXIMBANK – insurance for loans.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| United  | Econtent Program (through the EU) – funding to support growth and development of the digital content industry. Department of Trade and Industry (DTI) – Knowledge Transfer Partnership Program. DTI – grants to companies involved in R&D of technologically innovative products or processes. Export Credits Guarantee Department – Supplier Credit Finance facility (SCF) allows the supplier to pass the payment risk to the buyer. Export Credits Guarantee Department – export credit insurance covering three basic risks: buyer
5.4 Government controls over cross-border movement of goods

Certain governmental controls over the cross-border movement of goods influence ease of access to business financing.

Import and export controls in Canada and other countries protect important domestic industries. For example:

- International Trade Canada (ITCan) helps small Canadian companies promote Canada as a place to do business and by negotiating and administering trade agreements. The Export and Import Controls Bureau (a department of ITCan) is responsible for administering and controlling the flow of goods to and from Canada under the Export and Import Permits Act (EIPA). The EIPA provides lists, such as the Import Control List (ICL), Export Control List (ECL), and the Area Control List (ACL) that protect Canadian business, but also restrict global free trade. The ICL generally comprises a list of goods, some of which are only controlled for certain countries of origin - all goods on this list require an import permit. The ECL is a list of goods only - all goods on this list also require an export permit. The ACL is a list of countries for which export permits are required to export any and all goods.

- Countries have different testing requirements, standards and customs regulations for the importation of goods. For example, member countries of the European Union require a "CE" mark that certifies that a product has met EU health, safety and environmental requirements. All manufacturers in the European Union (EU) and abroad must meet CE mark requirements where applicable in order to market their products in Europe. New Zealand is recommending adoption of international standards for imported goods.

While designed to protect important domestic industries, such controls are sometimes viewed by business people as barriers to business growth.