

# BUSINESS SUPPORT PROGRAMS

The Effectiveness of Ontario's Business Support Programs



# About this Document

Established by the *Financial Accountability Officer Act, 2013*, the Financial Accountability Office (FAO) provides independent analysis on the state of the Province's finances, trends in the provincial economy and related matters important to the Legislative Assembly of Ontario.

The FAO produces independent analysis on the initiative of the Financial Accountability Officer. Upon request from a member or committee of the Assembly, the Officer may also direct the FAO to undertake research to estimate the financial costs or financial benefits to the Province of any bill or proposal under the jurisdiction of the legislature.

This report was prepared on the initiative of the Financial Accountability Officer in response to a request from a member of the Assembly. In keeping with the FAO's mandate to provide the Legislative Assembly of Ontario with independent economic and financial analysis, this report makes no policy recommendations.

This analysis was prepared by Greg Hunter and Diarra Sourang under the direction of Jeffrey Novak.

A number of external reviewers reviewed early drafts of the report. The assistance of external reviewers implies no responsibility for the final product, which rests solely with the FAO.



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### Table of Abbreviations

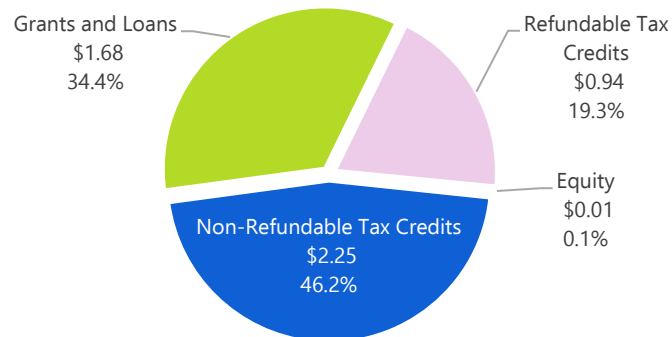
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Abbreviation	Long Form
AGO	Auditor General of Ontario
Drummond Commission	Commission on the Reform of Ontario's Public Services
Expert Panel	Expert Panel Examining Ontario's Business Support Programs
FAO	Financial Accountability Office

# 1 | Essential Points

The Government of Ontario (the Province) subsidizes businesses with a combination of tax credits, grants, loans, and equity investments that are collectively referred to as “business support programs”. In 2016-17, the Province provided businesses with approximately \$4.9 billion through over 100 business support programs.<sup>1</sup>

## Ontario’s business support programs by category (\$billions), 2016-17



Source: FAO analysis of information provided by the Province.

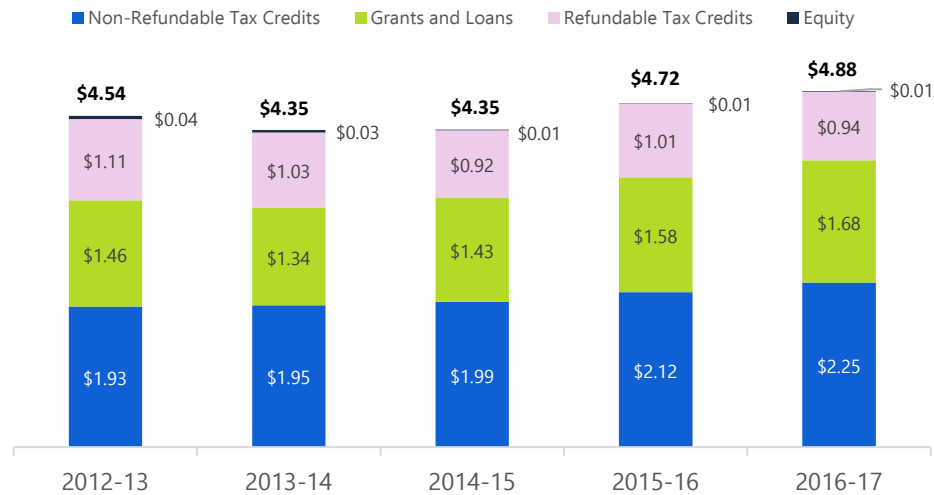
The purpose of this report is to review how the Province measures the effectiveness of its business support programs. The report examines 12 different business support programs and reviews how the Province measures each program’s objectives, performance measures, benchmarks and targets, and the direct effect of each program.

## Financial Overview of the Province’s Business Support Programs

- From 2012-13 to 2016-17, the Province provided a cumulative total of approximately \$22.9 billion through its business support programs. On an annual basis, the cost of business support programs increased from about \$4.5 billion in 2012-13 to \$4.9 billion in 2016-17.
- From 2012-13 to 2016-17, non-refundable tax credits accounted for about 45 per cent of the cost of Ontario’s business support programs. Grants and loans accounted for about one-third of the cost and refundable tax credits just over one-fifth. Equity investments represented just under \$100 million, or 0.4 per cent of the total.

<sup>1</sup> See appendix B for a complete list of the Province’s business support programs.

## Cost of Ontario's business support programs by category (\$billions)



Source: FAO analysis of information provided by the Province.

## Effectiveness Measures for Ontario's Business Support Programs

Since 2012, there have been at least five reports that have reviewed the Province's business support programs.<sup>2</sup> Each report made recommendations on how the Province could improve the evaluation and effectiveness of its programs. Based on these recommendations, the FAO selected 12 of Ontario's business support programs for review and for each program asked three questions:

- Are the program's performance measures aligned with its objectives?
- Does the program have benchmarks or targets established to compare against results?
- Is there any evidence that the support provided directly led to the observed results?

The results of the FAO's review are summarized in the following table:<sup>3</sup>

<sup>2</sup> Three of these reports were directly requested by the Province. See chapter 4 for more details.

<sup>3</sup> See chapter 5 and appendix A for more details.

## Results of effectiveness review for 12 business support programs

Program	Performance measures aligned with objectives?	Does program have benchmarks or targets?	Evidence that support provided led to observed results?
Ontario Production Services Tax Credit	Partially aligned	Partial – internal benchmarks only	No
Ontario Film and Television Tax Credit	Partially aligned	Partial – internal benchmarks only	No
Apprenticeship Training Tax Credit	No	No	No
Ontario Innovation Tax Credit	No	No	No
Northern Industrial Electricity Rate Program	Partially aligned	Partial – internal benchmarks only	No
Northern Ontario Heritage Fund	Partially aligned	Partial – internal benchmarks only	No
Jobs and Prosperity Fund	Yes	Partial – internal benchmarks only	No
Eastern Ontario Development Fund	Partially aligned	No	No
Southwestern Ontario Development Fund	No	No	No
Commercialization and Innovation Network Support	Yes	No	No
Horse Racing Partnership Funding Program	Partially aligned	No	No
Ontario Emerging Technologies Fund	Yes	No	No

Source: FAO.

## Analysis of Results

### Are the program's performance measures aligned with its objectives?

- Three of the 12 business support programs reviewed by the FAO had performance measures that were aligned with the stated objectives of the program, while six programs were partially aligned and three programs were not aligned.
- As a result, for nine of the 12 programs reviewed, the Province does not collect sufficient information about program performance to be able to determine if the objectives of the program are being achieved.

**Does the program have benchmarks or targets established to compare against results?**

- Seven of the 12 programs reviewed by the FAO did not have benchmarks or targets (either internal or external) to compare against results. This means that it is not possible to determine how the programs are performing over time or how the programs perform compared to similar programs in Ontario or in other jurisdictions.
- None of the 12 programs had benchmarks against external programs (in Ontario or in other jurisdictions). This means that for all 12 programs reviewed by the FAO it is not possible to measure how effective the program is when compared to similar programs.
- Five of the 12 programs did have internal benchmarks set as a measure of program effectiveness. For example, for the Jobs and Prosperity Fund the Province has set the first year of results as the benchmark to measure the effectiveness of the program going forward.

**Is there any evidence that the support provided directly led to the observed result?**

- For each of the 12 business support programs reviewed by the FAO, the Province has not attempted to isolate the impact of the funding provided against what would have happened without provincial support. For example, the Province has not attempted to determine if a company receiving a grant would have made the same project investment without the support, or attempted to establish control groups of firms that did not receive support to see if the overall performance of those firms differed from firms that did receive support.
- This type of program evaluation is difficult, however, three recent reviews of the Province's business support programs recommended that the Province establish systems to distinguish between changes in company performance that result from provincial support against what would have happened without the support.<sup>4</sup>

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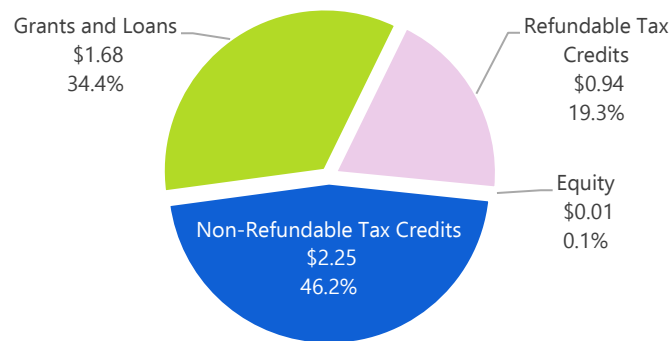
<sup>4</sup> See chapter 5 for more analysis. Commission on the Reform of Ontario's Public Services, et al. "Commission on the Reform of Ontario's Public Services: Public Services for Ontarians: A Path to Sustainability and Excellence." 2012. p. 45. Dalziel, Margaret, Douglas Cumming and David Wolfe. "Report of the Expert Panel Examining Ontario's Business Support Programs." 2014. p. 18. Auditor General of Ontario. "[Annual Report 2015](#)." 2015. pp. 194-197.



## 2 | Introduction

The Government of Ontario (the Province) subsidizes businesses with a combination of tax credits, grants, loans, and equity investments that are collectively referred to as “business support programs”. In 2016-17, the Province provided businesses with approximately \$4.9 billion through over 100 business support programs (Figure 2-1).<sup>5</sup>

**Figure 2-1: Ontario’s business support programs by category (\$billions), 2016-17**



Source: FAO analysis of information provided by the Province.

Grants and loans are direct transfers of funds from the Province to businesses, with loans being repaid by recipients.<sup>6</sup> Tax credits are delivered through the tax system and can be either refundable or non-refundable. Refundable tax credits are payable to the claimant even if the amount payable is greater than the amount of tax owing. On the other hand, non-refundable tax credits can only reduce tax payable to zero.<sup>7</sup> Finally, equity investments are direct investments made by the Province into companies alongside other investors. The Province receives an equity stake in the company which may increase or decrease in value over time.

Since 2012, there have been at least five reports that have reviewed the Province’s business support programs.<sup>8</sup> Each report made recommendations on how the Province could improve the evaluation and effectiveness of its programs.

The purpose of this report is to review how the Province measures the effectiveness of its business support programs. The report begins by providing a financial overview of funding support to businesses provided by the Province and then reviews recent reports that have looked at Ontario’s business support

<sup>5</sup> See appendix B for a complete list of the Province’s business support programs.

<sup>6</sup> Loans make up a very small share of the total for grants and loans. For example, in 2016-17, the Jobs and Prosperity Fund provided about \$182 million in grants but only \$0.4 million (or less than half of one per cent) in loans.

<sup>7</sup> For example, if a business owes \$1,000,000 in corporate tax but is eligible for a \$2,000,000 tax credit, then, if the tax credit is refundable, the \$1,000,000 in taxes owed will be eliminated and the business will receive a tax refund for \$1,000,000. However, if the tax credit is non-refundable, the \$1,000,000 in taxes owed will be reduced to zero, but the rest of the credit will not be awarded.

<sup>8</sup> Three of these reports were directly requested by the Province. See chapter 4 for more details.

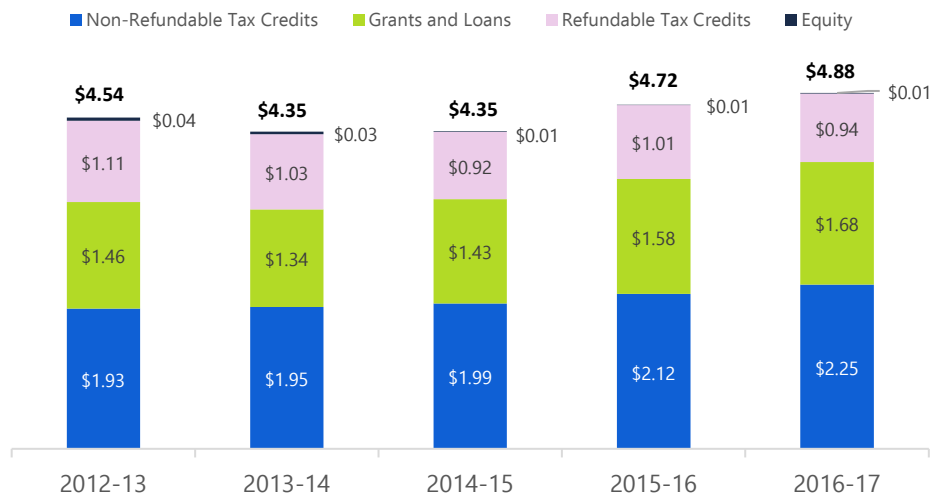
programs. Lastly, the report examines 12 different business support programs and reviews how the Province measures each program's objectives, performance measures, benchmarks and targets, and the direct effect of each program.

Appendix C provides more information on the development of this report.

# 3 | Financial Overview

From 2012-13 to 2016-17, the Province provided a cumulative total of approximately \$22.9 billion through its business support programs. On an annual basis, the cost of business support programs increased from about \$4.5 billion in 2012-13 to \$4.9 billion in 2016-17.<sup>9</sup> Figure 3-1 shows the fiscal impact of business support programs by category over the past five years.

**Figure 3-1: Cost of Ontario’s business support programs by category (\$billions)**

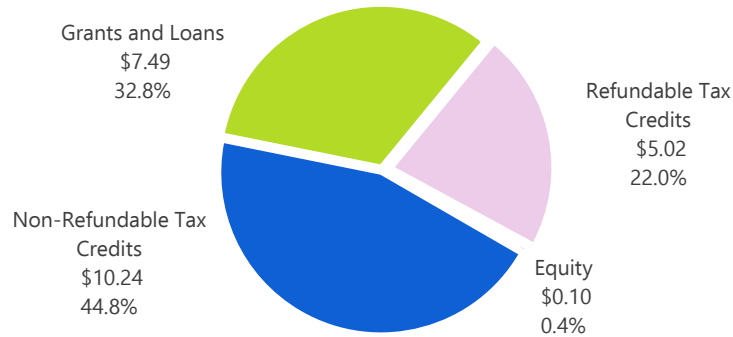


Source: FAO analysis of information provided by the Province.

From 2012-13 to 2016-17, non-refundable tax credits accounted for about 45 per cent of the cost of Ontario’s business support programs (Figure 3-2). Grants and loans accounted for about one-third of the cost and refundable tax credits just over one-fifth. Equity investments represented just under \$100 million, or 0.4 per cent of the total.

<sup>9</sup> The total cost includes both expense and forgone revenue.

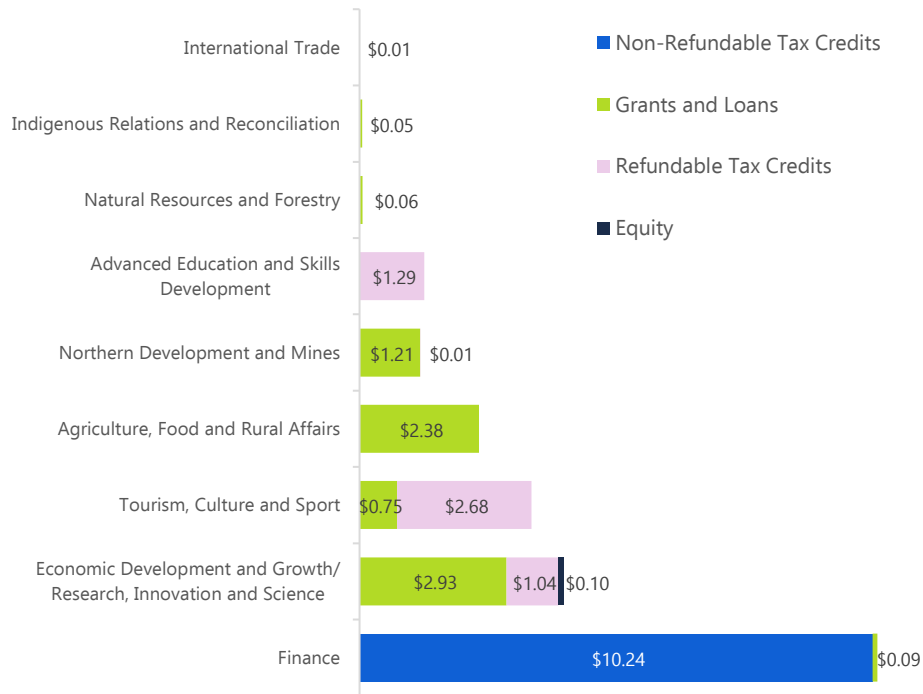
**Figure 3-2: Ontario's business support programs by category (\$billions), 2012-13 to 2016-17**



Source: FAO analysis of data provided by the Province.

The Province delivers its business support programs through nine ministries as shown in Figure 3-3 below.

**Figure 3-3: Business support programs by ministry and category (\$billions), 2012-13 to 2016-17**



Source: FAO analysis of data provided by the Province.

Four ministries accounted for almost 90 per cent of the support provided to businesses over the five-year period from 2012-13 to 2016-17 (Table 3-1).

**Table 3-1: Distribution of business support funding by ministry, 2012-13 to 2016-17**

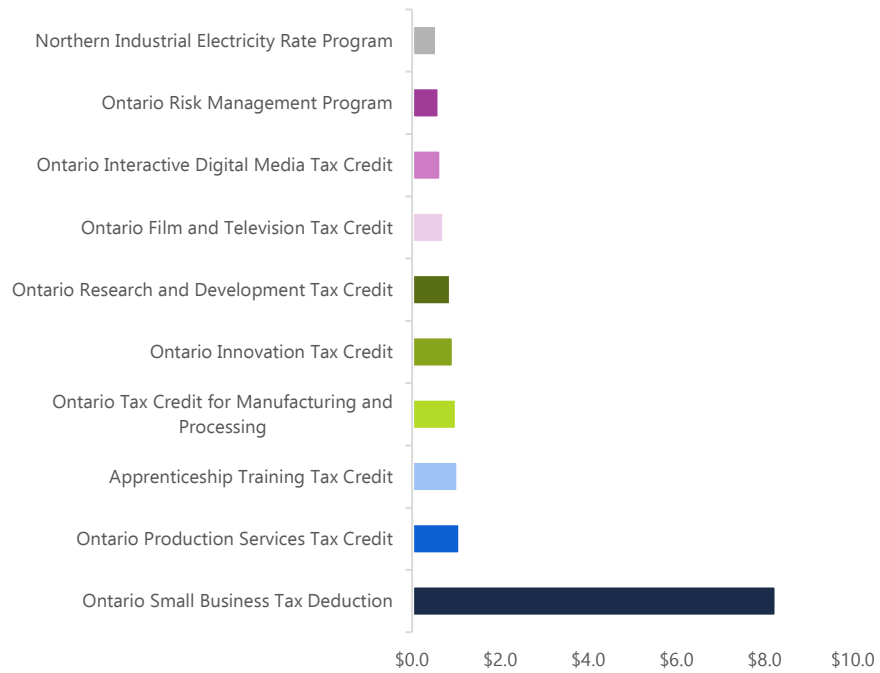
Ministry	Funding (\$ Billions)	Share of Total Support
Finance	\$10.34	45.2%
Economic Development and Growth / Research, Innovation and Science	\$4.07	17.8%
Tourism, Culture and Sport	\$3.43	15.0%
Agriculture, Food and Rural Affairs	\$2.38	10.4%
Advanced Education and Skills Development	\$1.29	5.7%
Northern Development and Mines	\$1.22	5.3%
Natural Resources and Forestry	\$0.06	0.2%
Indigenous Relations and Reconciliation	\$0.05	0.2%
International Trade	\$0.01	0.0%

Source: FAO's analysis of data provided by the Province.

From 2012-13 to 2016-17, the 10 largest business support programs accounted for approximately 70 per cent of the total support provided. The Ontario Small Business Tax Deduction was by far the largest source of business support. It cost the Province approximately \$8.3 billion in forgone revenue over those five years, which is 36 per cent of the total support provided (Figure 3-4).

**Figure 3-4: The 10 largest business support programs by total spending (\$billions), 2012-13 to 2016-17**

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Source: FAO analysis of data provided by the Province.  
The Province announced in the 2017 Ontario Economic Outlook and Fiscal Review that the Apprenticeship Training Tax Credit was converted from a refundable tax credit into a grant program as of November 15, 2017.

## 4 | Reviews of the Province's Business Support Programs

There have been a number of recent reports that have reviewed and made recommendations regarding the Province's business support programs.

In 2012, the Commission on the Reform of Ontario's Public Services (the Drummond Commission) released a report which included 16 recommendations regarding the Province's business support programs. The recommendations included streamlining program delivery and refocussing support towards improving productivity, rather than job creation.<sup>10</sup> The Drummond Commission also recommended that the Province subject its business support programs to "rigorous evaluation that links public expenditures to new, incremental activities by business." Finally, the Drummond Commission recommended that the Province improve transparency of its programs by publishing an annual list of business support programs and related annual spending along with a list of recipient companies and the amounts they received.

In response to the Drummond Commission's report, the Province created the Jobs and Prosperity Council with a mandate to develop new ideas for improving Ontario's long-term productivity and competitiveness. The Council's report made recommendations to transform Ontario's business support programs, including streamlining the delivery of the Province's business support programs by changing to a one-window delivery model. The Council also recommended that the Province benchmark performance against leading jurisdictions.<sup>11</sup>

In 2013, the Province appointed a new panel (the Expert Panel) to review its business support programs.<sup>12</sup> The Expert Panel's mandate was to "review and evaluate programs according to established criteria, including those put forward by the Jobs and Prosperity Council that focus on improving productivity, strengthening exports and increasing innovation performance." The Expert Panel's report in 2014 provided a framework for the evaluation of business support programs.<sup>13</sup> It recommended that the Province commit to regular evaluations of the effectiveness of its business support programs, including:

- Conducting a baseline evaluation survey, focused at the company level;
- Ensuring that evaluations distinguish between changes in company performance that result from provincial support against what would have happened without provincial support; and

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<sup>10</sup> Commission on the Reform of Ontario's Public Services, et al. "Commission on the Reform of Ontario's Public Services: Public Services for Ontarians: A Path to Sustainability and Excellence." 2012.

<sup>11</sup> Jobs and Prosperity Council. "[Advantage Ontario](#)." 2012.

<sup>12</sup> Ontario Newsroom. "[Expert Panel Examining Business Support Programs](#)." Nov. 28, 2013.

<sup>13</sup> Dalziel, Margaret, Douglas Cumming and David Wolfe. "Report of the Expert Panel Examining Ontario's Business Support Programs." 2014.

- Benchmarking the performance of the economy and the Province’s business support programs against that of peer jurisdictions.

In 2015, the Institute for Competitiveness and Prosperity released “Open for Business: Strategies for improving Ontario’s business attractiveness.”<sup>14</sup> The report reviewed issues surrounding business support policies and provided a number of recommendations for Ontario’s business support programs, including focusing the Jobs and Prosperity Fund on productivity improvements, rather than job creation and revenue growth, and making the operations and evaluation of the Jobs and Prosperity Fund open to the public.<sup>15</sup>

Finally, the Auditor General of Ontario (AGO) released a report on the Province’s business support programs in 2015. The purpose of the AGO’s report was to ensure that the Province had effective systems and procedures in place to ensure funding was used efficiently and effectively and in accordance with legislative requirements, directives, and program policies and guidelines.<sup>16</sup>

The AGO’s report concluded that the Province adequately administers and oversees its business support programs. However, the report found that the Province had done little work to measure the effectiveness of its programs. The main conclusions were:

- The Province had not attempted to measure whether the support it had provided since 2004 strengthened the economy or made recipients more competitive;
- There was little transparency in how the Province awarded funding;
- The Province often awarded funding without assessing whether the business needed public funding to achieve the proposed project; and
- Contracts with recipients only required businesses to invest in projects and either retain or create an agreed number of jobs. Other goals, such as increasing exports, innovation or productivity, were not measured nor included in contracts with recipients.

In summary, each report made recommendations for the improvement of performance measurement that would help the Province determine if its business support programs were effective at achieving each program’s objectives. The following chapter reviews effectiveness measures used by the Province for 12 of its business support programs.

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<sup>14</sup> Institute for Competitiveness and Prosperity. “[Open for Business: Strategies for improving Ontario’s business attractiveness.](#)” 2015.

<sup>15</sup> The report argued that job creation was a poor metric to measure the performance of business support programs because it is difficult to determine if the jobs “created” are filled by people who would otherwise be unemployed. Also, the report argued that revenue generated by a business support recipient is not a useful performance measure as any business that receives a subsidy should be able to achieve higher revenue by spending more on capital (e.g., machinery and equipment) and labour. Finally, the Institute’s report recommended that the Province use other means to make Ontario more attractive to all businesses, such as investing more in roads and highways and adjusting the small business tax structure.

<sup>16</sup> Auditor General of Ontario. “[Annual Report 2015.](#)” 2015.



# 5 | Effectiveness Measures for Ontario's Business Support Programs

This chapter reviews how the Province measures the effectiveness of its business support programs. Based on information provided to the FAO, the Province has over 100 business support programs.<sup>17</sup> From the list of over 100 programs, the FAO selected 12 business support programs for review. The 12 programs were selected to represent a cross-section of programs with a variety of different characteristics, including:

- Grant/loan programs, refundable tax credits and equity programs;<sup>18</sup>
- Programs targeting different business sizes, from small to large multinationals;
- Programs that target different regions of the Province; and
- Programs that are application based (i.e., open to all) and programs that are invitation only.

Based on the FAO's selection criteria, the twelve business support programs selected for review are listed in Table 5-1.

**Table 5-1: Business support programs selected for review**

Program	Category	Attribution	Region	Business Size	Sector	Funding 2012-13 to 2016-17 (\$Millions)
Ontario Production Services Tax Credit	Refundable tax credit	Open to eligible claimants	All	All	Cultural	\$1,092
Ontario Film and Television Tax Credit	Refundable tax credit	Open to eligible claimants	All	All	Cultural	\$727
Apprenticeship Training Tax Credit	Refundable tax credit	Open to eligible claimants	All	All	Trades	\$1,048
Ontario Innovation Tax Credit	Refundable tax credit	Open to eligible claimants	All	All	Various	\$945
Northern Industrial Electricity Rate Program	Grants	Open to eligible applicants	North	Large	Various	\$564

<sup>17</sup> See appendix B for the list of programs.

<sup>18</sup> Non-refundable tax credits were excluded from the FAO's selection of programs to review as non-refundable tax credits have been the subject of extensive policy research. See, for example, the Institute for Competitiveness and Prosperity's 2013 report, "Making sense of public dollars" and its 2016 report, "A place to grow: Scaling up Ontario's Firms", and the CD Howe's 2015 report, "Small Business Preferences as a Barrier to Growth: Not so Tall After All."

Program	Category	Attribution	Region	Business Size	Sector	Funding 2012-13 to 2016-17 (\$Millions)
Northern Ontario Heritage Fund	Grants and Loans	Open to eligible applicants	North	All	Various	\$500
Jobs and Prosperity Fund	Grants and loans	Invitation	All	Large	Advanced manufacturing; information and communications technology; life sciences	\$422
Eastern Ontario Development Fund*	Grants and loans	Open to eligible applicants	East	All	Advanced manufacturing; life sciences; processing; tourism; information and communications technology; cultural industries	\$24
Southwestern Ontario Development Fund*	Grants and loans	Open to eligible applicants	South-West	All	Advanced manufacturing; life sciences; processing; tourism; information and communications technology; cultural industries	\$40
Commercialization and Innovation Network Support	Grants	Open to eligible claimants	All	All	Various	\$400
Horse Racing Partnership Funding Program*	Grants	Open to all applicants	All	All	Arts, entertainment and recreation	\$362
Ontario Emerging Technologies Fund	Equity	Open to all applicants	All	Small	Professional, scientific and technical services; various	\$49

Source: FAO analysis of data from the Province.

\*Starting in 2016-17, funding for the Eastern and Southwestern Ontario Development Funds was integrated into the Jobs and Prosperity Fund. The Horse Racing Partnership Funding Program includes funds provided prior to the April 1, 2014 start of the new program as well as funds from the Horse Racing Industry Development Program.

Overall, the 12 business support programs selected received a total of \$1.3 billion in funding in 2016-17, which represents approximately 27 per cent of the total business program support provided by the Province in that year.<sup>19</sup>

<sup>19</sup> From 2012-13 to 2016-17, the 12 selected business support programs received approximately \$6.2 billion in funding.

# Effectiveness Measures for Business Support Programs

In order to review how the Province measures the effectiveness of its business support programs the FAO identified three questions for each of the 12 selected business support programs:

- Are the program's performance measures aligned with its objectives?
- Does the program have benchmarks or targets established to compare against results?
- Is there any evidence that the support provided directly led to the observed results?

The FAO's three questions are based on the recommendations contained in the reports on Ontario's business support programs reviewed in chapter 4. The rest of this chapter discusses the three questions in more detail and then provides the results of the FAO's review.

## **Are the program's performance measures aligned with its objectives?**

Each business support program's performance measures should reflect the objectives of the program as closely as possible in order to evaluate whether the program's objectives are being achieved. Some of the common performance measures used by Canadian economic development agencies include new businesses opened, population size, full-time jobs created, workforce size, inquiries received, new business investment attracted, building permits (commercial and institutional), business closures, and the unemployment rate.<sup>20</sup> Since the success of business support programs depends on the program's ability to improve the performance of businesses, the Expert Panel recommended six performance metrics to assess the performance of companies: revenue, number of employees, exports, new products or services, investments in research and development, and equity financing.<sup>21</sup> Regardless of which performance measures are chosen, if the business support program's performance measures do not align with its objectives, then it will be impossible to evaluate if the program is successful at achieving its objectives.

## **Does the program have benchmarks or targets established to compare against results?**

Establishing benchmarks and targets is an important way to assess the observed results of business support programs and provides a tool to understand the effectiveness of the program. A basic benchmark for a business support program is to set an internal benchmark by comparing current performance to past performance. This type of benchmark can provide information about whether the

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<sup>20</sup> Mathew Fisher and Associates Inc. "Performance Measurement in Economic Development." Sept 2011.

<sup>21</sup> Dalziel, Margaret, Douglas Cumming and David Wolfe. "Report of the Expert Panel Examining Ontario's Business Support Programs." 2014. p. 102.

program's performance is improving over time. However, a much more effective benchmark or target is one that compares results to other similar business support programs, either within Ontario or in other jurisdictions (i.e., an external benchmark).<sup>22</sup> The Jobs and Prosperity Council and the Expert Panel both recommended that the Province benchmark the performance of business support programs against that of peer jurisdictions.<sup>23</sup>

### **Is there any evidence that the support provided directly led to the observed results?**

The final question investigates whether the funding provided by the business support program directly led to the observed results or performance measures. The Drummond Commission, the Expert Panel and the Auditor General of Ontario each recommended that the Province distinguish between changes in company performance that result from provincial support against what would have happened without provincial support.<sup>24</sup> For example, would the company have made the same research and development investment without the support provided by the Province? Or, would the recipient have located or expanded its business in Ontario even if it did not receive a government grant?

It is a challenging task to isolate the direct impact of business support programs. Some researchers recommend establishing a control group of businesses that do not receive support and comparing the outcomes to businesses that do.<sup>25</sup> For example, a program that provides support to a group of similar businesses, such as small and medium-sized enterprises, could be compared to a similar group that does not receive the support.<sup>26</sup> The Province is currently using this method as a way to evaluate its basic income pilot project by comparing the outcomes of people receiving the new basic income benefits against a control group that uses the existing provincial support system.<sup>27</sup> The Expert Panel recommended using different techniques depending on the type of business support program.<sup>28</sup>

## **Results**

The FAO applied its three business support program effectiveness questions to the 12 business support programs selected for review. Table 5-2 provides a summary

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<sup>22</sup> Elmuti, Dean, and Yunus Kathawala. "An overview of benchmarking process: a tool for continuous improvement and competitive advantage." *Benchmarking for Quality Management & Technology*, Vol. 4 No. 4, 1997 pp. 229-243.

<sup>23</sup> Jobs and Prosperity Council. "Advantage Ontario." 2012. Ch. 8; Dalziel, Margaret, Douglas Cumming and David Wolfe. "Report of the Expert Panel Examining Ontario's Business Support Programs." 2014. p. 18.

<sup>24</sup> Commission on the Reform of Ontario's Public Services, et al. "Commission on the Reform of Ontario's Public Services: Public Services for Ontarians: A Path to Sustainability and Excellence." 2012. p. 45. Dalziel, Margaret, Douglas Cumming and David Wolfe. "Report of the Expert Panel Examining Ontario's Business Support Programs." 2014. p. 18. Auditor General of Ontario. "[Annual Report 2015](#)." 2015. pp. 194-197.

<sup>25</sup> Bartik, Timothy J. 2004. "Evaluating the Impacts of Local Economic Development Policies on Local Economic Outcomes: What has been done and what is doable?" In *Evaluating Local Economic and Employment Development: How to Assess What Works Among Programmes and Policies*. Paris: Organisation for Economic Co-Operation and Development, pp. 113-142. <http://dx.doi.org/10.1787/9789264017092-5-en>.

<sup>26</sup> Ibid.

<sup>27</sup> Government of Ontario. "Ontario Basic Income Pilot." 13 April 2018.

<sup>28</sup> For example, conducting a baseline comparative evaluation survey. Dalziel, Margaret, Douglas Cumming and David Wolfe. "Report of the Expert Panel Examining Ontario's Business Support Programs." 2014. p. 18.

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of the results of the evaluation. For more details on the results of the evaluation for each program see appendix A.

**Table 5-2: Results of effectiveness questions for 12 business support programs**

Program	Performance measures aligned with objectives?	Does program have benchmarks or targets?	Evidence that support provided led to observed results?
Ontario Production Services Tax Credit	Partially aligned	Partial – internal benchmarks only	No
Ontario Film and Television Tax Credit	Partially aligned	Partial – internal benchmarks only	No
Apprenticeship Training Tax Credit	No	No	No
Ontario Innovation Tax Credit	No	No	No
Northern Industrial Electricity Rate Program	Partially aligned	Partial – internal benchmarks only	No
Northern Ontario Heritage Fund	Partially aligned	Partial – internal benchmarks only	No
Jobs and Prosperity Fund	Yes	Partial – internal benchmarks only	No
Eastern Ontario Development Fund	Partially aligned	No	No
Southwestern Ontario Development Fund	No	No	No
Commercialization and Innovation Network Support	Yes	No	No
Horse Racing Partnership Funding Program	Partially aligned	No	No
Ontario Emerging Technologies Fund	Yes	No	No

Source: FAO.

**Are the program’s performance measures aligned with its objectives?**

Three of the 12 business support programs reviewed by the FAO had performance measures that were aligned with the stated objectives of the program. As a result, the FAO believes that the information collected through the performance measures for each of the three programs will be adequate to determine if the stated objectives of the program are being met.

On the other hand, three business support programs did not have performance measures that were aligned with each programs’ objectives: the Southwestern Ontario Development Fund, the Ontario Innovation Tax Credit and the Apprenticeship Training Tax Credit. For these three programs, it will not be possible to determine if the objectives of the program are being met. For example, the

objectives, respectively, of the Apprenticeship Training Tax Credit and the Ontario Innovation Tax Credit are to provide an incentive to businesses to hire apprentices in certain skilled trades and to encourage and support companies that invest in research and development. However, the only performance measure tracked by the Province for these two programs is the number of businesses that claim each tax credit. Simply counting the number of organizations that claim the tax credit does not provide any information on hiring apprentices or investments in research and development.

The remaining six business support programs reviewed by the FAO have performance measures that are partially aligned with the objectives of each program. This implies that although some of the performance measures will provide information on whether the programs' objectives are being met, additional performance measures could be added to ensure that enough information is collected to evaluate whether or not the objectives of the programs are being met.

**Does the program have benchmarks or targets established to compare against results?**

Seven of the 12 programs reviewed by the FAO did not have benchmarks or targets (either internal or external) to compare against results. This means that it is impossible to determine how the program is performing over time or against similar programs in Ontario or in other jurisdictions.

Furthermore, none of the 12 programs had benchmarks set-up against external programs (in Ontario or in other jurisdictions). This means that for all 12 programs reviewed by the FAO it is not possible to measure how effective the program is against other programs.

Five of the 12 programs did have internal benchmarks set as a measure of program effectiveness. For example, for the Jobs and Prosperity Fund the Province has set the first year of results as the benchmark to measure the effectiveness of the program going forward. For the Ontario Film and Television Tax Credit and the Ontario Production Services Tax Credit, the Province has set an annual combined target of \$1 billion per year for productions that shoot in Ontario and 130 productions per year.

**Is there any evidence that the support provided directly led to the observed result?**

For all 12 business support programs, no attempt has been made by the Province to isolate the impact of provincial support against what would have happened without provincial funding. This means that the Province has not attempted to determine if a company receiving a grant would have made the same project investment without the support, or a company investing in research and development would have still made the investment without the tax credit. Additionally, the Province has not attempted to establish control groups of firms that did not receive support to see if the overall performance of those firms differed from firms that did receive support.

This type of program evaluation is difficult, taking effort, time and resources. However, the Drummond Commission, Expert Panel and the Auditor General of Ontario have all recommended that measuring the direct impact of the support be utilized as a key tool to measure the effectiveness of the Province's business support programs.

# 6 | Appendices

## Appendix A: Business Support Program Summaries

This appendix provides a summary for each of the 12 business support programs reviewed in this report.

### Ontario Production Services Tax Credit

#### Description

The Ontario Production Services Tax Credit is a refundable tax credit that is available based on labour and other production expenditures incurred by a film or television production.

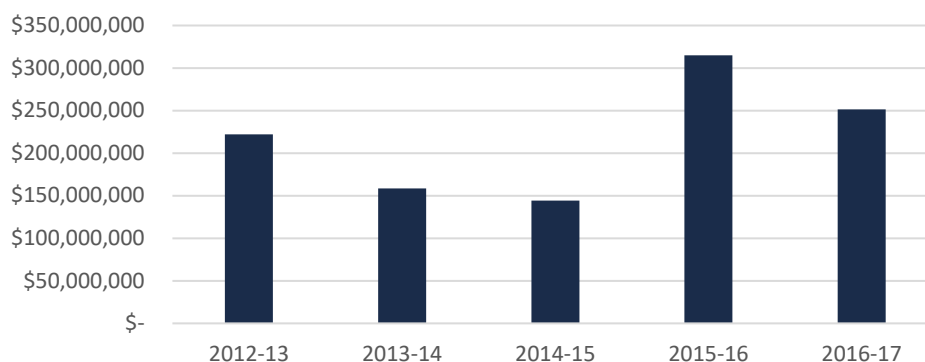
#### Objectives

The objectives of the program are to:

- Provide a financial incentive for Canadian and foreign controlled production companies to produce “big-budget” film and television productions in Ontario;
- Develop and grow the foreign production services and high-value domestic film and television production sector; and
- Attract investment and jobs.

#### Fiscal Summary

##### Ontario Production Services Tax Credit, annual funding, 2012-13 to 2016-17



Source: Province.

#### Performance Measures

The performance measures are:



- The value of film and television productions that shoot in Ontario;
- Number of foreign service productions that shoot in Ontario; and
- Jobs created.

### Benchmarks / Targets

Internal: internal targets were established in 2015-16 and combined with those of the Ontario Film and Television Tax Credit as follows:

- A value of \$1 billion per year for productions that shoot in Ontario; and
- 130 productions per year.

External: there are no external benchmarks or targets.

### Effectiveness Evaluation

1. Are the program's performance measures aligned with its objectives?	Partially	The performance measures do not provide information about one of the objectives: to develop and grow the foreign production services and high-value domestic film and television production sector.
2. Does the program have benchmarks or targets established to compare against results?	Partially	The program has internal benchmarks but no external benchmarks have been set.
3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine if the recipients would have developed productions in Ontario in the absence of support.

### Discussion

1. The program has three performance measures that provide useful information on two of the objectives, which is to provide a financial incentive for Canadian and foreign production companies to invest in Ontario and create jobs. However, the performance measures only provide limited information on the development of the foreign production services and high-value domestic film and television production sector in Ontario.
2. The Province has set an internal benchmark for the program. This will provide information about the value and number of productions that shoot in Ontario. However, given that there are no external benchmarks, it is not possible to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.

3. It is not possible to determine if production companies would have invested in Ontario in the absence of support.

## Ontario Film and Television Tax Credit

### Description

The Ontario Film and Television Tax Credit is a refundable tax credit that is available based on labour expenditures incurred by an Ontario production.

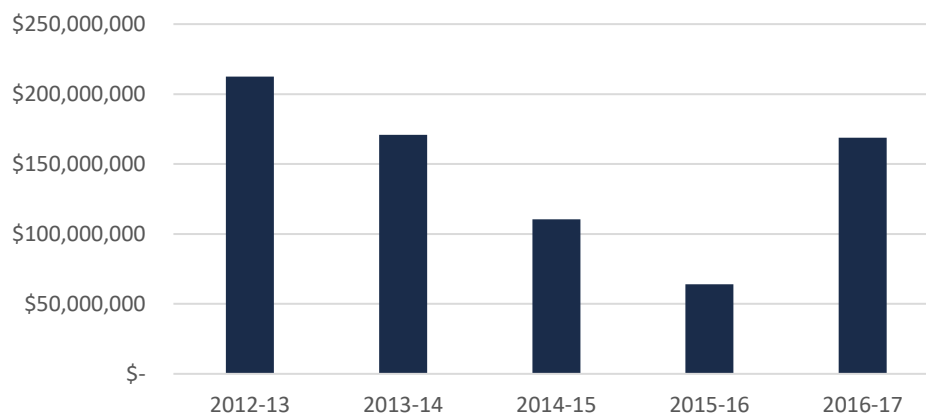
### Objectives

The objectives of the program are to:

- Provide a financial incentive for Canadian production companies to produce film and television productions in Ontario;
- Develop and grow the domestic film and television production sector in Ontario; and
- Stimulate job creation and investment in the Province.

### Fiscal Summary

#### Ontario Film and Television Tax Credit, annual funding, 2012-13 to 2016-17



Source: Province.

### Performance Measures

- The value of domestic productions that shoot in Ontario;
- The number of domestic film and television productions that shoot in Ontario; and
- Jobs created.

## Benchmarks / Targets

Internal: internal targets were established in 2015-16 and combined with those of the Ontario Production Services Tax Credit as follows:

- A value of \$1 billion per year for productions that shoot in Ontario; and
- 130 productions per year.

External: there are no external benchmarks or targets.

## Effectiveness Evaluation

1. Are the program's performance measures aligned with its objectives?	Partially	The performance measures do not provide information about one of the objectives: the development of the domestic film and television production sector in Ontario.
2. Does the program have benchmarks or targets established to compare against results?	Partially	The program has internal benchmarks but no external benchmarks have been set.
3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine if the recipients would have developed productions in Ontario in the absence of support.

## Discussion

1. The program has three performance measures that provide useful information on two of the objectives, which is to provide a financial incentive for Canadian production companies to invest in Ontario and create jobs. However, the performance measures only provide limited information on how the domestic film and television production sector is developing in Ontario.
2. The Province has set an internal benchmark for the program. This will provide information about the value and number of productions that shoot in Ontario. However, given that there are no external benchmarks, it is not possible to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.
3. It is not possible to determine if production companies would have invested in Ontario in the absence of support.

## Apprenticeship Training Tax Credit

### Description

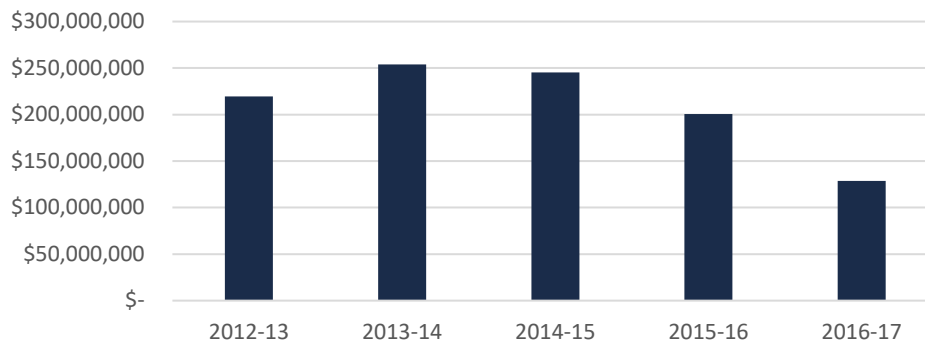
The Apprenticeship Training Tax Credit is a refundable tax credit available to employers who hire and train apprentices in certain skilled trades during the first 36 months of an apprenticeship program. The Province converted the tax credit into a grant program in November of 2017. The grant is available to employers with apprentices who register in an apprenticeship program after November 14, 2017. Employers with apprentices already registered in an eligible apprenticeship program on or before November 14, 2017, continue to be eligible to receive the tax credit for up to 36 months.

### Objectives

To provide an incentive to businesses to hire apprentices in certain skilled trades.

### Fiscal Summary

#### Apprenticeship Training Tax Credit, annual funding, 2012-13 to 2016-17



Source: Province.

### Performance Measures

Number of claimants.

### Benchmarks / Targets

The Province has not established benchmarks or targets for this program.

### Effectiveness Evaluation

1. Are the program's performance measures aligned with its objectives?	No	The performance measure does not align with the objective of the program.
2. Does the program have benchmarks or targets	No	No internal or external benchmarks or targets have been set.

established to compare against results?		
3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine if the recipient would have hired apprentices in the absence of support.

### Discussion

1. The program only tracks one performance measure: the number of companies that claim the tax credit. This performance measure does not align with the objective to provide an incentive to businesses to hire apprentices in certain skilled trades. The performance measure does not provide any information about how many apprentices have been hired as a result of the credit.
2. There are no program benchmarks or targets. Therefore, it is not possible to determine the evolution of the program's results or to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.
3. It is not possible to determine if the recipients would have hired apprentices in the absence of support.

## Ontario Innovation Tax Credit

### Description

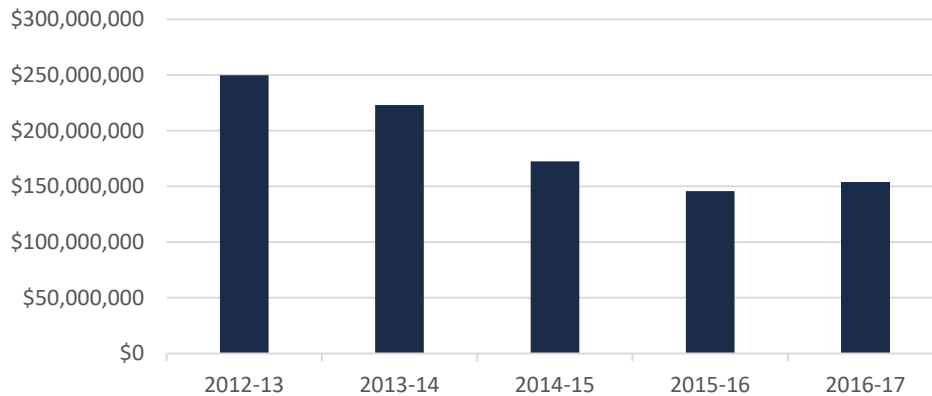
The Ontario Innovation Tax Credit is a refundable tax credit that is available for qualified expenditures on scientific research and experimental development performed in Ontario.

### Objectives

To encourage and support companies that invest in research and development.

## Fiscal Summary

### Ontario Innovation Tax Credit, annual funding 2012-13 to 2016-17



Source: Province.

## Performance Measures

The number of companies that claim the tax credit.

## Benchmarks / Targets

The Province has not established benchmarks or targets for this program.

## Effectiveness Evaluation

1. Are the program's performance measures aligned with its objectives?	No	The performance measure does not align with the objective of the program.
2. Does the program have benchmarks or targets established to compare against results?	No	No internal or external benchmarks or targets have been set.
3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine if the recipient would have performed more research and development in the absence of support.

## Discussion

1. The program only tracks one performance measure: the number of companies that claim the tax credit. This performance measure does not align with the

objective to encourage and support companies that invest in research and development. The performance measure does not provide any information about how much research and development has increased as a result of the credit, or how companies are being supported.

2. There are no program benchmarks or targets. Therefore, it is not possible to determine the evolution of the program's results or to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.
3. It is not possible to determine if the recipients would have made the investments in the absence of support.

## Northern Industrial Electricity Rate Program

### Description

The Northern Industrial Electricity Rate Program provides grants to rebate northern Ontario's largest industrial electricity consumers for the costs of the energy they consume. The program requires that the company provide an energy management plan that identifies efficiency and conservation targets.

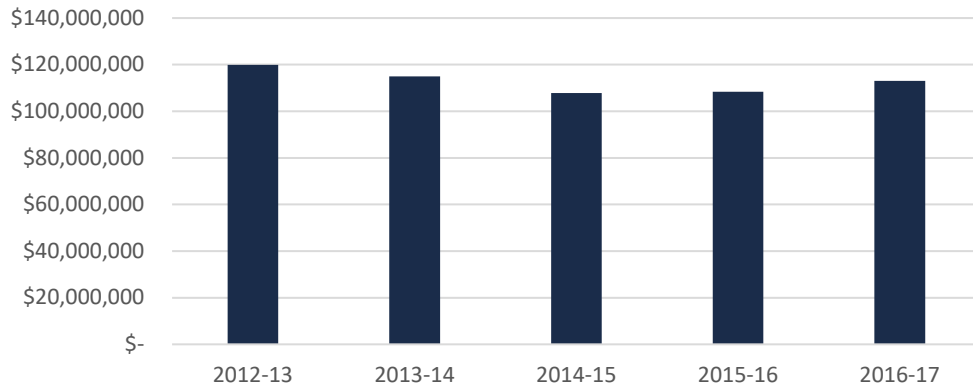
Program participants receive a rebate of two cents per kilowatt-hour, with individual rebates capped at 2013-2016 average consumption levels, or \$20 million per year per company – whichever is lower. On average, industrial electricity prices could be reduced by up to 25 per cent through the program.

### Objectives

To help northern Ontario's largest industrial electricity consumers reduce electricity costs, sustain jobs, and maintain global competitiveness.

**Fiscal summary**

**Northern Industrial Electricity Rate Program, annual funding, 2012-13 to 2016-17**



Source: Province.

**Performance Measures**

The implementation of energy management plan requirements and the achievement of energy management plan targets.<sup>29</sup>

**Benchmarks / Targets**

Internal:

- 100 per cent completion of energy management plan implementation. However, the program is considered to be on track with an 80 per cent completion rate; and
- 80 per cent achievement of energy management plan targets.

External: there are no external benchmarks or targets.

**Effectiveness Evaluation**

1. Are the program's performance measures aligned with its objectives?	Partially	The two measures align with one of the objectives (to reduce electricity costs) but not with the other objectives (competitiveness, jobs).
2. Does the program have benchmarks or targets	Partially	The program has internal benchmarks but no external benchmarks have been set.

<sup>29</sup> For the 2017-2022 period, the Province has removed the performance measure on the achievement of energy management plan targets and has included new measures such as the number of jobs retained and level of sustainability achieved by the program participants.



established to compare against results?		
3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine if recipients would have taken measures to reduce energy costs and become more globally competitive in the absence of support.

### Discussion

1. The two performance measures align with the objective to help northern Ontario’s largest industrial electricity consumers reduce their electricity costs, but not with the objectives of maintaining global competitiveness and sustaining jobs.
2. The Province has set internal benchmarks for the program. This will provide information about energy management plan implementation and whether energy management plan targets are being achieved. However, given that there are no external benchmarks, it is not possible to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.
3. The Province has not attempted to isolate the direct impact of the support provided. For example, it is not possible to determine if the companies receiving support would have reduced energy costs (e.g. through conservation), sustained jobs and maintained global competitiveness in the absence of support.

## Northern Ontario Heritage Fund Corporation

### Description

The Northern Ontario Heritage Fund Corporation provides grants and loans to businesses and organizations in northern Ontario. It has five sub-programs that provide financial assistance to projects of any size in northern Ontario:

- The Northern Business Opportunity Program supports economic development in northern Ontario by encouraging job creation, private sector investment, business expansion, and the growth of the film and television industry;
- The Northern Innovation Program supports the development and commercialization of new technologies. It also fosters collaboration and partnerships among the private sector, academic institutions and research institutes;

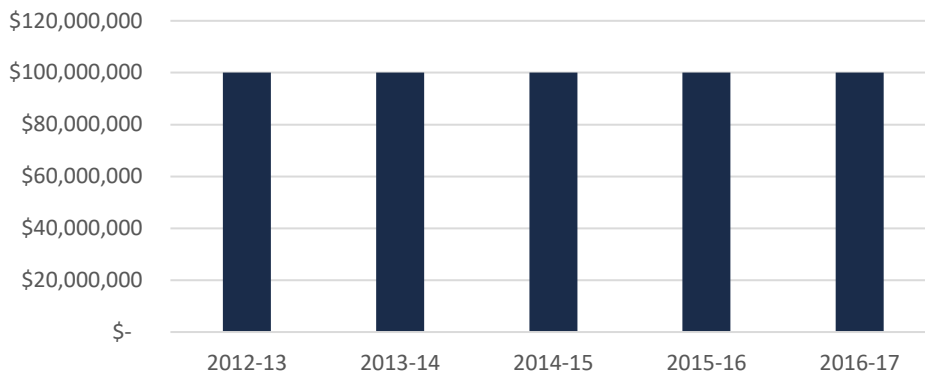
- The Northern Ontario Internship Program helps attract and retain graduates in northern Ontario;
- The Northern Community Capacity-Building Program helps northern communities develop the capacity to promote, attract, and support economic growth in priority sectors; and
- The Northern Event Partnership Program partners with organizations that stage events that promote economic development in northern Ontario. The events must be able to facilitate job creation and retention, investment attraction, tourism and/or research and development/innovation that is conducive to productivity improvements in priority sectors.<sup>30</sup>

**Objectives**

To develop innovative technologies, invest in infrastructure, bolster collaboration and build economic development capacity. The sub-programs also have additional objectives as noted above.

**Fiscal Summary**

**Northern Ontario Heritage Fund Corporation, annual funding, 2012-13 to 2016-17**



Source: Province.

**Performance Measures**

Northern Ontario Heritage Fund Corporation:

- Number of jobs created and retained;
- Investment attracted;
- Number of projects supported; and

<sup>30</sup> The Northern Community Capacity-Building Program and the Northern Event Partnership Program target public sector organizations that support businesses.

- Number of businesses supported.

Northern Business Opportunity, Northern Innovation, Northern Ontario Internship:

- Number of companies exporting their products and services outside of Ontario;
- Percentage increase in sales;
- Number of businesses that expanded their operations into northern Ontario;
- Total spending in northern Ontario resulting from film/TV project activity;
- Number of northern Ontario residents employed by NOHFC funded film/TV projects;
- Number of assessment projects that transition into development projects;
- Number of patent applications made under a NOHFC funded project;
- Number of interns hired by the employer after completion of the internship; and
- Number of interns hired by other northern Ontario companies after completion of an internship.

Northern Community Capacity-Building, Northern Event Partnership:

- The Province has not provided any performance measures to the FAO for these two sub-programs.

**Benchmarks / Targets**

Internal:

- 3,500 jobs created and retained per year; and
- A ratio of 3:1 for investment leveraged.

External: there are no external benchmarks or targets.

**Effectiveness Evaluation**

1. Are the program's performance measures aligned with its objectives?	Partially	The performance measures are aligned with the objectives of the program, but only with some of the sub-programs.
2. Does the program have benchmarks or targets	Partially	The program has internal benchmarks but no external benchmarks have been set.

established to compare against results?		
3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine whether the measured outcomes are the direct results of the program.

## Discussion

1. There are multiple performance measures which align with the overall objectives of the program. Three of the sub-programs (Northern Business Opportunity, Northern Innovation, Northern Ontario Internship) also have performance measures that align with the sub-programs' objectives. However, for the remaining two sub-programs, Northern Community Capacity Building and Northern Event Partnership, performance measures were not provided to the FAO.
2. The Province has set internal benchmarks for the program. This will provide information about jobs created and retained and investment leveraged. However, given that there are no external benchmarks, it is not possible to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.
3. The Province has not determined whether the observed performance measures are the direct result of the program. In other words, it is not possible to determine if the recipients would have made the investments in the absence of support.

## Jobs and Prosperity Fund

### Description

The Jobs and Prosperity Fund provides grants and loans to businesses. The Jobs and Prosperity Fund supports a variety of businesses, from food and beverage processing to multinational information technology companies. More than two-thirds (13 of 19) of the recipients reviewed by the FAO are from the manufacturing sector. Support ranges from under \$1 million to over \$200 million.

There are four funding streams under the Jobs and Prosperity Fund.<sup>31</sup>

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<sup>31</sup> Starting in 2016-17, funding for the Eastern and Southwestern Ontario Development Funds was integrated into the Jobs and Prosperity Fund. Additionally, the 2018 Ontario Budget added three new funding streams to the Jobs and Prosperity Fund: Greater Toronto and Hamilton Area Fund; Communities in Transition Fund; and Venture Technologies Fund.

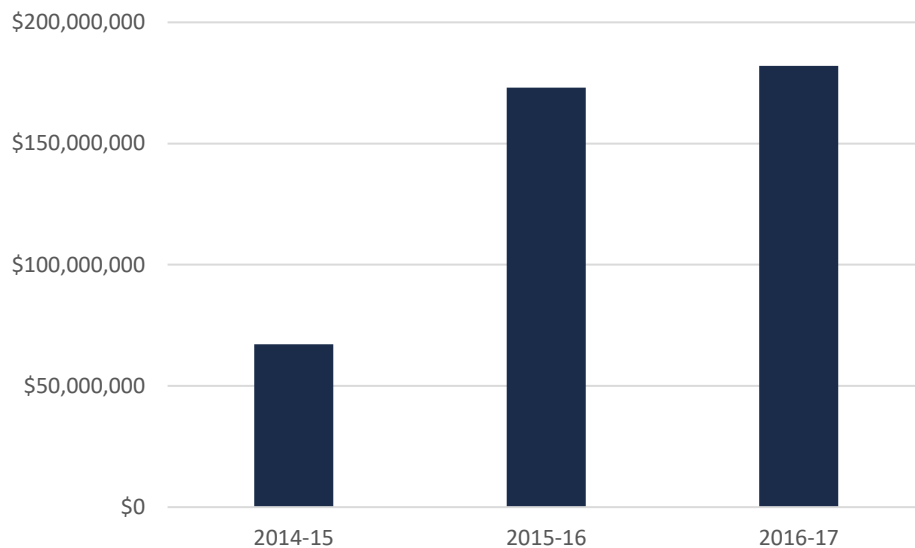
1. The New Economy Stream funds private sector organizations with at least \$10 million in eligible project costs. It is aimed at projects in key sectors of the Province, including advanced manufacturing, life sciences, and information and communications technologies.
2. The Food and Beverage Growth Fund is available for food, beverage and bioproduct processing projects across Ontario with more than \$5 million in eligible costs.
3. The Strategic Partnership Stream provides funding for organizations with at least \$10 million in eligible costs. It focuses on technologies that the Province predicts have the potential to transform multiple industries across Ontario.
4. The Forestry Growth Fund is available to manufacturers and processors of wood and forest biomass across Ontario, including sawmills, pulp and paper mills, secondary wood manufacturing, and bio-economy projects with at least \$5 million in eligible costs.

### Objectives

To “help businesses across the province enhance their productivity, innovation and export activities”.<sup>32</sup>

### Fiscal Summary

#### Jobs and Prosperity Fund, annual funding since inception\*



Source: Province.

\*Starting in 2016-17, funding for the Eastern and Southern Ontario Development Funds is integrated into the Jobs and Prosperity Fund.

<sup>32</sup> Data Catalogue. “Jobs and Prosperity Fund recipients.” Queen’s Printer for Ontario, 2012-17.

**Performance Measures**

The performance measures are:

- Units produced per unit of labour, units produced per unit of assets, number of productivity enhancements introduced;
- Annual spending on research and development, investment in operational enhancements;
- Number of products, services and processes for new markets, total sales revenue;
- Jobs created and retained;
- Investment attracted by the project;
- Number of customers;
- Domestic/international sales;
- Number of new products;
- Service processes developed;
- Follow-on investment;
- Relocation by companies to Ontario;
- Start-up/scale-up activity; and
- Industry partnerships.

**Benchmarks / Targets**

Internal: the results from the first year of the program.

External: there are no external benchmarks or targets.

**Effectiveness Evaluation**

1. Are the program's performance measures aligned with its objectives?	Yes	The performance measures are aligned with program's objectives.
2. Does the program have benchmarks or targets established to compare against results?	Partial	The program has internal benchmarks but no external benchmarks have been set.

3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine whether the measured outcomes are the direct result of the program.
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### Discussion

1. The Province has a comprehensive set of performance measures that are aligned with the objectives of the program.
2. The Province has set the internal benchmark as the results from the first year of the program. This will provide information about the evolution of the program's results. However, given that there are no external benchmarks, it is not possible to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.
3. The Province has not determined whether the observed performance measures are the direct result of the program. In other words, it is not possible to determine if the recipient would have made the investment in the absence of support.

## Eastern Ontario Development Fund

### Description

The Eastern Ontario Development Fund provides grants and loans to businesses, municipalities and not-for-profit organizations. Funding is available only to organizations in eastern Ontario. The program supports businesses from a range of sectors, from manufacturers to health care and food services.

Support ranges from under \$100,000 to \$1.5 million for individual projects. One portion of the support is provided to businesses aiming to create at least 10 new jobs, with some exceptions for small businesses located in small municipalities.<sup>33</sup> The rest of the support is for economic and business development that aligns with provincial and regional priorities, such as introducing new forms of innovation.<sup>34</sup>

### Objectives

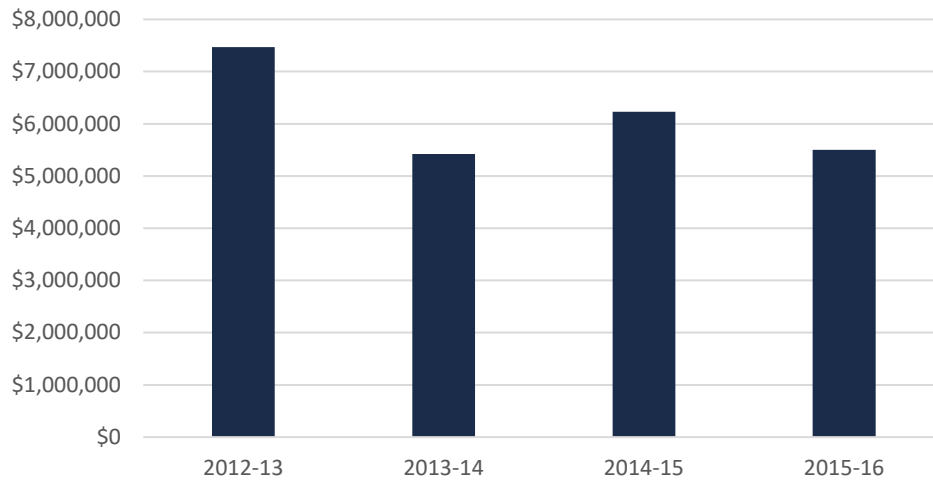
To promote regional economic development in eastern Ontario, enhance Ontario's economic competitiveness, and to create opportunities for the province's labour force.

<sup>33</sup> Businesses with 5-10 employees located in small communities may be eligible for funding from the Small Community Program. A "small community" is a municipality with a population less than 20,000 or with a population density of less than 100 persons per square kilometre. Projects need a minimum investment of \$200,000 over 4 years, and a 50% increase in current employment.

<sup>34</sup> <https://www.ontario.ca/page/eastern-ontario-development-fund>.

## Fiscal Summary

### Eastern Ontario Development Fund, annual funding 2012-13 to 2015-16\*



Source: Province.

\* Starting in 2016-17, funding was integrated into the Jobs and Prosperity Fund.

### Performance Measures

Number of jobs created and retained, and eligible investment attracted by the program.

### Benchmarks / Targets

The Province has not established benchmarks or targets for this program.

### Effectiveness Evaluation

1. Are the program's performance measures aligned with its objectives?	Partially	Performance measures provide limited information on two program objectives and no information on the third objective.
2. Does the program have benchmarks or targets established to compare against results?	No	No internal or external benchmarks or targets have been set.
3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine whether the measured outcomes are the direct result of the program.



## Discussion

1. The program tracks two performance measure: jobs created and retained and eligible investment attracted. These performance measures provide limited information on two of the program's objectives: to promote regional economic development and to create economic opportunities for the province's labour force. However, the performance measures do not provide any information on the program objective to enhance Ontario's economic competitiveness.
2. There are no program benchmarks or targets. Therefore, it is not possible to determine the evolution of the program's results or to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.
3. The Province has not determined whether the observed performance measures are the direct result of the program. In other words, it is not possible to determine if the recipient would have made the investment in the absence of support.

## Southwestern Ontario Development Fund

### Description

The Southwestern Ontario Development Fund provides grants and loans to businesses, municipalities and not-for-profit organizations for economic development in southwestern Ontario. Funding is available only to organizations in southwestern Ontario.

Support ranges from \$100,000 to \$1.5 million for individual projects. One portion of the support is provided to businesses aiming to create at least 10 new jobs, with some exceptions for small businesses located in small municipalities.<sup>35</sup> The rest of the support is for economic and business development that aligns with provincial and regional priorities, such as introducing new forms of innovation.<sup>36</sup>

### Objectives

To promote economic development initiatives for businesses, municipalities and not-for-profit associations.

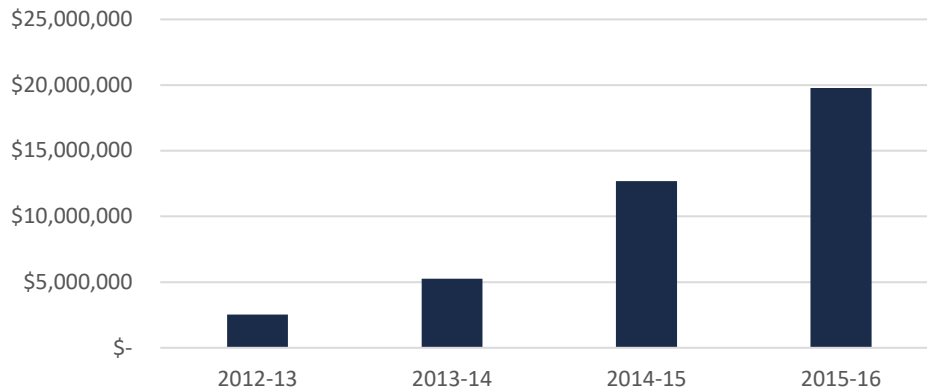
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<sup>35</sup> Businesses with 5-10 employees located in small communities may be eligible for funding from the Small Community Program. A "small community" is a municipality with a population less than 20,000 or with a population density of less than 100 persons per square kilometre. Projects need a minimum investment of \$200,000 over 4 years, and a 50% increase in current employment.

<sup>36</sup> Source: <https://www.ontario.ca/page/southwestern-ontario-development-fund>.

## Fiscal Summary

### Southwestern Ontario Development Fund, annual funding 2012-13 to 2015-16\*



Source: Province.

\*Starting in 2016-17, funding was integrated into the Jobs and Prosperity Fund.

## Performance Measures

Number of jobs created and retained, and eligible investment attracted by the program.

## Benchmarks / Targets

The Province has not established benchmarks or targets for this program.

## Effectiveness Evaluation

1. Are the program's performance measures aligned with its objectives?	No	The performance measures do not align with the objective of the program.
2. Does the program have benchmarks or targets established to compare against results?	No	No internal or external benchmarks or targets have been set.
3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine whether the measured outcomes are the direct result of the program.

## Discussion

1. The program tracks two performance measure: jobs created and retained, and eligible investment attracted. These performance measures do not align with

the objective to promote economic development initiatives for businesses, municipalities and not-for-profit associations. The objective is not specific enough to determine how jobs created and retained or investment attracted supports the economic development of businesses, municipalities and not-for-profit associations in southwestern Ontario.

2. There are no program benchmarks or targets. Therefore, it is not possible to determine the evolution of the program's results or to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.
3. The Province has not determined whether the observed performance measures are the direct result of the program. In other words, it is not possible to determine if the recipient would have made the investment in the absence of support.

## Commercialization and Innovation Network Support

### **Description**

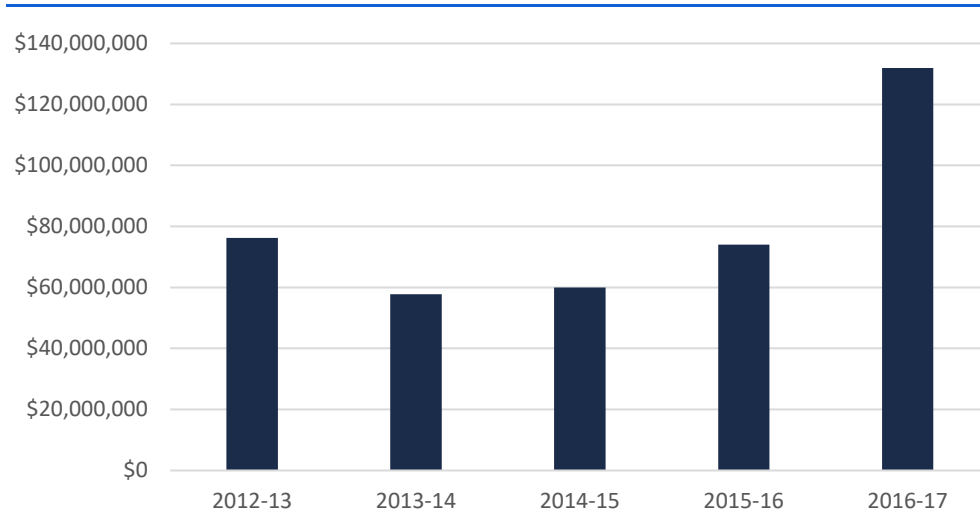
The Commercialization and Innovation Network Support program provides grants to providers of commercialization support programs. The programs focus on strengthening entrepreneurial talent, creating globally competitive businesses and supporting innovators throughout the business start-up process. The programs are delivered through MaRS, the Ontario Centres of Excellence, the Regional Innovation Centres, and other members of the Ontario Network of Entrepreneurs.

### **Objectives**

To help Ontario innovators generate new business, companies and jobs in Ontario. The program also provides educational and funding programs that focus on strengthening entrepreneurial talent.

## Fiscal Summary

### Commercialization and Innovation Network Support, annual funding 2012-13 to 2016-17



Source: Province.

## Performance Measures

The performance measures are:

- The number of jobs created;
- The number of jobs retained;
- The number of firms created;
- Private sector funding leveraged;
- Total funding leveraged;
- The dollar value of total sales revenue generated;
- The number of prototypes developed;
- The number of patents and licenses granted;
- The number of new products, services, process improvements brought to market; and
- The number of highly qualified personnel trained.

## Benchmarks / Targets

The Province has not established benchmarks or targets for this program.

## Effectiveness Evaluation

1. Are the program's performance measures aligned with its objectives?	Yes	The performance measures are aligned with the objectives of the program.
2. Does the program have benchmarks or targets established to compare against results?	No	No internal or external benchmarks or targets have been set.
3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine whether the measured outcomes are the direct result of the program.

## Discussion

1. There are multiple performance measures for this program, which align with the objective of the program to help Ontario innovators generate new business, companies and jobs in Ontario.
2. There are no program benchmarks or targets. Therefore, it is not possible to determine the evolution of the program's results or to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.
3. The Province has not determined whether the observed performance measures are the direct result of the program. In other words, it is not possible to determine if innovators would have generated new business and created new companies and jobs in the absence of support.

## Horse Racing Partnership Funding Program

### Description

The Horse Racing Partnership Funding Program supports the horse racing industry in Ontario by providing funding for the operations of horse racing tracks and also funding for horse race purses. The program also provides funding to the University of Guelph to study equine welfare.

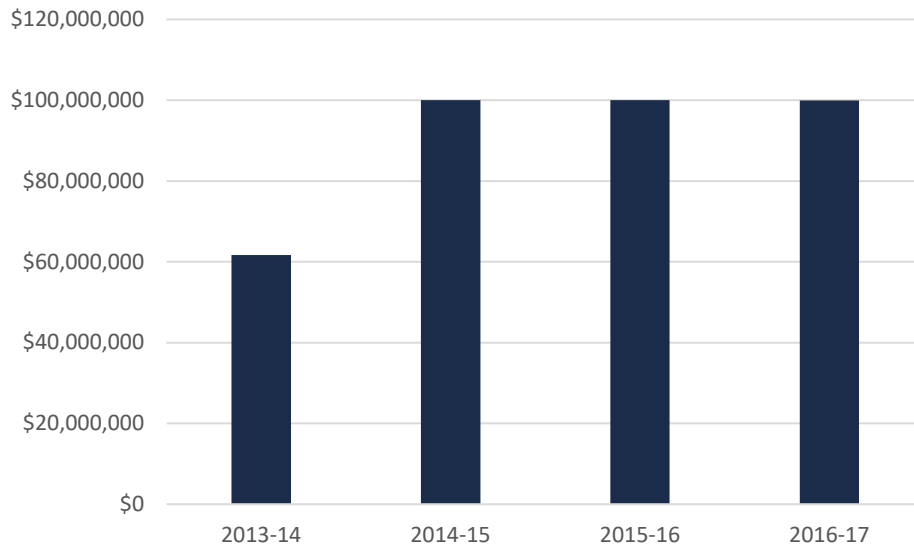
### Objectives

To help racetrack owners and operators become self-sustainable through the growth of marketplace revenues.

## Fiscal Summary

### The Horse Racing Partnership Funding Program, annual funding 2013-14 to 2016-17

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Source: Province.

Note: The Horse Racing Partnership Funding Program includes funds provided prior to the April 1, 2014 start of the new program as well as funds from the Horse Racing Industry Development Program.

## Performance Measures

The performance measures are:

- Average purses per race date paid by track;
- The share of purse funded by the Horse Racing Partnership Funding Program;
- Total purse paid by the track;
- Minimum purse per race date by track;
- Unique starters;
- Number of unique bettors per track;
- Value of purse account at year-end by track; and
- Number of active Horse Player Interactive (i.e., betting) accounts.

## Benchmarks / Targets

The Province has not established benchmarks or targets for this program.

## Effectiveness Evaluation

1. Are the program's performance measures aligned with its objectives?	Partially	The performance measures are indirectly aligned with the objective of the program to make racetrack owners and operators self-sustainable.
2. Does the program have benchmarks or targets established to compare against results?	No	No internal or external benchmarks or targets have been set.
3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine if the race track owners and operators would become self-sustainable in the absence of support.

### Discussion

1. The program has a number of performance measures. However, even with the performance measures available, it is difficult to determine if the objective of the program to help race track owners and operators become self-sustainable is being achieved.
2. There are no program benchmarks or targets. Therefore, it is not possible to determine the evolution of the program's results or to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.
3. The Province has not determined whether the observed results are the direct result of the program. In other words, it is not possible to determine if the race track owners and operators would become self-sustainable in the absence of the support.

## Ontario Emerging Technologies Fund

### Description

The Ontario Emerging Technologies Fund co-invests in start-up businesses by taking an equity stake in the company. Companies are from the clean technology, life sciences, and digital media and information and communications technology sectors. The Fund is no longer accepting new applicants. However, the Province allocated \$25 million in 2017-18 to continue to make follow-on investments in businesses that are already participating in the Fund.

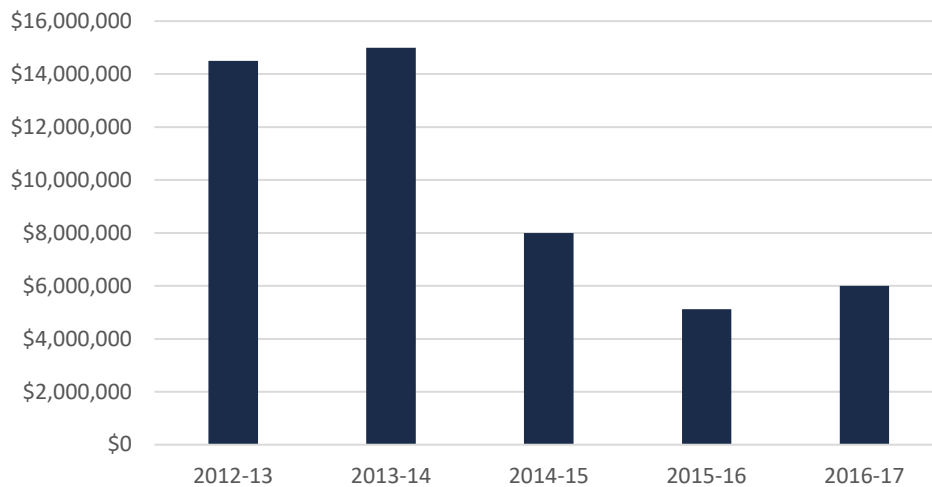
## Objectives

To increase the amount of venture capital raised by Ontario-based companies in the clean technology, life sciences, and digital media and information and communication and technology sectors. The Fund was created in response to the sharp drop in venture capital investment in Ontario (from \$928 million in 2007 to \$292 million in 2009) caused by the recession.

## Fiscal Summary

### Ontario Emerging Technologies Fund, annual funding 2012-13 to 2016-17

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Source: Province.

## Performance Measures

The performance measures are:

- Jobs created and retained by portfolio companies since investment;
- Research and development expenditures by portfolio companies;
- Revenues of portfolio companies;
- Leveraged third-party capital into portfolio companies for every \$1 invested;
- Committed investments in portfolio companies; and
- Cumulative committed investments in portfolio companies.

## Benchmarks / Targets

The Province has not established benchmarks or targets for this program.



## Effectiveness Evaluation

1. Are the program's performance measures aligned with its objectives?	Yes	The performance measures are aligned with the objectives of the program.
2. Does the program have benchmarks or targets established to compare against results?	No	No internal or external benchmarks or targets have been set.
3. Is there evidence that the support provided directly led to the observed results?	No	No attempt has been made to determine whether the measured outcomes are the direct result of the program.

## Discussion

1. There are multiple performance measures for this program, which align with the objective of the program to increase the amount of venture capital raised by Ontario-based companies in selected sectors.
2. There are no program benchmarks or targets. Therefore, it is not possible to determine the evolution of the program's results or to determine if it is a high or low performing program compared to similar programs in Ontario and other jurisdictions.
3. The Province has not determined whether the observed performance measures are the direct result of the program. In other words, it is not possible to determine if the companies receiving investment support from the Province would have received equity funding from other sources in the absence of support from the Province.

## Appendix B: List of Ontario's Business Support Programs

Advanced Education, Skills and Development	Type	2016-17 Funding
Apprenticeship Training Tax Credit	Refundable	\$128,797,100
Cooperative Education Tax Credit	Refundable	\$56,156,600

Agriculture, Food and Rural Affairs	Type	2016-17 Funding
Ontario Risk Management Program	Grants & Loans	\$123,938,924
University of Guelph	Grants & Loans	\$67,075,489
Ontario Ethanol Growth Fund	Grants & Loans	\$32,657,452
AgriInsurance	Grants & Loans	\$31,000,000
AgriStability	Grants & Loans	\$34,191,120
AgriInvest	Grants & Loans	\$20,949,160
Growing Forward - Federal - Economic Development	Grants & Loans	\$25,156,243
Rural Economic Development	Grants & Loans	\$2,535,000
Agricorp	Grants & Loans	\$13,654,132
Ontario Wine Fund	Grants & Loans	\$14,760,560
Growing Forward - Federal Research	Grants & Loans	\$3,180,000
Jobs and Prosperity Fund - Agri-Food and Agri-Product	Grants & Loans	\$9,109,480
Foodland Ontario - Procurements	Grants & Loans	\$4,929,950
Agriculture Development	Grants & Loans	\$26,054,541
Other Assistance Rural	Grants & Loans	\$4,076,007
Strategic Partnerships	Grants & Loans	\$6,007,000
Competitive Research	Grants & Loans	\$1,350,000
Wildlife Damage Compensation - Provincial	Grants & Loans	\$596,646

Wildlife Damage Compensation - Federal	Grants & Loans	\$541,874
Grants in Lieu of Taxes	Grants & Loans	\$750,000
Food Safety Research	Grants & Loans	\$500,000
Other Assistance for Risk Management	Grants & Loans	\$4,410
AgriRecovery	Grants & Loans	-
AgriRisk Federal	Grants & Loans	-
AgriRisk Provincial	Grants & Loans	-
Horse Racing Industry Development Program	Grants & Loans	\$6,490,000
Small Cidery and Small Distillery Support Program	Grants & Loans	-

<b>Economic Development and Growth/Research, Innovation and Science</b>	<b>Type</b>	<b>2016-17 Funding</b>
Ontario Emerging Technologies Fund	Equity	\$6,000,000
Ontario Venture Capital Fund	Equity	-
Northleaf Venture Catalyst Fund (Ontario Venture Capital Fund II)	Equity	-
Cleantech Equity Fund	Equity	-
Entrepreneurship Programs	Grants & Loans	\$7,116,605
Commercialization and Innovation Network Support	Grants & Loans	\$131,893,932
Small Business Enterprise Centres	Grants & Loans	\$4,479,906
International Collaborations	Grants & Loans	\$3,543,800
International Investment Attraction and Development (Institute for Competitiveness and Prosperity)	Grants & Loans	\$1,000,000
Investment Ready: Certified Site	Grants & Loans	\$69,241
Next Generation of Jobs Fund	Grants & Loans	-
Strategic Jobs and Investment Fund	Grants & Loans	\$15,201,981
Jobs and Prosperity Fund	Grants & Loans	\$181,984,805
Southwestern Ontario Development Fund	Grants & Loans	-

Eastern Ontario Development Fund	Grants & Loans	-
Communities in Transition (Regional & Local Economy Transformation Strategy)	Grants & Loans	-
Ontario Research Fund - Research Excellence	Grants & Loans	\$54,365,000
Ontario Research Fund - Infrastructure - Capital	Grants & Loans	\$79,817,400
Research Talent Programs	Grants & Loans	\$10,319,500
Minor Capital Investments - Capital	Grants & Loans	\$3,500,000
Valuing Ability - Community Loans Pilot Program	Grants & Loans	\$450,000
Clinical Trials Ontario	Grants & Loans	-
Ontario Institute for Cancer Research	Grants & Loans	\$72,000,000
Ontario Brain Institute	Grants & Loans	-
Ontario Institute for Regenerative Medicine	Grants & Loans	\$6,750,000
Next Generation Baycrest Initiative	Grants & Loans	\$4,700,000
Grants in Support of Research and Innovation	Grants & Loans	\$20,785,044
Sector Support Grants (excl. Small Beer Manufacturers' Tax Credit)	Grants & Loans	\$15,856,786
Grants in Support of Business Development	Grants & Loans	\$800,000
Institute for Quantum Computing	Grants & Loans	\$5,000,000
Perimeter Institute	Grants & Loans	\$10,000,000
Neurotrauma Program	Grants & Loans	\$4,680,000
Centre for International Governance Innovation	Grants & Loans	\$3,101,105
Advanced Manufacturing Consortium	Grants & Loans	-
Automotive Supplier Competitiveness Improvement	Grants & Loans	\$1,990,000
Transportation and Innovation	Grants & Loans	\$2,100,000
Institute for Fiscal Studies and Democracy Canada	Grants & Loans	\$1,500,000
Innovation Demonstration Fund	Grants & Loans	\$4,235,140
Bioindustrial Innovation	Grants & Loans	\$750,000

Centre for Research and Innovation in the Bio-economy	Grants & Loans	\$3,000,000
Cleantech Innovation Investment	Grants & Loans	\$5,000,000
College-based Applied Research Projects	Grants & Loans	\$6,660,000
Lazaridis Institute	Grants & Loans	\$1,500,000
Water Technology Acceleration Project	Grants & Loans	\$2,000,000
Artificial Intelligence Institute	Grants & Loans	\$30,000,000
5G/Next Generation Networks	Grants & Loans	\$35,000,000
Connected/Autonomous Vehicle Project	Grants & Loans	\$25,000,000
Greenhouse Gas Reduction Innovation Fund	Grants & Loans	-
TalentEdge	Grants & Loans	-
Ontario Innovation Tax Credit	Refundable	\$153,877,900
Business Research Institution Tax Credit	Refundable	\$17,403,600
Small Beer Manufacturers' Tax Credit	Refundable	\$4,759,710

<b>Finance</b>	<b>Type</b>	<b>2016-17 Funding</b>
Horse Racing Partnership Funding Program	Grants & Loans	\$93,420,000
Ontario Credit Union Tax Reduction	Non-refundable	\$6,500,000
Ontario Research and Development Tax Credit	Non-refundable	\$165,000,000
Ontario Resource Tax Credit	Non-refundable	\$500,000
Ontario Small Business Tax Deduction	Non-refundable	\$1,837,500,000
Ontario Tax Credit for Manufacturing and Processing	Non-refundable	\$245,000,000
Ontario Tax Exemption for Commercialization	Non-refundable	-

<b>Indigenous Relations and Reconciliation</b>	<b>Type</b>	<b>2016-17 Funding</b>
Indigenous Economic Development Fund	Grants & Loans	\$9,897,806
Metis Economic Development Fund	Grants & Loans	\$3,000,000
Policy Development Engagement Fund	Grants & Loans	\$3,979,898

<b>International Trade</b>	<b>Type</b>	<b>2016-17 Funding</b>
Global Growth Fund	Grants & Loans	-

<b>Northern Development and Mines</b>	<b>Type</b>	<b>2016-17 Funding</b>
Northern Industrial Electricity Rate Program	Grants & Loans	\$113,065,120
Northern Ontario Heritage Fund (Operating Subsidy)	Grants & Loans	\$60,000,000
Northern Ontario Heritage Fund (Capital Subsidy)	Grants & Loans	\$40,000,000
Ontario Northland Transportation Commission	Grants & Loans	\$23,588,714
Industrial Support - Special Assistance	Grants & Loans	-
Economic Development	Grants & Loans	\$998,693
Small Business Enterprise Centres	Grants & Loans	\$700,000
Reporting Ontario's Mining Activities	Grants & Loans	\$245,986
Northern Ontario Municipal Associations	Grants & Loans	\$100,000
Mapping Ontario's Geological Opportunities	Grants & Loans	\$47,996
Focussed Flow-Through Share Tax Credit	Refundable	\$2,273,100

<b>Tourism, Culture and Sport</b>	<b>Type</b>	<b>2016-17 Funding</b>
Ontario Tourism Marketing Partnership Corporation	Grants & Loans	\$36,967,500
Grants in Support of Tourism Regions	Grants & Loans	\$37,450,000
Ontario Media Development Corporation	Grants & Loans	\$28,150,300

Grants in Support of the Festival and Event	Grants & Loans	\$17,010,000
Ontario Music Fund	Grants & Loans	\$15,000,000
Grants in Support of Tourism Investment	Grants & Loans	\$3,500,000
Tourism Development and Investment Services	Grants & Loans	-
Ontario Production Services Tax Credit	Refundable	\$251,554,910
Ontario Film and Television Tax Credit	Refundable	\$168,827,276
Ontario Interactive Digital Media Tax Credit	Refundable	\$103,815,226
Ontario Computer Animation and Special Effects Tax Credit	Refundable	\$49,752,495
Ontario Book Publishing Tax Credit	Refundable	\$3,990,683
Ontario Sound Recording Tax Credit	Refundable	\$573,100

## Appendix C: Development of this Report

### Authority

The Financial Accountability Officer accepted a request from a member of the Legislative Assembly to undertake the analysis presented in this report under paragraph 10(1)(b) of the *Financial Accountability Officer Act, 2013*.

### Key Questions

The following key questions were used by the FAO as an initial guide while undertaking research for this report:

- **What are the Province’s business support programs?**
  - How is a business support program defined?
  - How much do the business support programs cost?
  - How are the business support programs designed?
  - How are the business support programs targeted?
    - Grants, tax credits, loans, equity
    - Urban vs. rural
    - Small companies vs. large
    - Industry sector (e.g., manufacturing, finance, retail)
    - Export-oriented vs. domestic-market oriented
- **How should the cost-effectiveness of BSPs be evaluated?**
  - How should a representative sample of the Province’s BSPs be selected, taking into account
    - Cost of program,
    - Geographical impact,
    - Form of support (tax credit, grant, etc.),
    - Target of support (foreign corporations, small vs. large corporations), and
    - Application-based programs vs. invitation-based programs?
  - What does the literature, including the Expert Panel report, and experience of other jurisdictions tell us about how cost-effectiveness should be measured?
  - What methodology would be most appropriate for evaluating the cost-effectiveness of the sample of business support programs selected?



- **How cost-effective are the Province's business support programs?**
  - What is the cost-effectiveness of each selected business support programs?

## Scope

This report does not:

- Evaluate the effectiveness of business support programs relative to other policies and programs intended to increase economic growth; or
- Make recommendations on the design of business support programs.

## Methodology

This report has been prepared with the benefit of information provided by the Ministries of Advanced Education and Skills Development, Agriculture, Food and Rural Affairs, Economic Development and Growth/Research, Innovation and Science, Finance, Indigenous Relations and Reconciliation, International Trade, Natural Resources and Forestry, Northern Development and Mines, and Tourism, Culture and Sport. Sources are referenced throughout.

All dollar amounts are in Canadian, current dollars (i.e. not adjusted for inflation) unless otherwise noted.