

THE NEED FOR A STRATEGIC BC INVESTMENT FUND

Issue

COVID-19 has led to many levels of government providing grants and bursaries to businesses to keep them afloat. This has resulted in massive debt levels. Additionally, once the BC Government invests to support small and growing business sector and they reach a certain level of profitability, they are then acquired by capital south of the border along with any intellectual property. An innovative solution to this leaking of talent and growth is through an investment fund.

The BC Government is undergoing the possible implementation of a strategic investment fund (InBC) as a mechanism to invest in high growth potential firms, growing and anchoring talent, intellectual property, innovation, investment and jobs in B.C., and driving economic growth in every region.

Background

COVID-19 has led to sizable of investments being made by governments. Governments have also created large pots of money that provide money for businesses that qualify. In British Columbia, these supports range from loans to relief.¹ These types of programs increase debt of both businesses and the government.

As we move from our initial response to recovery, government must tackle the issue of how we will support fledgling businesses, businesses that want to innovate and expand, and businesses that will provide sustainable jobs in various regions. In addition, there needs to be consideration for reconciliation efforts, supporting marginalized groups, and providing avenues for growth for rural businesses.

What is needed now is government partnering with the private sector to grow small businesses. In September 2020, the BC Government announced InBC as the mechanism that will invest in small and medium-sized B.C. companies to help them scale up and reach their highest potential, while generating returns that support a growing economy that benefits all British Columbians.

InBC vs. The Strategic Innovation Fund (SIF)

The Strategic Innovation Fund (SIF) is a fund that does not require repayment at a competitive level. In essence, the Strategic Innovation Fund is a grant program, which crowds out investment from other sources. The SIF, among many other things, also requires businesses applying be willing to make long-term commitments to Canada (e.g. collaborations with public and private entities, R&D investments, co-op/work integrated learning opportunities). As a grant, the SIF requires applications for funding streams. The SIF is a program that is monitored by Government, and decisions are made by Government.

InBC will invest in small and medium-sized B.C. companies to help them scale up and reach their highest potential, while generating returns that support a growing economy that benefits all British Columbians. Businesses will be expected to pay a rate of return at about 4.75%, which incorporates the cost of borrowing, cost of operation, and a basic return on investment. This competitive investment

¹ <https://www2.gov.bc.ca/gov/content/economic-recovery/business-supports>

opportunity is designed to achieve the BC Economic Plan: A Framework for Improving British Columbians' Standard of Living², and the CleanBC strategy³.

Investment decisions will be made by an independent Chief Investment Officer and a team of professionals. InBC will be overseen by a Board of Directors and will be required to submit annual reports pursuant to the Budget Transparency and Accountability Act. InBC's financial statements will be audited annually by an independent auditor.

InBC is based off of similar programs implemented around the world. These include Ireland, and Scotland. The successes of Ireland program lend confidence in the program being successful in BC.

Scottish National Investment Bank

The Scottish National Investment Bank is a state-owned financial institution based in Edinburgh, Scotland. It is intended to deliver infrastructure development and strategic investments. The Scottish National Investment Bank provides long-term investments for businesses, projects and communities, including both debt and equity. The Investment Bank supports businesses to achieve net zero, promotes equality, and invests in innovation.

The Ireland Strategic Investment Fund

The Ireland Strategic Investment Fund (ISIF) is mandated to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland. It focuses on regional development, housing, Indigenous businesses, climate change, and Brexit. During 2020 ISIF committed €430 million to over 20 investments in Ireland⁴. At the end of 2020 ISIF has committed a total of €5 billion to 143 Irish investments⁵. The ISIF experienced an investment return of 6.2% in 2020, an increase of over €500 million.

THE CHAMBER RECOMMENDS

That the Provincial Government:

Partner with the Chambers of Commerce and Boards of Trade in promoting and advancing the economic development opportunities of the InBC program

Submitted by the Surrey Board of Trade

² <https://news.gov.bc.ca/files/BC-Economic-Framework-2019-20.pdf>

³ https://blog.gov.bc.ca/app/uploads/sites/436/2019/02/CleanBC_Full_Report_Updated_Mar2019.pdf

⁴ <https://isif.ie/news/press-releases/ireland-strategic-investment-fund-publishes-2020-update>

⁵ <https://isif.ie/news/press-releases/ireland-strategic-investment-fund-publishes-2020-update>