

Strategic Innovation Fund: 2017 federal budget to boost innovation

Final release of a three part series of Budget 2017 decoded: Innovation and our Canadian economy

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The Canadian economy

Experience shows that investment in innovative high-growth sectors helps to drive global competitiveness and sustainable economic growth. Canada's 2017 federal budget aims to encourage further research and development (R&D), with the government committing to make Canada a centre for global innovation. Already, Canadian businesses invest over \$15B annually on R&D of new products and processes.¹ The budget hopes to boost that investment by introducing measures to fund superclusters, develop the Venture Capital Catalyst Initiative and create a Strategic Innovation Fund—a fund designed to increase access to various sector- and segment-specific innovation programs by consolidating them into one all-encompassing fund.

Strategic Innovation Fund

The Strategic Innovation Fund announced in the 2017 federal budget is part of the government's *Innovation and Skills Plan* which aims to create high paying Canadian jobs by investing in high-growth sectors. The changes are expected to entice and sustain new high-quality business investment into our economy.

The budget proposes to introduce the \$1.26 billion five-year Strategic Innovation Fund to consolidate and simplify existing innovation programming for various areas, including the following:

- 1) Strategic Aerospace and Defence Initiative, designed to support R&D that will result in innovation of new or improved products or processes in the aerospace, space, defence and security sectors.²
- 2) Technology Demonstration Program to fund large-scale R&D projects with aerospace, defence, security applications, as well as Canadian universities or colleges and research institutes.³
- 3) Automotive Innovation Fund to support the automotive sector in conducting large-scale R&D projects that build innovative, greener and more fuel-efficient vehicles.⁴
- 4) Automotive Supplier Innovation Program to provide assistance to Canadian-based suppliers developing innovative products and processes in the automotive sector.⁵

¹ Government of Canada announces new \$1.26-billion fund for business innovation – News Release - March 30, 2017

² Strategic Aerospace and Defence Initiative (SADI) — Program Guide. https://www.ic.gc.ca/eic/site/ito-oti.nsf/eng/h_00022.html

³ Technology Demonstration Program (TDP) — Program Guide. https://ito.ic.gc.ca/eic/site/ito-oti.nsf/eng/h_00837.html#p1

⁴ Automotive Innovation Fund. <https://www.ic.gc.ca/eic/site/auto-auto.nsf/eng/am02258.html>

⁵ Automotive Supplier Innovation Program (ASIP). http://www.ic.gc.ca/eic/site/auto-auto.nsf/eng/h_am02378.html

In addition to the above initiatives, the Strategic Innovation Fund will also support dynamic and emerging sectors, such as clean technology, information and communications technology, and agri-food. To sustain the fund's expansion, starting in 2017, it will provide a further \$200M over three years to supplement existing funding. Of this amount, \$100 million is new funding and \$100 million will be drawn from funding announced in the 2016 budget.

Changes are being made to streamline the application process to access these funds. Further details about the program are expected to be unveiled over the coming months.

How to maximize funding and leverage the Strategic Innovation Fund

The underlying goal of the Strategic Innovation Fund is to encourage growth-minded companies to invest in research and development of new products and processes. Companies applying for the programs covered by the Strategic Innovation Fund may also be able to leverage the Scientific Research and Experimental Development (SR&ED) tax credit.

The SR&ED program is the largest source of R&D funding in Canada which rewards claimants for innovation. SR&ED is not limited to traditional lab research; claimants from various industries can reap benefits of the program.

In the coming months, the federal government is expected to further consolidate and streamline access to the myriad of programs currently available to support R&D in Canada. Should the Innovation in Canada platform be created, it will undoubtedly help entrepreneurs access much-needed growth capital. To learn more about the Strategic Innovation Fund, the Innovation in Canada platform and how Grant Thornton can help your business grow and succeed through innovation funding, please contact:

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