Business Grants and Financing

HOW SMALL BUSINESS OWNERS CAN SOURCE BUSINESS FUNDING

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How Small Business Owners Can Find and Successfully Apply for Business Grants

LEARN HOW TO FIND FUNDING OPTIONS, WRITE A WINNING APPLICATION, AND REACH YOUR BUSINESS GOALS WITH GRANTS

So you want to start a business or grow your business. In either case, you probably need money.

You're likely aware of the traditional methods—getting a loan or asking your friends and family to pitch in as early investors. But you may not know that the government and private corporations give away millions of dollars annually with no strings attached in the form of grants.

In this guide, we cover how grants work in Canada to prepare you to submit your own grant application. You'll learn:

- What are grants?

- Who awards grants?

- How to find the right grant for your business

- How to research and prepare to apply

- Common grant requirements

- Useful tips for grant applications

We also include a handy checklist at the end of this guide to use as an easy reference for your grant application journey.

What Are Grants?

Simply put, grants are sums of money that are awarded to targeted groups, like small businesses, for a specific use or purpose which may include:

- Training or hiring

- Technical and digital innovation

- Capital investments (infrastructure, equipment, and facilities)

- Environmental and green investments

- New businesses and startups

- Underserved entrepreneurs

- Business expansion

- Geography-based grants

Each type of grant corresponds to a government or corporate priority—for example, governments offer hiring grants because they want to incentivize job creation or a company wants to build up a community where it operates.

Grants are an appealing option for businesses that have a clear plan of how they will use the money or how they fit into one or more of the categories above. But remember, grants can be very competitive, with lengthy application processes, and no guarantees of receiving funding.

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GRANTS OFTEN FALL UNDER THREE MAIN FORMS:

Direct cash grants have a set value for a particular purpose, regardless of whether you plan to invest any of your own capital. For example, the Canada Digital Adoption Program offers cash grants to help small businesses build an online presence or boost their business technology.

Co-purchase grants offer to pay a set percentage based on what you invest, or what something costs up to a predetermined maximum dollar value. This is typically either for larger projects or higher-risk initiatives, so the grant makes the investment less risky for you as the entrepreneur. The Tech Nation Career-Ready Program, for example, encourages small businesses to hire students for work term placements by providing a cash subsidy of 50% to 70% of a student's pay with preference given to underrepresented groups and tech roles in high-growth sectors.

Tax credits, incentives, or rebates can reduce your taxable income as an incentive to invest in specific activities (usually around research and development). Examples include the SR&ED Tax Incentive or the Apprenticeship Job Creation Tax Credit.

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Who Awards Grants?

Almost any registered organization can give a grant!

Grants are commonly awarded by individuals, businesses, institutions, government departments, trusts, corporations, or not-for-profit organizations.

It's important to know who is issuing the grant because it can help you better position yourself in your application. This is because the grant issuer often has a vested interest in the way the grant money is used. For example, an environmental institute may have grants available for small businesses to reduce their carbon emissions..

Private sector funding, on the other hand, can come from sources such as business incubators or accelerators. Incubators typically help support growth for new companies, while accelerators may provide resources to existing businesses. Non-profits—including business development associations, private foundations, or universities—may also provide grants for businesses that align with their mission.

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Finding the Right Fit

When deciding if grants are right for you, it's important to understand how grants differ from other types of funding.

Grants are different from loans because loans have to be paid back with interest, making grants lower-risk with no credit impact. However, loans are typically easier to get because they have fewer restrictions on how the money is used. Loans also tend to come through faster, meaning you usually access the money sooner.

Grants differ from taking on investors because you are not receiving money for a portion of your business or relinquishing control over operations.

Grants are often restricted to stipulated categories of spending (like infrastructure projects) or particular methods of spending, such as using certain suppliers. As a result, grants can be complex to navigate with different criteria for each one.

To determine which funding is right for you, ask yourself these key questions:

- Do I have a specific purpose for the money I need?

- Will a grant be enough to cover the costs for my business or project?

- How soon do I need the money?

Additional resource: Not sure how much money you'll need for your project? Check out our guide to identifying how much money you'll need to start or grow your business.

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Researching Grants

To set yourself up for the best chance of being awarded a grant, expect to put in a significant amount of effort and research into the process.

In general, entrepreneurs can learn about grants in two ways:

1. Matching services: Online platforms can help you find grants that apply to your business and the specific project(s) or needs(s) you have.

One example is the GrantMatch Hub - a new, low-cost, subscription-based web application that matches users with relevant grant program recommendations on an ongoing basis. The GrantMatch Hub allows users to remain focussed on their business and assured that they aren't missing out on government grant funding as programs open and close throughout the year.

If you use a matching service, check whether it's free or paid. And remember that many companies offer free services and paid consulting, so check which one you're signing up for. While free matching services can often help you find a grant, paid services might also include support in writing your application or handling the administration of applying.

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2. Grant databases: Online lists that detail available grants can help you discover what's available. Some databases are offered for free at federal or provincial levels, but do not offer a comprehensive or customized set of results that paid services can offer.

These databases will help you see what's available. With some databases, you can filter results based on your use case to help you narrow down your search. If you're unclear on what industry you fall under, you can use the Government of Canada Industry Guide.

Examples include:

- Government of Canada Business Benefits Finder
- The GrantMatch Hub
- Canada Job Grant Program
- ECCC Funding Programs
- Alberta's Start-Up Grants
- Small Business Grants in Ontario

Examples of different grants

Researching and reviewing the multitude of grants available may seem overwhelming to business owners new to the grant application process. Here are some examples of common grants to help you get started:

Tax credits

- Scientific Research and Experimental Development Tax Credit
- Regional Opportunities Investment Tax Credit

Direct cash

- Student Work Placement Program
- Canada Job Grant Program

Co-purchase

- CanExport
- Canada Agricultural Partnership
- Digital Skills for Youth
- Youth Employment Skills Program
- Business Retrofit Program

Since accessing grant money can take quite some time due to competitive selection processes, you may want to start preparations early. It may be beneficial to have your business plan, financial information, budgets, business history, and business documents ready as you may need them for the application. Know your timelines to plan accordingly.

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Common grant requirements and elements

No two applications are the same, but they may share similar elements or application requirements. Use any examples or templates as a guide only, and follow the application instructions carefully to provide exactly what the issuer is looking for.

Grant applications can be similar to business plans, and may require you to outline your budget, strategies for marketing or go-to-market, research, business financials, and key outcomes or milestones. You may also be asked to produce one or more of the formats outlined below:

- **Letter of Inquiry:** A Letter of Inquiry (LOI) is typically a couple of pages long and covers what you plan to do if you're awarded the grant, your goals, how the grant will help you achieve those goals, and why you would be a strong candidate. LOIs may be sent before creating a full proposal to save time and effort for both parties.

- **Full proposal:** Full proposals can be more than 20 pages long, and go in-depth for each section of the proposal. These are more formal than other applications and require significant details about your business, what you're seeking funding for, and an exact plan of how you will spend the funds for a specific purpose.

- **Letter proposal:** This is not the same as an LOI. While an LOI introduces your proposal, a letter proposal describes a brief version of your proposal. Some grant issuers do not want lengthy applications and opt for a letter proposal instead of a full proposal. The letter should touch on all the same elements that would be covered in a full proposal but with less detail (e.g. it's only a few pages rather than 15-20+ pages).

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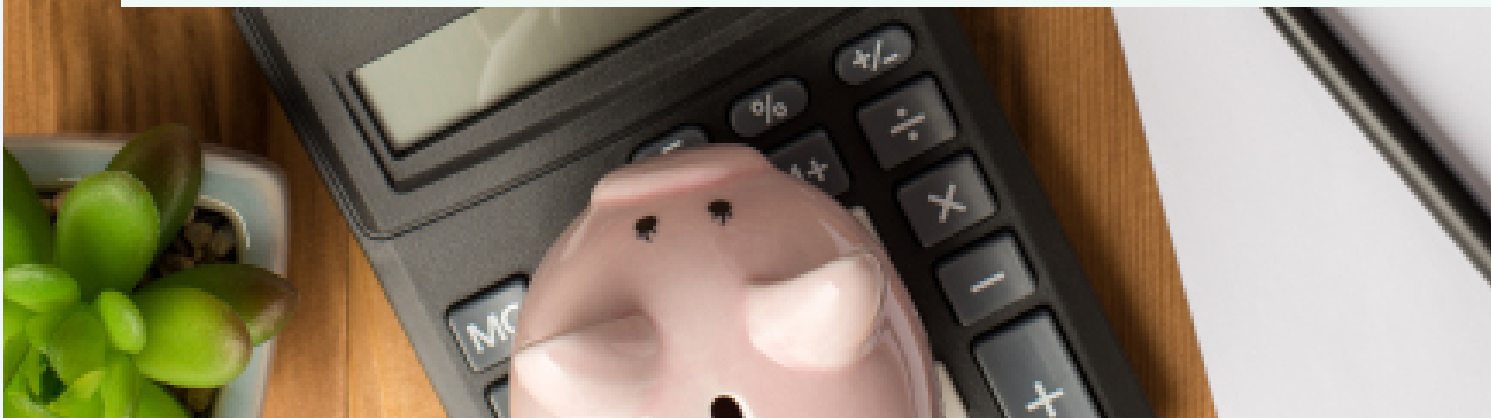
The grant application may stipulate exactly what elements are required in your proposal and how to present the information. If it doesn't, and you're unsure where to begin, you can search for examples or draw inspiration from the Snowball Fundraising Grant Guide, PandaDoc Grant Guide, or Kurtzweil Educational Systems.

While you don't have to use professional grant writers to win grants, you might consider hiring one if you're less familiar with grants, don't have the time or resources to dedicate towards grant writing, or are applying for a high value, highly competitive grant (we cover more on hiring grant writers in the next section).

Common elements you may have to provide as part of the grant application process are:

Cover letter	Addressed to the issuer, a cover letter is where you introduce yourself, and the project, and formally request to be considered for the grant.
Executive summary	A one-page summary of high-level details about the impact or opportunity of the project.
Organizational background:	This covers what your business does and why your business is a strong candidate for the grant.
Statement of need	Explain what your business is trying to address, and how it will meet that need. Describe the problem, gap, or need, and indicate how it will be solved.
Goals and objectives	Include specific details on how your business will address what was outlined in the statement of need. Goals are broad, while objectives are measurable. For example: • Goal: Be a carbon-neutral business. Objective: Implement 100 solar panels in the next six months.
Methods and strategies	Provide an action on how your business will achieve the goals and objectives laid out, with specifics tied to your budget. For example: • In order to implement 100 solar panels in six months, we will need to hire one part-time employee to install five solar panels per week.
Plan of evaluation	This explains how you will measure your success (and how the grant issuer will see the impact of your grant).
Budget information	Detail the project cost, broken down line by line, and how each dollar from the grant will be spent and accounted for.

Tips for writing grant applications

Applying for grants can seem like a daunting, complicated, and lengthy process. However, you can increase your odds of success by following the application instructions and clearly setting yourself apart from the competition. Since grants can be quite competitive, having a solid application is the best way to stand out.

Once you've completed your research, the first thing is to ensure you meet all the eligibility criteria before applying. From there, make sure the deadline has not passed and the grant has not been awarded yet. Grants may be open today but not tomorrow, eligibility criteria may rapidly change, or the pool of funding may have dried up. As you begin your application, seek answers to any questions you may have, either by asking the grant issuer directly or doing further research. Finally, determine exactly how your business goals align with the goals and mission of the grant itself or the grant provider.

Customize your application for each grant.
Tailor each application based on the application requirements, eligibility criteria, and the type of grant. You'll want to allocate enough time and resources for the application process so that your submission is thorough and well-researched.

Research the grant issuer. Knowing more about the issuer is critical because it helps you tailor your application—for instance, if you know the issuer's key priorities, you can better explain how your project or need fits those priorities. This might include information about your own identity, your business operations, or the community you operate in.

Build credibility: Issuers expect you to tailor your application, but that means standing out requires demonstrating credibility. Prove this by having a solid, realistic (yet ambitious) business plan. You can also use the names of your biggest customers, investors, or mentors to show that important people are associated with your business (if you do this, always ask them first and get consent before sharing their names or information). Assume the grant issuer knows nothing about your business and needs to be convinced that your business is the right recipient for its grant money.

Consider style and voice. How you present the information helps convey legitimacy and credibility while allowing the grant issuer to get to know you and your business. Varying sentence structure, punctuation, and word choices can make your application more interesting.

Address the impact the grant money will have on your business. Instead of simply stating "a grant of $10,000 will buy a new grain processing machine", explain why that's meaningful: "a new $10,000 machine will increase our efficiency by 50%, enabling us to provide grain at half the price for communities facing food insecurity." Although a grant is not an investment, the issuer will still want a return on their money. Consider what type of return the issuer wants. To benefit a community? Build economic growth in a particular sector? How does supporting your business provide the return they're looking for?

Always have more information on hand, if needed. Grant issuers won't want more information than they ask for upfront, but if they are seriously considering awarding you a grant, they may have follow-up questions or ask for more information down the line. Anticipating potential questions that could come up, that were not addressed in the application process, will ensure you're prepared to respond in a timely fashion. For example, you may need to answer questions about the feasibility of a project if there are factors outside of your control such as supply or labour shortages.

Additional resource: For more information on application tips, check out RBC's guide to the six tips you should read before applying for government grants.

Should you hire a grant writer ?

Government agencies only award grants to about 25 percent of applications received. Further, drafting an application is time-consuming, and can be both confusing and complicated. To better your chances of success, you might consider hiring a professional grant writer to help you.

If you're unsure about whether to write a grant application yourself (either you, personally, or a team member) versus outsourcing to a professional, ask yourself these questions:

- What's the maximum dollar amount I'm willing to spend to win a grant? This may vary depending on the value of the grant.

- What is the value of my time or my team's time? How much time will this application take us to complete, and what is the dollar value of that time?

- What is my experience level with grant writing? If you're inexperienced, writing the application yourself (or in-house) may take much longer, with potentially less likelihood for success, than if you hire someone to do it. Until you are more familiar and comfortable with the process, it might make sense to hire a professional.

If you decide hiring a professional is the best route for you, search online to find grant writers for your industry that also specialize in navigating particular industries such as arts and music, or agriculture. A great option for a full-service agency is the team at GrantMatch. GrantMatch offers both grant writing, and software solutions to support Canadian businesses of all sizes across Canada. In 2022, GrantMatch secured over $50M in funding for their clients.

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Grants can help you grow your business

Grants offer a tremendous opportunity for growing businesses to gain financial support to fulfill specific needs or serve a particular purpose. Although the process to apply for a grant may be challenging for a small business, its potential to help your business expand and innovate with less risk makes it a worthwhile endeavour.

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Grant Checklist

Doing your research:

✓ Thorough research on the most fitting grants for your business and needs

✓ Ensure you meet all the eligibility criteria for the grant(s) you're applying for, and that your business aligns with their goals

✓ Validate that the money from the grant you're applying for can be used for the purpose you intended

✓ Develop a timeline to plan ahead for lengthy grant selection processes

Getting ready:

✓ Know exactly why you want grant money, and outline how you will spend it

✓ Scope out the costs for your needs, and create a realistic budget

✓ Contact the grant issuer or write a letter of inquiry before submitting your application with any questions you have

✓ Determine if hiring a grant writer makes sense for your budget and needs

Application tips:

✓ Have a business plan backed by numbers

✓ Prepare necessary financial information and statements

✓ Carefully write a thorough application tailored for the grant

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