

SME Development and Policy in Canada

A Review of Challenges and Opportunities for Small Business 2007

By Andrina Lever

*President, Lever Enterprises,
former ABAC Member and Chair of ABAC SME Working Group¹*

Introduction

This paper shall present an overview of sme's and current sme policies in Canada, provide details on some interesting issues that are of concern to Canada, highlight specific challenges for Canadian sme's, explore the potential for public-private cooperation, and offer recommendations for opportunities for small business development moving forward.

Overview of Canada's Small and Medium Sized Business Sector²

- Small business establishments represent 97% of all Canadian businesses (based on 2.4 million businesses)
 - The majority of those businesses has no payroll employees and is typically unincorporated (56.2%)
 - 24.8% have fewer than five employees
 - 16.7% have between five and 49 employees

- o 2.2% have between 50 and 499 employees
- o 0.1% have more than 500 employees
- The SME sector is Canada's major employer with 56% working for an employer with less than 500 workers. (based on 13.3 million employees)
- Among all businesses eligible for the Scientific Research and Experimental Development tax credit, enterprises with fewer than 500 employees invest more in R & D as a percentage of their revenue.
- The majority of Canadian businesses that export are small: companies with up to 100 employees represent 85% of total exporters; businesses with fewer than 50 employees make up 72% of all exporting Canadian businesses and are responsible for close to a quarter of the total value of exports.
- Over 40% of Canadians indicate that starting a company or being self employed would be their most rewarding career path.
- The number of self employed Canadians increased 30% from 1990 to 2004 and even when there was a dip in growth it remains the prevailing growth force in the Canadian labour market.
- Close to 55% of entrepreneurs chose being self-employed for reasons such as having independence and being able to balance work and family.

Clearly these statistics from the Canadian Federation of Independent Business show an overwhelming tendency towards small business development and growth in Canada and thus it is vital for the government to create an environment which encourages, enhances and allows small business to thrive and become the most competitive in the world.

Current SME Development Policies in Canada

Perhaps a unique characteristic of sme policy in Canada is that it is not necessarily completely developed by one Federal department but rather it is segmented and being developed at several levels: federal (primarily through Industry Canada but other Federal government departments develop policy which can have a significant effect on small business development); regional (such as programs funded through Industry Canada but for implementation in a specific region of Canada); provincial; by sector and with respect to specific groups of peoples, i.e., Aboriginal peoples, women, youth and those with disabilities.

Industry Canada is the primary Federal government department set up to oversee policy development for Canadian industry in general and sme's but also includes technology, tourism, statistics Canada, and a variety of regional programs. "The department's mission is to work with Canadians to build a growing competitive, knowledge-based economy. Industry Canada hopes to improve conditions for investment, enhance Canada's innovation performance, help make Canada the most connected nation in the world, increase Canada's share of global trade, and build a fair, efficient and competitive marketplace."³ Through Strategis, the official portal for Industry Canada, the department provides business and consumer information to all Canadians without the constraints of time and geography. The site has allowed Industry Canada to shift from a paper-based information culture to a more efficient electronic one. Before Strategis, the department produced over 5,000 information products on paper. In addition to providing information to all who can access Strategis, the site makes use of new technologies to offer interactive applications such as customizable benchmarking tools, cost calculators, and online business planning. Many of Industry Canada's services (such as filing an application for patent or incorporating a company) can now be completed online.⁴

Policy has been developed over the years with different initiatives being announced by successive governments with an emphasis for 'Government online' to urge sme's and all businesses to access all government information and filings online and thus making a commitment to use technology even in micro businesses through websites such as Strategis.⁵

The last overall federal government policy statement that was issued in 1994 stated the government would:

- ensure that the business environment is conducive to SME growth (i.e. ensure that the tax system does not inhibit growth and job creation, reduce regulatory burden, deliver services effectively and efficiently);
- target limited government resources to promote competitiveness and growth (i.e. fewer subsidies, more strategic information and advice).

Since then, much of the sme development and assistance policy has been developed with specific agendas in mind or by specific departments. For example, Heritage Canada has specific programs in place to assist arts, culture and the protection of Canadian content in broadcasting that often assists small businesses in Canada which are involved in arts, productions, publishing, exporting and protecting intellectual property and preserving Canadian identity.

The Department of Foreign Affairs and International Trade has internal departments which develop policy to assist Canadian small businesses within organizations such as the OECD and APEC and holds the mandate for the Canadian Trade Commissioner Service which promotes Canadian businesses overseas through the trade commissioner services, sector specialists and electronically through the virtual trade commissioner.

Recently Indian and Northern Affairs Canada has absorbed the Aboriginal Business Canada program from Industry Canada and is responsible for small business development policy and programs with specific reference to Aboriginal and native peoples in Canada. In addition, there are regional programs funded through Industry Canada but with a specific emphasis on western Canada (the Western Enterprise Development Initiative) or Atlantic Canada (Atlantic Canada Opportunities Agency) which were originally created to equalize opportunities for businesses across Canada and specifically in regions with high unemployment or cyclical economies.

In addition to Federal level policy, Canada is composed of 10 provinces and three territories and each has developed their own sme policies, regulations

and economic development departments within their own jurisdiction. Opportunities and challenges for business can vary dramatically for a variety of reasons, but essentially Canada is geographically one of the largest countries in the world, with a relatively small population (approx. 31 million people) with most people concentrated within easy travel to the United States. This leaves vast areas of Canada sparsely populated with economic and small business challenges of their own. Governments and provinces vie for business across the Canada.

Focus of small business policy

Recently in Canada, there has been a surge of interest in 'getting regulation' right with several initiatives being announced. As has been cited by the World Bank review on business climates⁶, and recently at the APEC 'Private Sector Development' symposiums, actually incorporating and starting a business in Canada is a relatively easy, fast and inexpensive procedure and Canada ranks as number two in the world for this and overall among the top five (at number 4) countries in the world for ease of doing business in general. Where Canada's rating does drop dramatically is in the area of regulations and licensing. With so many jurisdictions in Canada, licensing and mutual recognition of qualifications becomes a bureaucratic nightmare. In addition, the Federal government continues to try to drive forward with its Paperwork Burden Reduction Initiative, simplifying taxation for small business and financing.

Budget 2007

Many of the federal government policies of Canada are revealed when the Minister of Finance releases the current federal government budget. This year this was released on March 30, 2007 and it reveals what the current priorities are as well as includes overall comments as to the current health and focus of the Canadian economy.⁷ Many of these will affect the emphasis on business. The key messages and themes for this year included:

- Canada today is strong and has a plan for a better tomorrow
- Budget 2007 will achieve this (the plan for tomorrow) by:
 - Taking historic action to restore the fiscal imbalance and investing in things that are important to Canadian such as a modern health care system, the environment and infrastructure such as roads, bridges and public transport
 - Delivering on Advantage Canada,⁸ the government's long-term economic plan for Canada
 - Further reducing the tax burden in Canada to make things easier for working families with initiatives such as the tax back guarantee and working families tax plan
 - Cracking down on corporate tax avoiders
 - Investing in social priorities
 - Implementing tax benefits for sme's such as
 - ◆ Increasing lifetime capital gains exemptions
 - ◆ Allowing capital investment write-off in machinery and equipment purchased between March 19, 2007 and 2009 using a special 50 % straight line rate
 - ◆ Increasing the capital cost allowance for buildings used in manufacturing and processing and also for computers
 - ◆ Eliminating interest deductibility for foreign active business income
 - ◆ Updating the Canada-US Tax treaty to facilitate cross-border investment and commerce
 - ◆ **Reducing the federal paper burden on small business by 20% by**

November 2008

- ◆ **Reducing the tax compliance burden on small business by decreasing the frequency of their tax remittance and filing requirements**
- ◆ Providing incentives for provinces to eliminate provincial capital taxes which will provide benefits to business
- ◆ Incentives to harmonize provincial and federal GST taxes
- ◆ Strengthening capital markets and creating a single capital market regulator
- ◆ Reviewing Canadian Competition policy⁹
- ◆ Investigating elimination of barriers to trade, investment and labour mobility between provinces
- ◆ Launching the Global Commerce Strategy¹⁰
- ◆ strengthening the regulatory system
- ◆ spending on infrastructure

Issues of concern to Canada

Three areas that have been of concern to small business in Canada and the government in general are in the areas of **taxation**, **the paper burden** and the always contentious area of **access to finance**.

Taxation continues to present a major concern to small business in Canada, particularly when put into the context of being competitive with Canada's largest trading partner, the United States. If Canadian small businesses are to be truly competitive with their neighbours to the south, then they must have

competitive support and taxation policies. "Taxation is the most fundamental way in which small business interacts with the government. Governments must reform their tax systems to facilitate the creation of wealth by small business."¹¹ **Taxes that are not based on profits represent approximately 70 percent of all direct taxes paid by corporations. (Department of Finance).** Because Canada's tax system includes federal, provincial and municipal jurisdictions, the Canadian tax system imposes a disproportionate burden on small businesses. This burden has impaired the competitiveness of SMEs and their ability to create wealth and jobs. On its Strategis website, Industry Canada lists the **first principles of small business taxation** as:

- tax systems at all levels must support the creation and growth of viable small businesses
- tax measures should not result in disincentives to hire
- Canada's tax systems must reduce their dependence on all forms of profit-insensitive taxes
- Tax systems must be simplified to reduce the compliance costs borne by small business and free up productive capacity
- Tax systems must encourage the retention of profits to finance the internal growth of small businesses
- The federal, provincial and municipal governments must coordinate and simplify their tax systems to ensure that the total tax burden on small businesses is fair and reasonable
- Potential reductions in tax returns must be balanced by reductions in government spending¹²

The government of Canada's own department responsible for small business policy recommends that the federal government must reduce the burden of profit-insensitive taxes (such as payroll taxes, unemployment insurance, etc.) on small businesses by lowering premiums on unemployment insurance and the Canada Pension Plan. Small businesses in Canada also have concerns

about the complexity of tax administration and compliance at both the federal and provincial levels and recognize that this places an unnecessary burden on SMEs because of their size and lack of internal expertise. Concerns include: harmonization, coordination and simplification, penalties and dispute handling, clarity and consistency and services to taxpayers.

The second area of concern is that of the **paper burden** to small business. The government of Canada has been working with key stakeholders such as the CFIB, Chambers of Commerce, and Conference Board of Canada to **reduce the paper burden** and hence reduce the costs of regulatory compliance costs. "Paperwork" or "red tape" consists of the time and resources spent by business owners, managers, staff or hired experts to understand and comply with government rules and regulations relating to operating a business. From the firm's perspective, complying with regulation includes planning, collecting, processing and reporting of information, completing forms and retaining data required by governments. The "burden" represents the administrative costs incurred above and beyond the normal day-to-day costs associated with running a business.

This initiative has a focus on small business as articulated on their website because:

"Small businesses make an important contribution to the Canadian economy. Small businesses - establishments with fewer than 100 employees - accounted for 99 percent of all registered businesses in Canada, according to Statistics Canada's *Business Register*, as at June 2003. Nearly 60 percent of employers - about half of all Canadian firms - had fewer than five employees.

Doing business in Canada means that a business must deal with the cumulative requirements imposed by three government jurisdictions - federal, provincial/territorial and municipal. Research suggests that complying with regulatory requirements results in a disproportionate cost on small businesses compared with larger firms. Results of an Organisation for Economic Co-operation and Development (OECD) study of 11 countries - *'Businesses' Views on Red Tape: Administrative and Regulatory*

Burdens on Small and Medium-sized Enterprises' - indicated that paperwork burden per employee in the smallest companies was found to be more than five times higher than for larger firms, with small firms in the service sector facing the greatest burden. Micro-businesses - establishments with fewer than five employees - face particular challenges relating to economies of scale."¹³

Small businesses recognize that regulation can provide a stable and predictable business environment. However, they also believe that the burden of compliance at times outweighs the benefits of regulation. Excessive compliance costs can be a determining factor in a small business remaining viable and productive, or in investment capital leaving Canada for a more streamlined business and regulatory environment elsewhere.

This has been an ongoing initiative of the government which recognizes the undue burden that this places on small business.¹⁴ Statistics Canada undertakes a triennial survey focusing on small business and the challenges they face in complying with information obligations stemming from government regulations. The Paperwork Burden Reduction Initiative (PBRI) involves measuring the costs and impact of regulatory compliance on small business and pursuing opportunities to reduce, rationalize and simplify regulatory requirements across federal departments and agencies. It was launched in February 2005 in response to the Government of Canada's 2004 Budget commitment to create a working group of government officials and small business representatives to measure the impact of regulatory compliance on businesses and to make measurable reductions in paperwork burden.

The PBRI has three key components:

- An Advisory Committee on Paperwork Burden Reduction (ACPBR)
- The Survey of Regulatory Compliance Costs
- Annual progress reports to the Minister of Industry

The Paperwork Burden Reduction Initiative builds on the recommendations of the External Advisory Committee on Smart Regulation (EACSR) presented in

Smart Regulation: A Regulatory Strategy for Canada, released in September 2004. Specifically, the EACSR advocated that further work be done on issues relating to compliance and enforcement, including harnessing the potential of e-government as a vehicle for single-window access to government regulatory programs.

The PBRI contributes to the Government of Canada's Smart Regulations Strategy as it:

- Addresses the regulatory burden imposed by federal departments and agencies;
- Encourages better coordination across federal government to reduce regulatory burden and manage unintended duplication of regulatory requirements;
- Examines the cumulative impact of regulations; and
- Establishes baseline data on the cost of compliance facing small businesses.¹⁵

The paperwork burden associated with government regulation and reporting requirements has historically been a top priority concern for owners of small and medium-sized enterprises (Sme's) in Canada. The Canadian Federation of Independent Business (CFIB) has undertaken a comprehensive survey to quantify the cost of regulation and paperwork burden on business, identify the most burdensome reporting requirements from all levels of government, address the opportunity costs of complying with excessive paperwork, and seek SME input into finding meaningful ways of reducing regulatory and paperwork burden. The CFIB has released a report on its findings, entitled *Rated R: Prosperity Restricted by Red Tape*.¹⁶

The third area of continual interest to Canadian small businesses is **access to finance, both debt and equity**. With this in mind, the Business Development Bank of Canada (BDC) is a crown corporation mandated by the Minister of Industry Canada to be a 'complimentary lender' and to provide funding to small businesses that are unable to secure funding from traditional sources.

Far from being a lender of 'last resort', BDC has emerged as a 'partner' with small business and has been the source of many innovative programs developed to specifically address the financing needs for Canadian small businesses. The bank works closely through its network of consultants to identify that the growth needs of the business are met in the most advantageous ways.

BDC offers a range of products and services including financial services, consulting services, subordinated finance and venture capital. BDC provides services across Canada in both official languages through its 94 branches. In addition, the Bank maintains a user-friendly, interactive website at www.bdc.ca which supplies continuously updated information and links to information for and about small business. The Bank has also established a virtual branch online at www.connex.bdc.ca where clients can apply for further financing as well as maintain up to the moment information on their account.

In addition to term loans, BDC has created three special financing programs focused on sme's: co-vision to support start-ups and small businesses under \$150,000; productivity plus which supports the productivity improvements in sme's; and innovation which provides working capital solutions to support growth projects for sme's. The BDC also has a popular consulting service which provides expert advice at a reasonable rate on the four core topics of: transition, business planning and management, operational efficiency and innovation.

In addition to providing financial services and consulting, BDC is also a provider of subordinated financing and venture capital. BDC Venture Capital has been involved in venture capital since 1975 and has to date invested in more than 400 companies involved in the areas of life sciences, telecommunications, information technology and advance technologies. In addition, the Bank set aside a special \$25 million fund to specifically invest in women controlled companies and that money was fully invested within 18 months, proving that there is a demand for venture capital for women controlled businesses and that women's businesses do indeed qualify for venture capital.

Challenges Specific to Canadian SME's

In addition to the three ongoing challenges for sme's listed above, Canadian sme's may face some other challenges that are unique to Canada and Canadian culture. These challenges face sme's in the manufacturing sector, young entrepreneurs, women entrepreneurs and new Canadians. All face challenges but at the same time offer incredible opportunities to Canada.

Manufacturing Sector

Canada's manufacturing sector has been badly hit in recent years by the combination of competition from lower labour costs in other parts of the world as well as a shortage of skilled labour in Canada and the higher value of the Canadian dollar. In a report to the Standing Committee on Industry, Science and Technology¹⁷, the Canadian Federation of Independent Business provided a good overview of the state of manufacturing in Canada as well as what the future may hold. A higher percentage of companies in the manufacturing sector predict that they shall need to increase both their full time and part time employees in the 12 months following the report. 62% of the respondents in their survey indicated that the higher Canadian dollar is hurting their business. The major business factors which are affecting their businesses include: energy prices, other input prices, rising insurance premiums and interest rates with labour availability, competition and market wages also causing concerns.

A significant percentage of the businesses surveyed (with the exception of those in the service sectors) indicated that if fuel prices stayed at high levels or increased, either their businesses would not survive or they would have to make significant changes in investment, employment or prices to cope. Consistent with the previous section of this paper, small business priorities overwhelmingly focused on their total tax burden and government regulations and paper burden. Another area of real concern is a shortage of labour (this is discussed later in this paper). With respect to the sme productivity priorities, the following were of the greatest concern: reducing taxes, easing burdensome regulations, and making government fees and penalties more equitable. As a

recommendation to government, the report finally recommended what would help businesses comply better with regulations and they cited the following:

- Simplify existing regulations
- Reduce the total number of regulations
- Make owners aware of new regulations
- Improve government customer service

Young Entrepreneurs

An area for great growth and opportunity lies with young entrepreneurs. Canada is a young country with an ambitious well-educated population from diverse backgrounds. Toronto, alone, is considered one of the most multi-ethnic cities in the world. In the next few years, many of these young people will enter into business rather than into the traditional job market. No exact figures exist on the number of potential young entrepreneurs but in a recent internal study conducted by the Canadian Youth Business Foundation (CYBF) it was noted that there are approximately 7.5 million youth between the ages of 18 and 34, 8% of the total adult population are engaged in entrepreneurial activities and 20% of youth would consider starting their own business. This represents a huge potential in economic contribution by youth.¹⁸ However, oddly enough, no organization offers a comprehensive picture of the future for youth entrepreneurship and there are no real national programs that exist to support young entrepreneurs. There are some programs such as Junior Achievement, ACE and Shad but all are underfunded. CYBF provides mentoring and startup loans up to the amount of \$15,000 but due to their own funding challenges can only reach a very small percentage of this potentially huge and prosperous market. It is obvious that more work needs to be done to nurture and support young people to pursue their entrepreneurial dreams and also make an economic contribution to the country while also creating jobs.

While substantial funding has been provided for these youth entrepreneurship development programs much more needs to be done to instill in today's youth a culture of entrepreneurship, a 'can-do' and 'can succeed' attitude that can allow Canada to successfully move ahead - it is by nurturing today's youth and allowing them to pursue their dreams that the economic future of country shall be secure. This culture needs to begin at the primary and secondary school levels where business skills need to be taught along side other basic skills. While Canada is a country rich in natural resources it must continue to mentor and grow other business sectors, particularly in the knowledge and technology sectors where so many young people are thriving today. Investing in young entrepreneurs is not just about allowing a young person to pursue his or her dream, but it is also about the economic future and advantages of the country. Too many policy advisors are too narrowly focused or do not have the long term vision required to develop and implement policy that will enhance the future entrepreneurs and small businesses.

Women Entrepreneurs

'Forget China, India and the internet: economic growth is driven by women.'¹⁹ '...there is a business case for expanding women's economic opportunities: it is smart economics.'²⁰ 'Womonomics: les femmes font rouler l'economie du Quebec.'²¹ Women entrepreneurs and women-owned businesses have been on the rise since the 1970's with the demographics today being very different from the 1950's and 1960's when many women stayed at home or worked part time. Women entering the workforce and also starting businesses has had a most dramatic effect on the economy of Canada, but it is still difficult to attract the attention of policy makers that due to the dual role that women must play (i.e. mothers, homemakers and now senior caregivers, as well as competitive business owners) that there need to be good policies (such as day care, retirement benefits, financing opportunities) in place to ensure that women are able to take advantage of their best business opportunities. Women are playing an increasingly important role in the economic growth of Canada and globally. Women owned businesses are the fastest growing sector in Canada and 40% of these businesses alone are based in the province of Ontario.²² Even with those figures, Ontario is third after British Columbia and

Alberta - an odd discrepancy given that Ontario is the powerhouse behind the Canadian economy.

In November, 2002, former Prime Minister of Canada, the Right Honourable Jean Chretien, announced Canada's Innovation Agenda which included creating the first ever Parliamentary Task Force on Women Entrepreneurs. In launching the task force, Prime Minister Chretien declared that 'our success depends on our ability to marshal the skills and ingenuity of all of our people. As an important source of talent and creativity, women entrepreneurs have much to contribute. However...women entrepreneurs face unique challenges, particularly in accessing capital and expertise required to grow new businesses.'²³ Under the Chairmanship of the Honourable Sarmite Bulte, P.C., the task force traveled across the country and held town hall meetings, consultations and online discussions with over two thousand women entrepreneurs, followed by government officials at all levels of government. The result was a report with specific recommendations and a clear vision and path for going forward that was presented to the Prime Minister in November 2003.

Recommendations were categorized under the following sections:

1. coordinating support for women entrepreneurs
2. advocacy: a voice for women entrepreneurs
3. access to capital
4. access to employment benefits and social safety net programs
5. access to mentoring programs and networking opportunities
6. access to business skills training
7. access to information - 'one-stop shopping': a hub for women entrepreneurs
8. access to government procurement

9. focusing on the service sector
10. promoting Canadian women entrepreneurs nationally and internationally
11. encouraging and training women entrepreneurs to be export ready
12. lack of research

Prime Minister Chretien accepted the report and immediately announced 10 initiatives. However, shortly thereafter there was a change in government and many of the other recommendations were never implemented. **The true value of this report though, lies in the blue print that it set out to support and develop women's businesses in Canada and that while it focused on women, the report laid out a blue print, that if followed, could promote the development of all small businesses across the country.**

Other emerging issues that may be unique to Canada

Four other issues are emerging that could present problems to Canada if they are ignored or could create real opportunities for Canada if savvy government policies are put in place now. One of the major concerns of business today and this affects sme's more, due to their vulnerability in economic and demographic changes is a **lack of people in the workforce and lack of talent**. Canada's immigration process has slowed down considerably with the average wait time to immigrate to Canada taking at least two years if not longer. If special work issues are involved or people are willing to go where there is a shortage of labour, this application time may be fast tracked but time is of the essence for small businesses. This is creating a situation where some small businesses in Canada are opening warehouses and offices in the U.S. where labour may or may not be cheaper but at least is accessible - this is particularly true with new complications in getting goods and people across what used to be the most open border in the world: that between the U.S. and Canada. Immigration and border transit has been changed dramatically since the events of 9/11.

A shortage of labour is now of major concern across Canada and in areas such as the oil patch and the four provinces of western Canada, more than 60% of small business cites this as a major concern.²⁴ Long term vacancy rates have sky rocketed between 2004 and 2005.

The flip side to the labour shortage is the opportunities that **immigrants and 'new Canadians'** are bringing to Canada. According to Statistics Canada, immigrants will account for all net growth in the labour market in coming years.²⁵ The opportunities for young immigrant entrepreneurs track this growth as well. These immigrants are being concentrated in a handful of urban centres and most growth will come from the Chinese, Spanish and Punjabi communities. With good policy development this could create a wellspring of sme's for Canada.

Another area of concern is the **aging baby boomers** and the number of entrepreneurs that are planning to exit their businesses within the next 10 years. The CFIB²⁶ puts this figure at more than 70% of the businesses it surveyed. The ramifications of this are so serious that BDC has now put into place a new program to assist in transition. Other major banks are also beginning to look at this market. Not only will these business people be leaving the workforce, it could have a dramatic effect on loss of jobs or on balance sheets if employees try to raise financing to purchase an otherwise debt-free company. In addition, new businesses (hence the vital contribution of youth, women and new Canadians) need to be encouraged to replace those exiting. Another reason for forward thinking and good policy that needs to be in place in anticipation of this happening. The flip side of this conundrum is that according to the Canadian Imperial Bank of Commerce (CIBC), the fastest growing portion of the new entrepreneurial landscape in Canada are so-called '**seniorpreneurs**' or those Canadians over the age of 55 who, for a number of reasons now make up one in four self-employed individuals in Canada and a large portion of that are women. The majority of these older entrepreneurs are termed as 'lifestylers' and do not have growth or longevity plans for their businesses.

Finally, another unique characteristic of Canada is the **remote communities**. Canada is a vast land mass with a relatively small population as mentioned earlier. This means that there are many small communities struggling to

survive in remote areas where even the weather can be isolating. Regional economic development programs must be maintained in order for these communities to survive.

Public – private cooperation

Private-public cooperation is actively encouraged in Canada and indeed some of the most rewarding outcomes are as a result of private-public cooperation. Canada has a tradition of holding public consultations on issues regarding new public policy. In addition, most of the government departments have private sector consulting or advisory boards which assist the government in developing policy. The Minister Responsible for International Trade appoints an SME Advisory Board which meets twice a year with the Minister and conducts work intersessionally on issues of importance that will assist Canadian sme's to be more active in exporting. It is also an opportunity for business to inform the government first hand as to the greatest challenges that they face. Most recently the Advisory Board was able to advise the Minister of Canada's new Global Commerce Strategy to enhance the competitiveness of Canadian business internationally.

Task forces such as those on young entrepreneurs, women entrepreneurs, paper burden reduction, sectoral advisory groups, the Vancouver Olympics and all regional development programs have private sector advisors. Recommendations have also been made to create better and more transparent government procurement procedures so that small business can have better access to government contracts for supplies and services - a critical area for small business since the government is the single largest purchaser of goods and services in Canada. Most recently, Accenture has released a report with guidelines on 'Keys to Successful Public Sector Shared Services Implementations: Focus on Governance' to address these opportunities.

Recommendations going forward

Canada is a country with great potential which needs to take a 'holistic approach' to its new, young, aging and diverse population. Traditionally Canada has been a resource based economy but it needs to have a long term vision for encouraging the growth of sme's in a variety of sectors including technology and the myriad of opportunities which exist in the service sector - the fastest growing sector in the world. Some of the most successful economies are those which have no resources and therefore have to rely on developing the talent of their people. Canada should be looking at this as well.

Canada would be wise to create a small business agency to coordinate all policy impacting on sme's and to be an advocate within the government for sme's. Rather than adding another layer of government and reporting, this agency would be seen as the hub for all sme issues. In conjunction to this, it would be most advantageous to create a high level advisory council reporting directly to the Prime Minister on the advancement of sme's.

Programmes need to be supported which encourage more young people to become entrepreneurs. The government must address the differential impact of taxation and paper burden on sme's in general but on women in particular. A national day care policy needs to be implemented which allows women to either have access to cost effective day care, or allows women to deduct the cost of child care and elder care as a business expense in order to allow women to spend time creating jobs for others in their role as entrepreneurs. Programmes which encourage seniorpreneurs to continue to add to economic development need to be implemented so that all members of society continue to make productive contributions and are not deemed to be 'users' of the system. The different levels of income need to be taken into account so that women and young entrepreneurs can set aside a larger portion of their income for retirement. Due to its geographic makeup, with remote communities and communities that may be isolated due to adverse or severe weather at times of the year, Canada is an ideal environment to develop and promote technology to provide more markets for the service sector.

Governments do recognize the importance of supporting sme's in general. However, small business is risky and governments are not in the risk business, and not all sme's are created equally therefore policy cannot be one size fits all. The challenge is to develop an environment which supports small business and creativity; one that looks to the future and has a vision of where the opportunities lie and puts into place a plan that will achieve that vision. Too often, policy is dictated by politics and is short sighted with lessons learned too late.

Resources

- Business Development Bank of Canada (BDC) (www.bdc.ca) assists small businesses both by providing loans and equity financing to small business and by providing management services such as advice on how to operate a successful small business. The online branch can be located at www.connex.bdc.ca.
- The Canada Business Web site at www.canadabusiness.gc.ca provides a comprehensive directory of information on the private sector and federal, provincial and municipal government services, business information guides, programs and regulations. The site contains information to assist small- and medium-sized enterprises (Sme's) seeking start-up financing.
- Sustainable Development Technology Canada finances and supports the development and demonstration of clean technologies, including those related to energy efficiency. Their website at www.sdte.ca provides details on eligible projects and how to apply.
- The National Research Council's Industrial Research Assistance Program (NRC-IRAP) provides financial support in addition to a range of both technical and business oriented advisory services to growth-oriented small businesses enterprises. For further information or to contact an Industrial Technology Advisor, it is possible to call, toll-free, 1-877-994-4727.
- Industry Canada has developed the Sources of Financing Web site, at

www.strategis.ic.gc.ca/sources, which enables Sme's to interactively access objective information on appropriate forms of public and private sector sources of debt and equity financing. This information is provided through a searchable database that generates a comprehensive customized report on relevant sources of financing.

- Also available is the Steps to Growth Capital web site at www.growth.ic.gc.ca. This site provides a step-by-step guide to entrepreneurs seeking growth capital.
- Canadian Federation of Independent Business (www.cfib.ca) is a membership based lobby group which acts in the best interests of small business while producing research and participating in many private public sector dialogues.

Notes

1. Mrs. Lever is the founder and President of Lever Enterprises, Canada. She represented small business at all APEC SME WG and MM since 1996. For nine years (1998-2006) she was the Prime Minister of Canada's representative on the APEC Business Advisory Council where she chaired the Capacity Building and SME Working Groups. She has also acts as an advisor to the Minister of International Trade and to other Canadian and international government for a with respect to SME policy.
2. Canadian Federation of Independent Business (CFIB), Small Business Profile, December 2005.
3. www.strategis.gc.ca Website for Industry Canada programs.
4. www.strategis.gc.ca
5. See appendix for links to other primary websites.
6. Doing Business in 2006, Creating Jobs, a copublication of the World Bank and International Finance Corporation.
7. For full details of Budget 2007, go to <http://www.d-room.com/active/sme.nsf/id/HHUA-6ZSTXP?Open&Login>
8. "*Advantage Canada* is a plan that will help Canadians to build a strong economy. Government has an important role to play in creating the right conditions for

Canadians - and Canadian businesses and organizations - to thrive. This plan will create new opportunities and choices for Canadians" (<http://www.fin.gc.ca/ec2006/plan/ecpame.html>)

9. See <http://csgb.ubc.ca/ccpp/articles.html>
10. Currently under development with the Department of Foreign Affairs and International Trade.
11. Strategis, www.ic.c/epic/site/sbrp-rppe.nsf/en/rd0054le.html
12. www.ic.c/epic/site/sbrp-rppe.nsf/en/rd0054le.html
13. www.reducingpaperburden.gc.ca
14. www.ic.c/epic/site/sbrp-rppe.nsf/en/rd0054le.html
15. www.reducingpaperburden.gc.ca
16. http://www.cfib.ca/mcentre/mwire/releases/nat121205_e.asp
17. CFIB, Challenges Facing Sme's and the Manufacturing Sector, May 16, 2006.
18. CYBF Internal research report on the market for young entrepreneurs, 2007.
19. The Economist, April 2006.
20. The World Bank Group, September 2006.
21. Commerce, Fevrier, 2007.
22. Report to the Minister of Economic Development of Ontario, Sarmite D. Bulte, P.C., March, 2007.
23. Foreword, Prime Ministers Task Force on Women Entrepreneurs, Report and Recommendations, November 2003.
24. CFIB OMO #57, January 2006, based on 17,844 responses.
25. CYBF report on young entrepreneurs.
26. CFIM, Succession can breed success, June 2005.