



# News Release

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## **Business Support Funding Lacks Transparency, Overall Strategy and Assessment of Results: Auditor General**

(TORONTO) The Ministry of Economic Development, Employment and Infrastructure (Ministry) has since 2010 provided most of its business-assistance funding only to selected companies invited to apply, Auditor General Bonnie Lysyk says in her *2015 Annual Report*.

“In the last five years, the Ministry has awarded 80% of its funding through this selective process,” Lysyk said after the Report was tabled. “But it could not provide the criteria it used to identify the businesses it invited to apply, or a list of those whose applications were unsuccessful.”

At the same time, the Ministry has not attempted to measure whether the \$1.45 billion in economic-development and employment-support funding it provided to Ontario businesses since 2004 actually strengthened the economy, improved employment or helped recipients become more competitive.

“The Ministry had no overall strategy, targets or plan for measuring outcomes for its existing and new generation of economic and employment-support programs,” Lysyk said. “And there was no follow-up to see if the jobs created or retained during the funding period still existed after the funding ended.”

The Ministry provides multi-year grants and interest-free loans to businesses across many sectors to help support economic development and employment. In the past decade, it has committed \$2.36 billion to 374 projects of varying size, and has thus far disbursed \$1.45 billion of that. Funding is tied to recipient commitments of job creation and/or retention of existing jobs, and to the recipient investing some of its own money.

The Ministry does not have authority to oversee all of Ontario’s funding for economic development and employment; it only has authority for the programs it manages directly. Nine other ministries deliver another \$1.8 billion of additional economic development and employment support funding. Although the government introduced a new Strategic Investment Framework in January 2015 meant to co-ordinate all ministries’ approaches to business supports, each of the other nine ministries still continues to deliver support funding without the overall co-ordination that could ensure the best use of funds and improved administrative efficiencies.

Following are some of the Report’s other significant findings:

- While the Ministry recognizes the economic benefits of promoting key regions and establishing industry “clusters”—geographic concentrations of interconnected businesses, suppliers and associated institutions in a particular field—it has not developed strategies, action plans, targets and timetables for growth for its involvement and support for each region and cluster. This includes identifying the educational institutions that would best support that industry and the training and apprenticeship skills needed for each industry; the local availability of skilled workers, suppliers of services and materials and transportation networks; and potential local and foreign markets for the products or services. As it does not conduct such analysis, the Ministry cannot fully identify the types of economic-development and employment-support projects that may most effectively strengthen the province’s clusters and regions.

- Even though expert reports stress that economic-development support funding should be focused on increasing exports, developing innovations or increasing productivity, no contracts with recipients formally require improvements in any of these areas. The Ministry's only measures of performance are jobs created and a recipient's leveraged investment; it has not set a goal for minimum economic growth or unemployment rate reductions. Other provinces have set such goals to guide their economic-development efforts.
- Expert reports have highlighted the importance of small- and medium-sized businesses, which account for about one-third of Ontario's GDP, to economic development. While 40% of projects funded were in this sector, the dollar value of this support amounted to less than 4% of total funding. The Ministry has neither assessed how many small- and medium-sized businesses lack access to supports, nor made it clear why its funding is targeted primarily to large businesses.
- The Ministry of Finance provides over \$1.3 billion (excluding the small business deduction of \$1.6 billion) of corporate income tax-credits specifically targeted to economic development and employment support to businesses each year, but the Ministry of Economic Development, Employment and Infrastructure rarely considers these when determining which businesses to provide grants and loans to.
- Over the last 10 years, the government publicly re-announced almost \$1 billion of economic-development and employment-support funding that had already been announced under different funding programs. More recently, the Jobs and Prosperity Fund was announced in January 2015 as a 10-year program with total funding of approximately \$2.5 billion; however, the government transferred approximately \$780 million of commitments previously announced under older programs into the Jobs and Prosperity Fund.

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