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Canadian Entrepreneur & Investor Immigration: Creating Jobs and Growth

An overview of the opportunities, challenges, and
potential solutions

Kareem El-Assal

Senior Research Associate, Immigration

The Conference Board of Canada

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@ImmigrationCBoC

Presentation Overview

- About me
- Why talk about entrepreneur and investor immigration?
- Canadian and international context
- Potential solutions
- Questions



About me

- Based in Ottawa
- Joined Conference Board in October 2014
- Research covers a wide range of immigration issues
- Became interested in business immigration in Oct. 2014



Entrepreneur and Investor Immigration.

Creating Jobs and Growth



<http://www.conferenceboard.ca/e-library/abstract.aspx?did=8782>

Understanding the Opportunity (1/3)

- Canada has operated business immigration programs since 1978
- Canada has experienced various business immigration challenges
- Two schools of thought:
 - Canada should not spend too much energy on business immigration due to challenges. Focus instead of attracting skilled newcomers.
 - Business immigration can benefit Canada's economy. Lets continue searching for the right formula.



Understanding the Opportunity (2/3)

- Government economic priorities include:
 - **Attracting Talent**
 - 300,000 immigrants per year
 - Global Talent Strategy
 - International students
 - **Attracting FDI**
 - **Promoting Innovation**
 - **Building Infrastructure**
 - **Developing Affordable Housing**
- More business immigrants globally than ever before + Canada is open to business immigrants + business immigrants want to come here + business immigrants can help support these priorities

= Match made in heaven



Understanding the Opportunity (3/3)

- Business immigrants have human, social, financial capital to benefit our economy
- Human and social capital can lead to:
 - Launch of innovative businesses in Canada
 - Stronger business connections with world
 - Expanding and diversifying Canada's international trade
 - Immigrants who will land on their feet even if business fails
- Attracting high net worth immigrants can lead to:
 - Investments that support government priorities (e.g. infrastructure, affordable housing, SME supports, etc).
 - Significant consumption of goods and services in Canada



Canadian Context



Defining the 3 Business Immigration Classes

- **Entrepreneur immigrants (EN):** Selected on the basis they will launch a business in Canada and create jobs for Canadians.
 - Selection criteria based on previous business background, business proposal, net worth, human capital (e.g. language skills).
- **Self-employed immigrants (SE):** Selected on the basis they will support themselves in Canada
 - Similar selection criteria to entrepreneur immigrants
- **Investor immigrants (IN):** Selected on the basis they will provide a loan to Canadian government to be used for economic development.
 - Similar selection criteria to above BUT no expectation they will launch a business, employ themselves, or Canadians.



Timeline of Canadian Business Immigration (1/2)

- 1978: Entrepreneur Program and Self-Employed Program are launched
 - 1979: Quebec launches same programs
- 1986: Immigrant Investor Program (IIP) is launched.
 - Quebec Immigrant Investor Program (QIIP) also launches.
- 1990s and 2000s: PNPs in every Province/Territory (except Quebec and Nunavut)
 - Most provinces/territories launch entrepreneur and self-employed programs



Timeline of Canadian Business Immigration (2/2)

- 2011-12: Federal government pauses Entrepreneur Program and IIP
- 2013: Federal government launches Start-up Visa Pilot Program
- 2014: Federal government cancels Entrepreneur Program and IIP
- 2017: Canada's programs include:
 - Federal: Start-up Visa Pilot and Self-Employed programs
 - Quebec: Entrepreneur; Self-Employed; QIIP
 - Alberta, BC, Manitoba, NWT, NS, Ontario, PEI, Saskatchewan, Yukon, operate entrepreneur and/or self-employed PNP streams.



Federal Business Immigration Program Eligibility Criteria

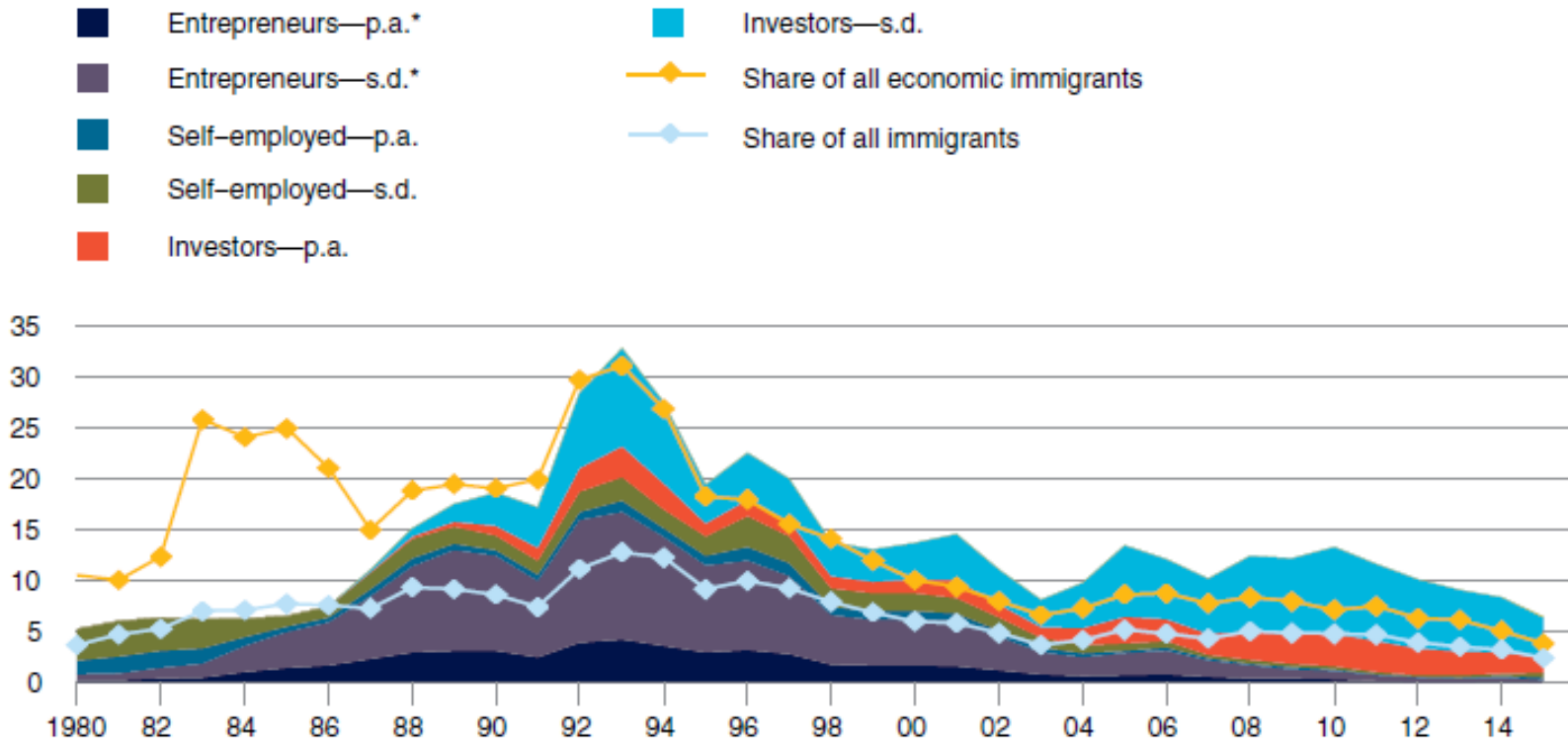
Program	Experience	Minimum net worth	Minimum investment	Business intentions	Selection criteria	Visa status
Entrepreneur Program (terminated)	Minimum of two years in the five years before application; managed and controlled a portion of equity in a qualifying business	\$300,000	None	Intend to own and actively manage a business in Canada that contributes to the economy and creates jobs	Minimum of 35 points (out of 100) on selection grid	Conditional permanent residence; must hold one-third of equity in a Canadian business, actively manage the business, and create at least one FTE job
Immigrant Investor Program (terminated)	Minimum of two years in the five years before application; managed and controlled a portion of equity in a qualifying business, or managed at least five employees per year in a business	\$1.6 million	One-time investment of \$800,000, refundable after five years without interest	None	Minimum of 35 points (out of 100) on selection grid	Permanent residence
Immigrant Investor Venture Capital Pilot Program (IIVC) (terminated)	Demonstrate that \$10 million net worth was derived from business and/or investment activities.	\$10 million	One-time, at-risk (non-guaranteed) \$2-million investment in IIVC fund; proceeds would depend on the fund's performance	None	Demonstrate language proficiency (CLB 5) in English or French; have an education equivalent to at least a one-year post-secondary degree, diploma, or certificate	Permanent residence
Self-Employed Program	Relevant experience; previous participation or self-employment in athletics or cultural activities, or experience in farm management, for a minimum of two years in the five years before application	None	None	Intend to create his or her own employment in athletics or culture, or farm management	Minimum of 35 points (out of 100) on selection grid	Permanent residence
Start-up Visa	Demonstrate business acumen to secure backing from a designated Canadian organization.	None, but meet sufficient settlement funds criteria	Secure \$200,000 from a designated venture capital fund or \$75,000 from an angel investor group, or acceptance into an incubator program	Launching a start-up in which a) the entrepreneurial team and designated entity own over 50 per cent of the business; and b) each member of the entrepreneurial team owns at least 10 per cent of the business	Demonstrate language proficiency (CLB 5) in English or French	Permanent residence



Chart 1

Admissions of Business Immigrants to Canada, 1980–2015

(000s; share, per cent)



* "p.a." means principal applicants; "s.d." means spouses and dependants.

Note: Includes Quebec but not PNP business immigrants.

Source: Immigration, Refugees and Citizenship Canada.



As Canada's intake has declined....

Table 3

A Glance at the Global Boom in Business Immigration: Investor Programs

Country	Launched	Latest minimum investment	Immigration status
St. Kitts and Nevis	1984	US\$250,000	Citizenship
Canada	1986	C\$800,000	Residency
Ireland	1988	€500,000	Citizenship
U.S.	1990	US\$500,000	Residency
Dominica	1993	US\$100,000	Citizenship
U.K.	1994	£1,000,000	Residency
Grenada	1996	US\$200,000	Citizenship
New Zealand	1999	NZ\$1,500,000	Residency
Hong Kong	2003	HK\$10,000,000	Residency
Singapore	2004	SG\$2,500,000	Residency
Netherlands	2008	€1,250,000	Residency
Bulgaria	2009	€500,000	Residency
France	2009	€10,000,000	Residency
Latvia	2010	€250,000	Residency
Cyprus	2011	€2,500,000	Citizenship
Australia	2012	AUS\$1,500,000	Residency
Portugal	2012	€500,000	Residency
Greece	2013	€250,000	Residency
Hungary	2013	€300,000	Residency
Spain	2013	€500,000	Residency
Antigua and Barbuda	2013	US\$200,000	Citizenship
Malta	2014	€900,000	Citizenship
St. Lucia	2016	US\$200,000	Citizenship

Notes: This list is not exhaustive. Not all programs remain in operation.

Sources: World Economic Forum; Corpocrat; Arton Capital; Henley & Partners; The Conference Board of Canada.



Reasons for 'global boom' in business immigration (1/2)

Table 4

Global Wealth Population, 2016

Category	Wealth (US\$)	Population	Assets (US\$ trillions)	Private wealth share
Billionaires	\$1 billion or more	2,500	\$7.70	0.03%
Ultra-high net worth	\$30 million to \$1 billion	215,000	\$30	12%
High net worth	\$1 million to \$30 million	16 million	\$79	32%
Affluent	\$100,000 to \$1 million	361 million	\$101	40%
Total		377 million	\$218	84%

Source: Mykolas Rambus, Global Immigrant Investor Council.

- In 2016, some 82,000 millionaires migrated
- In 2015, about 64,000 millionaires migrated



Reasons for 'global boom' in business immigration (2/2)

- Business immigrants want one or more of following:
 - Insurance and safety in case of political and economic uncertainty at home (EN & IN)
 - Returns on their investment (EN)
 - Residency in a low-tax country (IN)
 - A way to bypass regular immigration channels due to backlogs and other barriers (IN)
 - Citizenship that grants visa-free travel (EN & IN)



But...

- Canada's immigration system is driven by Canada's needs, not those of prospective immigrants.
- One reason federal IIP was cancelled was due to disconnect between government and immigrant investors:
 - Government wanted immigrants to settle in Canada, work or start a business, pay taxes
 - Immigrants wanted stability and better life for family, no incentive to earn income in Canada (and no requirement to do so under IIP)
- Nonetheless, we do need immigrants, and business immigration can help our economy if done right.
- How can we do it right?



Understanding Business Immigration Challenges

- Identifying right selection criteria for entrepreneurs
 - Focus on human capital, and/or proven success and/or business plan?
- Administrative burden of monitoring programs
- Fraud and misrepresentation
- Regionalization
- Low retention rates
- Low interest rates
- Public concerns
- Lack of entrepreneur supports



Potential Solutions



Entrepreneur Immigration – Potential Solutions

- **A new federal succession planning program**
 - 75% of SME owners to retire over next decade (\$1T in assets), but only half have succession plans
- **Start-up Visa**
 - Promising program but low volume raises concern
 - Between April 2013 and November 2016, 79 PR status granted; 45 businesses launched



Entrepreneur Immigration – Program Idea 1

A National Business Succession Immigration Program

The following is a federal entrepreneur immigration program suggested by Corinne Pohlmann of the Canadian Federation of Independent Business.

Selection Criteria

Applicants would be required to meet the following criteria:

- have at least three years' experience as an active business owner, senior manager, or a combination of both;
- have a minimum net worth of \$250,000;
- invest a minimum of \$100,000;
- commit to purchasing at least one-third of the business and residing within the business's province;
- be between the ages of 21 and 59.

Language proficiency would not be mandatory. Applicants might also be required to do the following:

- actively manage daily operations of the business;
 - demonstrate the business's commercial viability;
 - ensure the business provides at least one FTE job for a resident of Canada;
 - commit to keeping existing employees for a certain length of time;
 - provide a purchase and sale agreement that includes key information, such as price, timelines, a description of the business, and plans for upgrades.
-



Entrepreneur Immigration – Program Idea 2

Creating a Better Matchmaking Model

The following is a federal entrepreneur immigration program suggested by Horatio Morgan of Ryerson University.

Immigrant Venture Selection Criteria

- At a minimum, ventures should have a functional prototype of a product, service, or application.
- The marketplace has already validated the business idea or model. The venture is generating sales or, at least, pre-orders at full price.
- The venture is scalable.
- The venture has strategically important technological knowledge and marketing intangibles, such as patents, trademarks, industrial designs, or exclusive access to critical distribution channels.

Immigrant Human Capital Criteria

The applicant should have the following:

- a relevant post-secondary education specialization, such as computer science, engineering, life sciences, or business;
- business acumen—shown by, for instance, the number of ventures founded and operated;

- written and spoken language proficiency in multiple languages, in addition to English or French;
- international experience or cross-cultural knowledge—shown by, for instance, the number of years of business operations, work, or education in Canada or other countries.

Criteria for Approving a Canadian Investor as a Designated Organization

The investor should have the following:

- start-up experience at a company with at least five employees that stayed in business for at least three years and generated substantial international sales;
 - at least three years of active involvement in the life sciences, information and communications technology, data, software, telecommunications, and/or health care industries;
 - investment experience—shown by, for example, length of time in the investment field, number of firms in the portfolio, number of financing rounds since a first investment, and number of industries invested in.
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Investor Immigration – Considerations that will support good policy

- Main policy questions to ask:
 - What are policy goals we want to achieve?
 - What gap would investor program fill? (Infrastructure, affordable housing, venture capital)
 - How much money do we want to raise?
 - # of immigrants
 - Best way to structure investment? (at-risk, guaranteed, and/or direct contribution)
 - How can we regionalize investments and immigrants?
 - What are domestically and globally competitive investment requirements?
- Getting processing times down would give Canada more opportunities



Investor Immigration – Program Ideas

A New Federal Investor Immigrant Program

Table 7 outlines a federal investor immigration program suggested by Jeffrey Lowe of Lowe & Company.

Table 7
Immigrant Investor Fund

	Venture capital fund	Affordable housing fund
Investment amount	\$1 million	\$1.5 million
Term	7 years	10 years
Use of funds	Venture capital invested alongside Canadian investors	Affordable housing projects, funded along with governments and managed by non-profit housing societies

Source: Jeffrey Lowe, Lowe & Company.



Entrepreneur Supports

- Three phases to succeed as immigrant entrepreneur:
 1. Settlement (language, networks, work experience)
 2. Business plan
 3. Launch business
- Mentorship programs:
 - In-class instruction
 - Understanding Canadian market and business culture
 - Regulatory environment
 - Writing business plan
 - Supported by SPOs; lawyers; entrepreneurs, marketers, etc.
- Examples: Entrepreneurship Connections Program; Fredericton Chamber of Commerce.



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[@ImmigrationCBoC](#)

elassal@conferenceboard.ca





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