

FEDERAL GOVERNMENT COMMITS \$250 MILLION TO SUPPORT EARLY-STAGE TECHNOLOGY COMPANIES

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As the impact of the novel coronavirus (COVID-19) continues to be felt worldwide, many Canadian technology companies, especially pre-revenue startups, are facing unprecedented challenges posed by business interruptions, ongoing costs and operating expenses. This is exacerbated by their inability to qualify for government relief programs otherwise available to other small and medium-sized businesses.

In response to concerns from the Canadian innovation sector, and to address the apparent "gap" in the existing government relief programs, the Government of Canada announced on April 17, 2020, that it is providing \$250 million to assist innovative early-stage companies through the National Research Council of Canada's Industrial Research Assistance Program (IRAP), Canada's leading innovation assistance program for small and medium-sized businesses to build their innovative capacity and take their ideas to market.

Starting on April 22, 2020, small and medium-sized businesses that are unable to secure funding under the Canada Emergency Wage Subsidy and the Business Credit Availability Program will be able to apply for the IRAP funding. To receive more information about the application process, companies are encouraged to complete the online registration on the National Research Council of Canada's website.

Navdeep Bains, Minister of Innovation, Science and Industry, stated in a recent interview with BetaKit that there will not be any novel eligibility requirements. The IRAP funding will be made available to both existing IRAP-funded companies, as well as new applicants,

and is expected to assist at least 1,000 companies and protect 10,000 jobs. We will continue to monitor and stay afloat of new information as it becomes available in the coming days and weeks.

In addition to the \$250 million pandemic relief funding described above, the Government of Canada announced on April 17, 2020, that it will take the following actions to support small to medium-sized business amidst the current COVID-19 pandemic:

- (a) \$675 million through Canada's Regional Development Agencies to give financing support to small and medium-sized businesses that are unable to access existing government relief programs;
- (b) \$287 million to support rural businesses and communities, including access to capital through the Community Futures Network;
- (c) \$500 million to establish a COVID-19 Emergency Support Fund for Cultural, Heritage and Sport Organizations to help address the financial needs of affected organizations within these sectors; and
- (d) \$20.1 million in support for Futurpreneur Canada to continue to support young entrepreneurs across Canada who are facing challenges due to the current COVID-19 pandemic.

Gowling WLG focus

Generally speaking, tech sector startups do not operate with large safety nets of capital. The cost of software or product development is high and companies in this space move quickly through various funding sources such as bootstrapping, grants and capital raising from a network of investors because getting to market in a timely manner is critical. This is typical for tech startups under normal circumstances, let alone unique times such as this.

The commitment shown by the Government of Canada for entities in this space is an indication of the importance of technology and innovation as part of Canada's future. The concept of "disruption" is one that technology companies are very familiar with and a term commonly used in a positive manner to demonstrate a superior way of doing something to replace dated systems or processes. Conversely, the challenges being experienced by the global economy today as a result of the COVID-19 pandemic is a much different type of disruption, which will undoubtedly increase the need for innovative solutions to help position businesses and industries for success as the world prepares to come out of this

situation and re-build together.

To assist Canadian tech sector startups prepare and respond effectively to the ever-changing situation, we will be releasing an article in the coming days summarizing the new and upcoming government relief programs that will be made available. If you have questions about the above-mentioned programs or would like to receive an update as more details are released, please contact a member of our [Tech Sector Group](#).

We expect that there will be new information available due to constant developments and rapidly changing information. We will continue to keep you posted as more developments occur but this article is current as of April 23, 2020.

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