



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

Legislative Costing Note

Announcement date:	2020-04-18 (C-13)										
Publication date:	2020-06-18										
Short title:	Financial Support for Indigenous Businesses and Aboriginal Financial Institutions										
Description:	<p>Introducing the Financial Support for Indigenous Businesses and Aboriginal Financial Institutions (FSIBAFI) to provide up to \$40,000, interest-free loan of \$30,000 and non-repayable contribution of \$10,000, to First Nations, Inuit, and Métis small and medium-sized businesses, to help them cover their operating costs during a period where their revenues have been temporarily reduced, due to the economic impacts of the COVID-19 virus.</p> <p>The financial support will be provided through Aboriginal Financial Institutions and administered by the National Aboriginal Capital Corporations Association and the Métis Capital Corporations in partnership with Indigenous Services Canada.</p>										
Data sources:	<table><thead><tr><th><u>Variable</u></th><th><u>Source</u></th></tr></thead><tbody><tr><td>Number of eligible businesses</td><td>Statistics Canada and 2016 Aboriginal Business Survey</td></tr><tr><td>Interest rate</td><td>PBO economic model</td></tr><tr><td>Default rate</td><td>Annuals Reports of the Business Development Bank of Canada</td></tr><tr><td>Maximum amount of the loan</td><td>Indigenous Services Canada</td></tr></tbody></table>	<u>Variable</u>	<u>Source</u>	Number of eligible businesses	Statistics Canada and 2016 Aboriginal Business Survey	Interest rate	PBO economic model	Default rate	Annuals Reports of the Business Development Bank of Canada	Maximum amount of the loan	Indigenous Services Canada
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Default rate	Annuals Reports of the Business Development Bank of Canada										
Maximum amount of the loan	Indigenous Services Canada										
Estimation and projection method:	<p>The FSIBAFI eligibility criteria were assumed to match those of the Canadian Emergency Business Account¹ and the program was presumed to become available in May 2020. The number of eligible businesses was estimated using Statistics Canada data and the 2016 Aboriginal Business Survey. All eligible companies are assumed to participate in the program. The interest rate estimate was based on projections in the PBO economic model, consistent with the Economic and Fiscal Scenario published on June 18, 2020. The default rate on payment was estimated using the historical data on loans in default of the Business Development Bank of Canada. The entire amount of loan was assumed to be granted in 2020-21 and all businesses, except those in default, are assumed to repay their loan on or before December 31, 2022.</p> <p>The government interest cost was equal to the total amount of the loan times the interest rate. The provision for default was equal to the total amount of the loan</p>										

¹<https://pm.gc.ca/en/news/news-releases/2020/03/27/prime-minister-announces-support-small-businesses-facing-impacts>
<https://pm.gc.ca/en/news/news-releases/2020/04/18/prime-minister-announces-support-indigenous-businesses>
<https://pm.gc.ca/en/news/news-releases/2020/05/19/prime-minister-announces-expansion-support-workers-and-small>

times the estimated default rate on payment. The cost of the non-repayable contribution was equal to the estimated number of businesses that will benefit from the program times \$10,000. The total cost for the government was the sum of the interest cost, the provision for default and the non-repayable contribution cost.

Aggregate Results: PBO estimates this program to cost \$75 million in 2020-2021. The time horizon for this costing is aligned to PBO’s June 18, 2020 Economic and Fiscal Scenario.

Sources of Uncertainty: The two greatest sources of uncertainty in this costing are the number of eligible businesses that will apply to the program, and the percentage of participating businesses that will repay their loans on or before December 31, 2022.

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Cost of proposed measure

\$ millions	2020-2021
Total cost	75

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.
 Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.
 “-” = PBO does not expect a financial cost