

# EVALUATION OF THE INNOVATION ASSISTANCE PROGRAM

 NRC-EVALUATION

## About the program

The Innovation Assistance Program (IAP) was launched in April 2020 as an emergency wage subsidy program for innovative Canadian businesses impacted by the COVID-19 pandemic. Delivered by the National Research Council Industrial Research Assistance Program (NRC IRAP), this temporary program provided financial support to innovative small- and medium-sized enterprises (SMEs) over three rounds of funding from April 22, 2020 to March 13, 2021. Only the firms that participated in the first round of funding were eligible for subsequent rounds (2.0 and 2.5). Eligibility to participate was predicated on SMEs being ineligible for the Canada Emergency Wage Subsidy program and unable to access liquid assets from other sources.

**The IAP supported 2,230 SMEs by providing a total of \$378.8 million in wage subsidies.** Recipients funded by the program primarily consisted of early stage, pre-revenue and small firms. The majority of supported firms had existing relationships with the NRC IRAP.



## Key findings

### Relevance

**There was a demonstrated need for the program.** SMEs faced significant and immediate challenges at the onset of the pandemic when COVID-19 containment measures were being implemented. Similar programs were being implemented in other international jurisdictions specifically targeting SMEs to complement other emergency programs.



of round 1.0 firms reported that they would have had to lay off or otherwise reduce staff without the IAP funding.



of rounds 2.0 and 2.5 firms anticipated not being able to meet customer or investor obligations, or to secure new deals.

**The program filled a gap in Canadian government emergency support initiatives** for innovative SMEs, especially early-stage firms. It worked in tandem with other emergency financial support programs. Firms in receipt of program funding needed a combination of supports to maintain activities and sustain their cash flow. This was vital for firms that needed to cover salary and operational expenses without taking on significant amounts of additional debt.

### Immediate outcomes

**The program exceeded its targets in terms of the number of firms and jobs supported.** The IAP allocated almost all of its funding to address immediate liquidity needs and deliver urgently-needed support to SMEs. The program successfully minimized negative impacts of the pandemic on supported firms.

**SMEs supported by the program survived the early economic uncertainties brought on by the pandemic.** IAP funding helped firms avoid additional defensive measures (e.g., layoffs) in response to COVID-19.

**The program provided bridge funding that firms needed to continue on their planned growth trajectory.** Some firms were able to seize opportunities created by the pandemic to realign or pivot business activities, develop an investment portfolio that attracted investors, add new customers or to develop new products and services.

**The program funding had positive impacts on the innovation capacity of firms during the pandemic.** 41% of round 1.0 firms and 86% of rounds 2.0 and 2.5 firms were able to continue their research and development activities and improve their products. This is compared to only 19% of innovative Canadian SMEs nationally.



Funding from IAP **supported 26,581 jobs** (exceeding the target of 24,000).



of IAP-supported firms indicated that **revenue grew** between 2020 and 2021.



Total impact of IAP on GDP was **\$867.7 million.**

**Firms supported by the program contributed to Canada's economic recovery.** The total economic value generated by the IAP wage subsidy investment was more than \$1.5 billion in goods and services. Based on Statistics Canada input-output simulations, the IAP produced a total direct and indirect impact of \$867.7 million on Gross Domestic Product (GDP). For every dollar of wage subsidy provided, \$2.32 was contributed in economic value to Canada's GDP.



## Unanticipated outcomes

**The IAP raised awareness of NRC IRAP for some firms.** Nearly 150 IAP-supported firms who had not previously received NRC IRAP funding or advisory services became NRC IRAP clients following the IAP. However, the program also raised expectations for establishing NRC IRAP projects among firms that were not (yet) eligible. A temporary need to manage expectations vis-à-vis regular NRC IRAP project funding was created.

## Design and delivery

**The IAP was delivered as intended.** Round 1.0 of the program targeted the right firms based on program objectives and subsequent rounds further targeted firms most in need. The invitation approach for round 2.0 was considered efficient. However, it is possible that some firms were missed by restricting the population of firms eligible for subsequent rounds of IAP funding to only those participating in round 1.0.

**NRC IRAP effectively delivered the IAP.** The rapid and efficient delivery of the program is attributable to the dedication of staff and NRC IRAP's existing innovation ecosystem networks, resources, systems and procedures.

**“By far the fastest I’ve seen government get dollars out the door!”**

—External organization



## Challenges in delivering the IAP

**The commitment of NRC IRAP employees was praised. However, the demand on staff was significant.** Given an absence of surge capacity, employees' mental health, wellbeing and work-life balance were challenged. Unexpected work was created by the need to manage complexities of stacking government funding.

**Communication around the IAP funding could have been expanded.** More non-NRC IRAP clients may have been reached if there had been additional communications through other mechanisms.

## Lessons learned from the evaluation

- An existing program structure that has adaptability and agility is key to supporting the rapid design and delivery of emergency programming.
- Without the ability to engage temporary surge capacity, the delivery of emergency programming creates significant pressures on existing staff, challenging mental health, wellbeing and work-life balance.
- Access to diverse support allows firms to tailor their own approach to an emergency in ways that best respond to individual situations.
- Limiting flexibility in programming (e.g., not allowing changes to program eligibility criteria) limits the program's ability to adapt to a changing environment during an emergency.
- Coordination of communications and dissemination vehicles among government departments and agencies is important for informing targeted audiences.
- Examining the impact of a program on different groups is an important element for informing the design of future temporary programming targeting Canadian firms.
- Administrating an emergency wage subsidy program based on a predetermined funding envelope and set of criteria creates challenges for dispersing maximum support without exceeding the budget.

## Recommendations

Based on lessons learned in the design and delivery of the IAP, four recommendations for improvement were made to NRC-IRAP in the areas of communication, capacity, diversity and inclusion, and results.

## About the evaluation

The evaluation of the IAP covered the fiscal year 2020-21, the period in which this program was delivered. The evaluation identified lessons learned in program design and delivery, and assessed immediate outcomes. It was conducted by the NRC's Office of Audit and Evaluation using a mixed-methods approach including document and data review, interviews, focus groups and case studies with funded firms, and an economic impact analysis.

The full evaluation report, including recommendations to NRC IRAP and the management response and action plan, is available on the NRC website: <https://nrc.canada.ca/en/corporate/planning-reporting/evaluation>