DESIGN 1ST

Canadian Business - 2021 Funding Sources

Contents

Introduction:

Finding funding for your product development or research and development efforts can be challenging. Each year funding sources change as governments set new priorities. But with a little research and some elbow grease you can quickly determine what funding programs are right for you, and start applying.

First thing you need to know is there are 3 sources of funding for product development in Canada:

1) **National Government Programs:** These are the major programs that all entrepreneurs, startups and established businesses should be familiar with, and include SR&ED, IRAP and BCIP.

2) **Regional Government Programs:** These are funding programs that target specific regions or cities and change each year. We should how to find these in #9 of this document.

3) **Private Funding Sources:** There are a wide range of private finding sources available for new product development. These include VC and Angel Groups, banks and third-party organizations that can help build a blend of funding from both government and private parties.

Design 1st Funding Tips:

Below are some funding tips that we have come across over the years working with Canadian entrepreneurs, startups and established businesses. Use these to help start your search for available funding sources in Canada.

1) **Timing is everything:** Like a good joke, timing is everything when looking for funding. Many programs, grants and funds have a set budget each year. Once the budget is depleted no more applications are processed and funding is shut down. So, when looking for funding keep an eye on the opening and closing dates for application submissions.

2) **Know what stage of development you are in:** Many of the national government funding programs use a *"Technology Readiness Level"* (TRL) scale to assign funding. By aligning your own product development efforts with the TRL, you will be better able to secure funding.

3) **Choose your industry:** If you are still in the early stage of product development – aligning your business model and technology with priority industries the government has defined may be helpful for funding.

4) **Know your audience:** Depending on what government program, or private party is funding your development efforts, it is critical to know their goals. Whether it is direct involvement with your business, technology focus or job creation. Be mindful of how you can both prosper.

Technology Readiness Level

What is the Technology Readiness Level (TRL)?

Businesses conducting product development and commercialization activities often refer to the stage of development on a nine-point scale called Technical Readiness Levels (TRL). This scale helps to categorize product development stages across industries, which is helpful to define project scope, progress, and resource requirements.

Why is TRL Important?

Canadian funding programs use TRLs to evaluate what projects are eligible for specific funding programs, grants and tax rebates. Some programs will only accept projects that fall within certain TRL levels. For example, the BCIP only accepts projects in the 7-9 TRL range, so the project mush have a fully working and tested alpha prototype.

How TRL works?

The TRL system measures a technology's maturity, from level 1 (pre-invention research) to level 9 (successful application of a technology). Each of the nine levels demonstrate a clear point in the technology development project where significant activities are performed.

What are the 9 levels of TRL?

1. **Concept Evaluation**: The translation of scientific research into applied research. This is mostly exploration of a technology's basic properties.
2. **Technology Evaluation**: The study of how technologies could be applied in the market. This is the point where the project's direction takes form.
3. **Proof-of-Concept Research**: At this phase, active R&D begins and a technological solution is developed. This stage looks at the critical function of the technology and asks, "what is required for this technology to meet the application's requirements?".
4. **Early-Stage Prototype Development**: The integration and testing of basic components in a laboratory environment. This can be done multiple times during technology development to ensure that the technology is progressing toward its desired purpose.
5. **Late-Stage Prototype Development**: The integration and testing of basic components in a simulated environment. This is done following lab testing and usually involves accessing better testing equipment to identify potential issues.
6. **Simulated Environment Pilot**: Upon completion of the technology's design, final testing can commence. This will provide data critical to the commercialization phase where the technology is applied.
7. **Operational Environment Demonstration**: Using the prototype in an operational environment to understand how it performs in non-simulated testing. Further development may be required to address performance issues.
8. **Final Testing and Evaluation**: Upon further testing, the technology has proven itself to be successful under normal operating conditions.
9. **Successful Deployment**: The application of a technology, in its final form, in real-life conditions.

Canadian Funding Programs, Grants & Funds

Listed below are the major programs that fund Canadian product development efforts.

1) IRAP (Industrial Research Assistance Program):

URL: http://www.nrc-cnrc.gc.ca/eng/services/irap/financial-assistance.html

Description:

The National Research Council of Canada Industrial Research Assistance Program (NRCIRAP) provides financial support to qualified small and medium-sized enterprises in Canada to help them develop technologies for competitive advantage. NRC-IRAP operates on a shared risk model, providing cost-shared financial assistance for research and development projects that meet both the firm and project assessment criteria.

Contact: 1-877-994-4727

TRL: 5-7, projects in early to mid-stage development

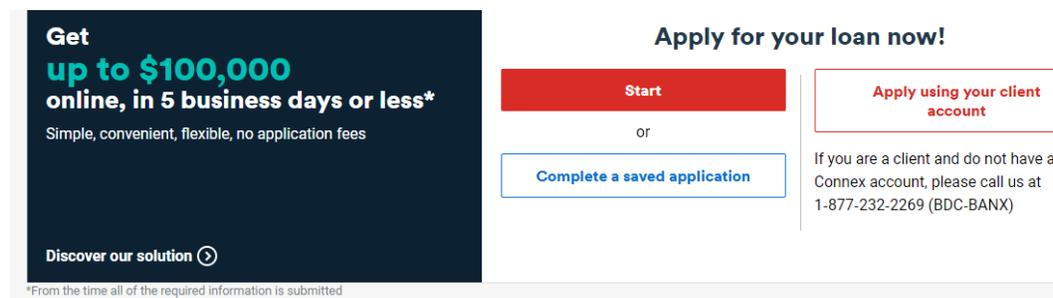## 2) BDC (Business Development Bank of Canada):

URL: https://www.bdc.ca/en/online_financing/Pages/financing_request.aspx#.UBmCWbTghBl

Description:

BDC is the Business Development Bank of Canada. With over 100 offices across the country, BDC promotes entrepreneurship by providing highly tailored financing, venture capital and consulting services to entrepreneurs. As a complementary lender, BDC offers loans and investments that fill out or complete services available from commercial financial institutions.

TRL: 1-9 – all ranges of projects are accepted, but BDC favors late stage TRL (7-9)

Example below of BDC's new streamlined funding application program. Click image to view:

3) SR&ED (Scientific Research and Experimental Development) Tax Program:

URL: http://www.cra-arc.gc.ca/sred/

Description:

The SR&ED program is a federal tax incentive program, administered by the Canada Revenue Agency (CRA). The program 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.

CRA: Video Crash course on SR&ED Tax Incentives
The CRA (Canadian Revenue Agency) put together a series of 4 videos explaining how the tax incentive program works and ways to apply for it.

Part 1: Who can claim SR&ED tax incentives:

Part 2: What work qualifies for SR&ED tax incentives?

Part 3: How do you calculate your SR&ED expenditures and investment tax credit?

Part 4: How to apply for SR&ED tax incentives?

TRL: 1 – 5, SR&ED promotes early stage research, development and innovation.

3) Ontario Center of Excellence – Market Readiness Fund:

URL: http://www.oce-ontario.org/programs/commercialization-programs/market-readiness

This program directly funds early-stage commercialization by start-up companies to support their growth into scalable businesses. It supports companies in both the Customer Creation and Company Building stages of the Customer Development Model, as defined by Lean Start-up principles.

 Full details on how the Market-Readiness works and application process here

The first step to applying to the OCE business grant is to contact a "Business Development Manager" from OCE within your home region. The list of regional contacts can be found here

And you can download a sample application form for the OCE fund here. This document contains an excellent template to organize your funding goals and present them in a manner that can quickly be assessed by funding teams.

TRL: 7-9, favor late stage startups and projects that are ready to scale and commercialize

5) Build in Canada Innovation Program (BCIP)

URL: https://buyandsell.gc.ca/initiatives-and-programs/build-in-canada-innovation-program-bcip

Description:

BCIP was created by the Government of Canada to help kick start businesses and get their innovative products and services from the lab to the marketplace. The BCIP provides up to **$500,000** for companies to place their new products into various government departments.

Requirements for Funding:

I.   Your product must meet one of the governments priority areas for innovation
II.   The **Technology Readiness Level (TRL)** must be 7-9 – meaning the pre-production prototype is complete and the product is ready for a pilot project or low-volume manufacturing run.

6) Canadian International Innovation Program (CIIP):

URL: http://tradecommissioner.gc.ca/funding-financement/ciip-pcii/index.aspx?lang=eng

Description:

For products in the early stage of product development or R&D (research and development), the CIIP provides an opportunity to receive up to $600,000 in funding.

The program currently has a $5 Million per-year funding and favors companies who in a R&D partnership with companies from select countries including (Brazil, China, India and South Korea).

Companies accepted into the CIIP program will have both the Canadian and International partners receive separate funding to complete the development efforts. Full details of the program, including focus sectors and process application available here

TRL: 1-3 Early stage funding available

7) Additional Funding Resources:

i.   **The Funding Portal: -** Is the one-stop go-to site for businesses to search and access the Canadian public funding marketplace. Its four simple steps—Find It, Apply for It, Score It and Advance It—make it easy for your business to find and secure public funding.

ii.   **MaRS Accelerator Fund:** The focus of IAF is to help strengthen many aspects of your business as well as providing early investment. The IAF invests up to $500,000 in Ontario technology companies.

iii.   **Canada Business Network:** Canadian government search portal for funding, grants, subsidies and load guarantees. Able to browse and search government financing by type for free, includes a Contanct Us section for help.

iv.   **ONE (Ontario Network of Entrepreneurs):** Offers free services for help access financing options including loans, grants and tax incentives within Ontario. Ability to 'connect with an expert' and get help accessing funding. ONE is funded by Government of Ontario

v.   **Mentor Works:** Canada's leading experts on funding programs, grants and opportunities. Their website has a wealth of information for entrepreneurs and startups seeking funding opportunities – along with several events each year.

vi.   **Fundica:** Acts as a matchmaker for businesses and startups in the technology sector with sources of funding. Businesses seeking funding build a profile based on 20 to 30 search criteria and Fundica's backend technology presents suitable funding sources.

vii.   **Canada.ca – New Business Grant and Financing Portal: In** 2017, the Government of Canada launched their own funding portal to help entrepreneurs and business search through the various grants, funds and programs to help fund their business. The main advantage of this portal is that it's update. Funding programs change regularly in Canada.

viii. **SDTF (Sustainable Development Tech Fund):** For products related to the cleantech Industry (ie., clean air, water & climate change) the SDTC may be the perfect funding source. Plus, it may be stacked with other funding sources (ie. IRAP, SR&ED) to provide a maximum of 75% of eligible expenses

ix. **Angel.co Accelerators List:** Full list of accelerator programs across North America. For 2018, there are currently 43 programs accepting new applicants. Each program looks for different types of startups.

x. **Trade Accelerator Program (TAP):** An accelerator program focuse don helping small business expand their reach into global markets. Upon acceptance to the program you will begin developing a strategic export plan followed by in class sessions.

8) Angels in Ontario

There are Angel investing groups setup across almost every major city in Canada. These groups made up of mostly independent investors have large business networks and are always looking for new business opportunities. Reach out to them directly – and

- **Angel One Investor Network** (Oakville)
- **Capital Angel Network** (Ottawa-Gatineau)
- **Georgian Angel Network** (Collingwood)
- **Golden Triangle Angelnet** (Cambridge)
- **Infusion Angels** (Waterloo)
- **Keiretsu Forum Toronto** (Toronto)
- **Maple Leaf Angels** (Toronto)
- **Niagara Angel Network (**Niagara)
- **Northern Ontario Enterprise Gateway** (Thunder Bay)
- **Peterborough Region Angel Network** (Peterborough)
- **Purple Angel** (Ottawa)
- **Ryerson Angel Network** (Toronto)
- **Spark Angel Network (**Whitby, Oshawa, Cobourg)
- **Southwestern Ontario Angel Group** (London)

- **York Angel Investors** (Vaughan)
- **NACO (National Angel Capital Organization)** – Canada Wide Angel Resource
- **ACA (Angel Capital Association)** – North American Wide Angel Funding Resource

9) Provincial, Regional and Municipal Funding:

There are dozens of funding programs available to residents of cities, geographic regions and provinces. Theses funding programs change regularly – but can be accessed through the resources provided in this document or by conducting the Google search shown below:

+year +province/region business funding (.ie, +2021 +Manitoba business funding)

Doing Google searches for provincial and region based funding with the date prefix, is your best bet for finding up-to-date relevant funding sources. Many of which can be stacked with the larger national level technology funds, grants and programs.

Plus, the more funding opportunities you seek-out, the larger you can grow your network. And as a start-up, entrepreneur or established business having a large national network of contacts leads to more opportunities for growth.