



Immigration, Refugees and Citizenship Canada

Immigration, Réfugiés et Citoyenneté Canada

Deputy Minister

Sous-ministre

Ottawa K1A 1L1

F-1139523

## MEMORANDUM TO THE MINISTER

### IMMIGRANT INVESTOR PROGRAMS

#### FOR INFORMATION

##### SUMMARY

- The purpose of this memorandum is to provide information on Canada's experience with immigrant investor programs and their inherent challenges.
- Canada had an Immigrant Investor Program for over 25 years, ending in 2014. It drew sustained negative media attention before being cancelled as a result of perceived inability to meet program objectives.
- A 2015 Immigrant Investor Venture Capital Pilot was cancelled due to insufficient uptake. While the Pilot sought better investment outcomes that could be more beneficial to the Canadian economy than the Program, Immigration, Refugees and Citizenship Canada learned through the Pilot (see Annex A) that requiring investors to possess moderate human capital **and** make larger, longer-term and higher risk (no guarantee of full return) investments had significantly reduced the pool of potential candidates.
- There is currently no specific federal permanent resident pathway for immigrant investors. Quebec suspended its Investor Program in 2019, with a program review expected to continue through March 2021.
- There is limited evidence of global best practices. Program integrity issues and public perception of "buying passports" often accompany these immigrant investor programs, negatively impacting perceptions of immigration and fairness.

##### BACKGROUND:

- Canada was one of the first countries to launch an Immigrant Investor Program in 1986. In the following years, Canada was one of the most popular destinations for immigrant investors. Consequently, a network of lawyers, consultants and financial intermediaries developed, and profited significantly from this programming.

##### Immigrant Investor Program (1986 – 2014)

- The Immigrant Investor Program (1986 – 2014) aimed to attract experienced business persons and capital to Canada, by requiring candidates to make a one-time interest and risk-free investment of \$800,000 into the Canadian economy. Capital raised was distributed to

participating provincial/territorial governments for economic development and job creation initiatives, and was repaid to the applicant after five years.

- Following a 2014 program evaluation, the Program and its associated backlog of applications was terminated. The evaluation indicated limited long-term positive economic benefits, program integrity issues and lower socio-economic outcomes among investors compared to the Canadian average. Only 30% of funds were actively invested by provinces and territories towards economic development.
- Compared to the Canadian-born, investors had lower investment income, and paid less in taxes (even when compared to federal skilled workers and live-in caregivers). They also had the lowest official language knowledge/ability of any immigrant category and were less likely to stay in Canada in the medium to long term.

#### Immigrant Investor Venture Capital Pilot (2015)

- Building on the lessons learned from the Immigrant Investor Program, the Immigrant Investor Venture Capital Pilot was launched in 2015.
- Designed in collaboration with the Business Development Bank of Canada and Industry Canada, it aimed to mitigate shortfalls of the previous program by requiring:
  - a higher investment amount of \$2M with no guarantee for full return on investment to be managed by the Business Development Bank of Canada for approximately 15 years;
  - due diligence reporting to demonstrate legally obtained net worth of at least \$10M dollars derived from lawful, profit-making business activities; and
  - applicants to meet a minimum Canadian Language Benchmark level 5 as well as minimum education requirements.
- The Pilot was cancelled at the end of 2015. Only five complete applications were received at the conclusion of the year-end intake process. This was an insufficient number for the Business Development Bank of Canada to create a fund.
- Through this pilot program, the Department learned that requiring investors to possess moderate human capital **and** make larger, longer-term and higher-risk (no guarantee of full return) investments had significantly reduced the pool of potential candidates.
- Further details of the features of both programs are provided in Annex A.

#### Provincial experience with investor programs

- Passive investment schemes under the Provincial Nominee Program are explicitly prohibited in the *Immigration and Refugee Protection Regulations*.
- Prior to this change, a number of provinces and territories had investor streams. During this period, provincial auditor general reports often revealed negative findings of these streams, in line with IRCC Departmental evaluation outcomes, including in Ontario, Manitoba, New Brunswick, Newfoundland and Labrador and Prince Edward Island.

- Quebec currently has the only passive immigrant investor program in Canada, enabled by the *Canada-Quebec Accord*. However, program results indicate challenges with immigrant retention, long processing times, program integrity challenges, and limited long-term positive economic contribution to Canada (similar to the previous federal program).
- On October 30, 2019, Quebec announced the suspension of its Investor Program until March 31, 2021, to conduct a program review.

#### International experiences with investor programs

- There has been little evidence of best practices in immigrant investor programs around the world. While our key comparator countries have all experimented with various enhanced program requirements, recent conversations with New Zealand and the United Kingdom indicate an overall struggle with how to achieve economic benefit from these programs while still maintaining a high level of program integrity, and entirely addressing fraud concerns.
- Since the first Immigrant Investor Program, the global landscape has changed considerably, with over 100 countries now offering some form of immigrant investor program. This has led to a “race to the bottom” with many countries imposing very few requirements with regard to applicants’ human capital or where the funds are to be invested.

#### **CURRENT STATUS:**

- Since the end of the 2015 pilot, the Department occasionally receives proposals for new investor permanent resident pathways.
- While there is no specific federal permanent resident pathway for passive immigrant investors, some may qualify through the Provincial Nominee Program entrepreneur streams or for Express Entry on their own merits, based on their professional qualifications through skilled immigration pathways.
- Foreign investors looking to invest a substantial amount of capital in Canada, and who intend to work in a supervisory or executive capacity without making commitments to reside in the country on a permanent basis, can receive work permits under eight free trade agreements (e.g. Europe, North America, as well as with partners in Asia and South America).
- Companies looking to make significant investments in Canada have the Global Skills Strategy available to them, including the Dedicated Service Channel, to navigate immigration programs and services.

#### **COMMUNICATIONS IMPLICATIONS:**

- The Immigrant Investor Program drew sustained negative media attention before its cancellation as a result of its perceived inability to meet its program objectives. In addition,

the Quebec-based program continues to be portrayed in the media as a “back door” for the wealthy to enter Canada, with significant focus on its poor retention rates.

- Existing key messages will be used in response to media calls which highlight the rationale behind the Program’s cancellation, as well as the lack of interest in the subsequent Immigrant Investor Venture Capital Pilot.

**NEXT STEP:**

- The Department continues to engage in discussions with Quebec regarding the ongoing review of its investor program.

Caroline Xavier  
Associate Deputy Minister

**e-approved by DM Tapley on November 18th, 2020**

Catrina Tapley  
Deputy Minister

Annex: Overview of Immigrant Investor Programs in Canada