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THE ECONOMIC IMPACT OF THE IMMIGRANT INVESTOR PROGRAM IN CANADA

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Executive summary

This report analyzed the economic impact of the Immigrant Investor Program (“the Program”). Firstly, we presented the Program and described its results over the years. Specifically, we profiled immigrant investor flows to Canada since 1986, and examined the process through which they entered Canada. We also presented the inner workings of the Program, including a discussion on the use of investor funds, which varies across provinces.

Secondly, we profiled the personal and economic activities of immigrant investors in Canada, using a survey, pertaining to the presence of immigrant investors and of their families in Canada, school attendance by their children, acquisition of personal assets, and business activities and investments. Also, we conducted case studies of families who have chosen Canada as their new home country and described the challenges they experienced in the process.

Thirdly, we estimated the economic impact of the Program. To do so, we roughly identified and quantified the economic benefits and costs associated with the arrival and settlement of immigrant investors in Canada. The three main sources of economic impact are their net contribution upon entry in Canada, the additional economic spin-offs resulting from the use of investor funds, as well as their acquisition of significant personal and business assets.

Fourthly, we looked at the main trends underlying the future evolution of the demand and supply of immigrant investors in Canada. On the supply side, we reviewed the evolution of the pool of wealthy individuals worldwide, while on the demand side, we analyzed future economic needs in Canada, and existing international programs and policies that aim to attract these investors.

The main findings of our analysis can be summarized as follows:

- The Program clearly constitutes a positive economic initiative for Canada. Considering that about 2,500 immigrant investor families enter Canada each year, this means that the Program provides an annual economic contribution of $1.9 to $2 billion to the Canadian economy. While the Program structure is beneficial as soon as these immigrant investors land in Canada, the main economic benefits stem from their acquisition of valuable assets in Canada. Therefore, the primary distinctive feature of these immigrants, i.e. their wealth, is indeed the main source of economic impact associated with their establishment. These benefits clearly outweigh the associated costs, both in terms of monetary benefits and when considering additional intangible elements.

- The Canadian Program is clearly competitive vis-à-vis similar initiatives designed to attract wealthy immigrants throughout the developed world. This observation holds true when considering both objective Program criteria and the flow of immigrant investors to Canada versus other countries. Compared to other countries, the Canadian Program’s strongest asset is its relatively low financial requirements, which encourages younger cohorts of affluent individuals to choose Canada as a destination. However, its weakness is the waiting time, which has a detrimental effect on the number and quality of applicants. Also, based on the experience of immigrant families, the existing support to their integration has been somewhat wanting.

- In the future, Canada should welcome more of these immigrants, as they directly contribute to alleviating our demographic and economic challenges. In particular, the demographic profile of the typical immigrant investor family, their financial independence, their involvement in the Canadian business community, and the strong likelihood that their children will reach high levels of educational attainment are the main facts supporting this finding.

Considering the above analysis, our recommendations for the future of this Program are:

- The Program should be not only maintained, but expanded. It is financially profitable from a management standpoint, and results in the presence in Canada of thousands of affluent families who significantly contribute to the economy. Moreover, their demographic profile and the integration of the second generation directly contribute to respond positively to our future economic and social challenges. Also, because they still represent only 3% of new immigrants to Canada, their numbers may well be raised substantially;

- For the benefit of the general public, immigration authorities should prepare an annual report on the overall impact of economic immigration, both stemming from immigrant investors and other categories of economic immigrants. For immigrant investors, this report could provide statistics on initial investments, spin-off effects in terms of projects funded, jobs created, etc., as well as business activity involving immigrant investors, and other economic immigrant categories.

- Canadian authorities could build on the analysis that we have offered as a starting point to optimise the Program's criteria and conditions compared to other like international initiatives, and especially improve its weaker aspects, namely reducing the processing time of applications, analysing the levels of initial contribution and wealth requirements, and improve the integration of new immigrants.

- Further research would be warranted to assess the long-term impact of the second-generation of immigrant investors, both in terms of educational attainment and of their general characteristics compared to their parents.

Context and mandate

Since 1986, more than 130,000 individuals have immigrated to Canada through the Immigrant Investor Program ("the Program"). Its main objective is to encourage the immigration of wealthy individuals who are likely to provide a positive economic and social contribution to Canada.

Contrary to other economic immigration categories, where immigrants get admitted based on skills or business projects, immigrant investors enter Canada by means of their monetary contribution. As such, it is their wealth, rather than their qualifications or investment plans, that is the main criteria required for their arrival in Canada. Naturally, the underlying assumption is that immigrant investors have accumulated significant financial resources through well-advised business endeavours. Indeed, most of them are well educated and active business leaders. Therefore, by having them establishing their families here, it is reasonable to anticipate that Canada will benefit from their wealth and consumption patterns to respond to some of its economic challenges.

Although investors represent a small fraction of the overall flow of immigrants (<3%), these wealthy and successful individuals provide a substantial financial contribution upon their arrival in Canada, and often have an affluent lifestyle once in Canada. Based on these facts alone, they should be perceived as positive additions to the Canadian economy and society. However, some observers in the media and other researchers have expressed criticism towards these immigrants, notably over their educational attainment and language proficiency relative to other immigrant categories, as well as the overall structure and transparency of the existing Program.

In the light of the above, this study aims at providing a factual analysis of the economic impact of the Program, as well as discussing the main economic issues relative to its future. In particular, our analysis includes four sections:

- firstly, we describe the Program's components and present its results in terms of number of immigrants and their socio-demographic characteristics;

- secondly, we profile the socio-economic characteristics and activities of immigrant investors in Canada, using results from both a survey and conversations with immigrant investor families who have shared their personal experience with us;

- thirdly, we evaluate the Program's economic impact;

- fourthly, we perform a prospective analysis of the Program, through an investigation of the demand for immigrant investors in Canada, as well as the potential supply from foreign countries.

To conduct this research, we received an unconditional grant from Canadian financial institutions who facilitate the screening and arrival of immigrant investors. During the course of this mandate, we freely decided the means by which this study was performed, and there was no direct or indirect subordination link relative to its execution. Therefore, the following analyses, results, and conclusions are entirely ours.

Description and results of the Program

Economic immigration in Canada

There are two main types of immigrants in Canada, each with its own socio-economic dynamics and policies:

- humanitarian immigration, which comprises refugees and people needing protection, as well as family sponsoring;

- economic immigration, which includes immigrant investors, skilled workers, professionals, entrepreneurs, and self-employed individuals, as well as their accompanying family members.

In its 2009-2010 Report on Plans and Priorities, Citizenship and Immigration Canada (CIC) describes the foundations and objectives of Canada's economic immigration policy. In essence, Canada aims to offer immigrants the possibility to make "an economic, social, cultural and civic contribution" to Canada, and realize their full potential. On the humanitarian front, the main goal is to support global humanitarian efforts by assisting individuals who need protection. In this context, CIC aims to develop and implement policies, programs, and services to facilitate the arrival of persons, as well as their integration to Canada in a way that maximizes their economic, social, and cultural contribution to the country. Provinces also foster their own immigration policies with respect to economic immigrants, which essentially boil down to welcoming and integrating individuals who can provide a net positive contribution to the economy and society in general.

CIC has identified several challenges it faces in executing its economic immigration mandate, which also apply to immigrant investors. In particular, there is an increasing worldwide competition among countries for skilled immigrants, which is intensified by demographic challenges (e.g., aging population and decreased birth rates) in developed countries, and rapid economic growth and change in developing countries. Also according to CIC, the recent global economic downturn may reduce Canada's attractiveness for temporary foreign workers and prospective economic immigrants[1]. Next, the concentration of new immigrants in large urban areas, particularly Montréal, Toronto, and Vancouver, tends to complicate newcomer economic and social integration, while other regions often receive few immigrants into their local labour markets. Finally, security and health risks associated to new immigrants also exist.

Moreover, economic immigration calls on numerous individuals and organizations whose daily preoccupations go beyond welcoming and integrating newly-arrived individuals to society, notably in the following areas:

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[1] In fact, we believe that considering Canada's relatively mild recession and sound financial sector compared to other countries, the opposite is likely to be observed.

- *Economic development*: labour market specialists are concerned about the rapid integration of immigrant workers as active participants in the Canadian workforce. For instance, they can alleviate specific and localised labour shortages, whether they are qualified or not. Moreover, both CIC and provinces offer programs to integrate immigrants into the job market. Business groups and development professionals are interested in entrepreneurial immigrants who are self-employed, and who create and/or manage businesses. These groups and leaders are also concerned with various mechanisms of direct capital inflows into our economy. It should be noted that an injection of foreign capital is probably one of the best news any economy can receive, as it provides increased financial flexibility for business expansion at minimal cost. This is particularly true for small- and medium-sized enterprises (SMEs), whose difficulties in accessing financing are well documented. In addition, firms that provide the supporting physical and service infrastructure to business development, namely financial institutions, and professional service firms are naturally interested in these three types of clients (i.e., workers, entrepreneurs, and investors).

- *Education sector*: Economic immigration affects many other areas of social development, primarily education. In particular, many immigrant investors have children who study in high school, professional school, or university. Quality education for their children ranks among the main reasons for investors to immigrate to Canada. However, integrating these students in the education system represents a particular challenge for all stakeholders.

- *Social development*: Economic immigration positively touches on a host of issues, and contributes to our collective growth. Although it will not solve all demographic problems, it enriches Canada by thousands of new workers, business leaders, and investors each year.

In this context, immigrant investors position themselves in somewhat of a niche compared to other economic immigrants. Contrary to other categories where economic immigrants get admitted based on their skills and business plans, immigrant investors enter Canada by means of their monetary contribution. For the initial contribution to be profitable from a program management perspective, it must be superior to the administrative costs associated with this entry. More broadly, the economic contribution of the investors' presence in Canada will be positive if these individuals generate greater socio-economic benefits than the associated costs. These affirmations will be evaluated in the economic impact section of the report. Before this analysis is performed, we now review the Program's components and results since its inception.

Description of the Program

Created in 1985, the Program seeks to attract experienced business people and their capital to Canada to promote economic growth in all regions. The three main requirements to qualify for the Program are:

- Demonstrate a net worth of at least $800,000[2];
- Commit to an investment of $400,000 at 0% interest for five years;
- Possess adequate business and management experience.

Unlike entrepreneur immigrants, investor immigrants are expected to be passive investors. They provide funds for a period of five years to Canada without deciding where and how their money is used. On the contrary, other business immigrants like entrepreneurs and self-employed are expected to open or purchase a business in Canada, actively manage it, create new jobs for Canadians, or a combination of the above. That may be why the Program has the highest financial requirements out of all three categories of business immigrants. After the investment money has been paid, no other immigration conditions are imposed upon admission to Canada, contrary to other categories of economic immigrants.

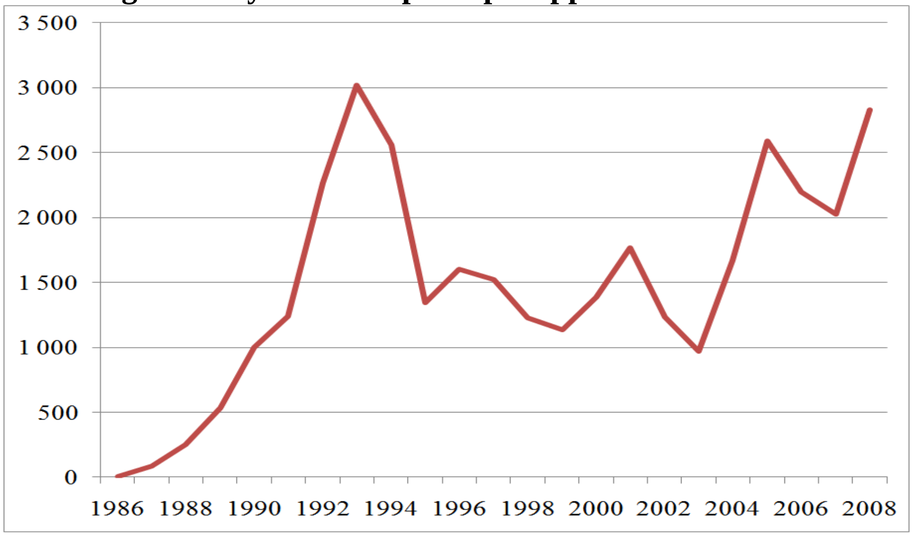
Program results

Immigrant investor flows and profiles

Since the inception of the Program, about 132,000 immigrants were admitted to Canada in the investor category. About 34,400 of them were principal applicants (PAs) and the rest were their family members. Figure 1 demonstrates the dynamics of admissions since 1986. The number of admissions grew rapidly until 1993 when it peaked at 3,000 PAs. The peak of admission in 1993 is traditionally associated with the political situation around the handover of Hong Kong to China. Political uncertainty in the country caused massive emigration to many countries of the world, mostly to Canada. In the middle of the 1990s, immigrants from Hong Kong represented about 42% of all admitted investor immigrants. After 1993, the number of admissions dropped to 1,500 PAs a year and fluctuated around that level until 2003 when it started growing again.

[2] Unless specified otherwise, all dollar amounts are in current Canadian dollars.

Figure 1. Dynamics of principal applicant admissions



Source: CIC.

Investor immigrants arrive to Canada with their families. As shown in Table 1 the majority of PAs were between 40 and 49 years old at the time of immigration, with similar shares of 22% for the less-than-40 and 50-59 age groups. In contrast, nearly 80% of immigrating family members were less than 40 years old. Very few PAs or family members were over 60 years old at the time of landing in Canada. Therefore, these immigrants mainly bring their spouse and children.

Table 1. Age breakdown of immigrant investors – PAs and family members

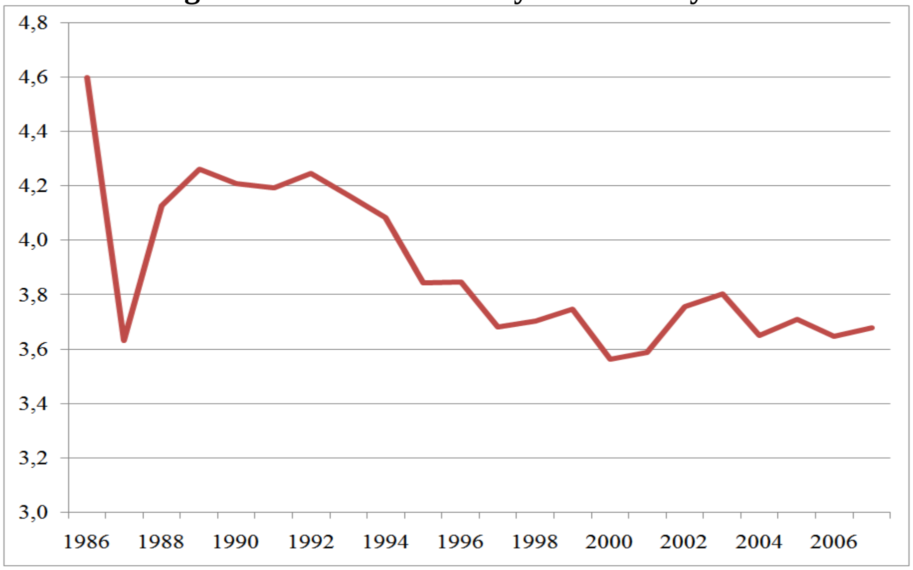
Age Group	PAs		Family	
	n	%	n	%
Less than 40	7,576	22.1%	77,240	78.8%
40-49	17,787	51.8%	16,041	16.4%
50-59	7,697	22.4%	4,368	4.5%
60-69	1,235	3.6%	335	0.3%
70 and more	59	0.2%	11	0.0%
Total	34,354	100.0%	97,995	100.0%

Source: CIC.

Each PA is accompanied, on average, by three (3) family members, which is almost twice as much as in other economic immigrant categories[3]. The average family size has declined over time, which partly reflects global demographic trends marked with falling fertility rates (Figure 2).

[3] Specifically, the ratios for years 2003-2007 were 1.5 persons per PA in other categories versus 2.7 persons per immigrant investor.

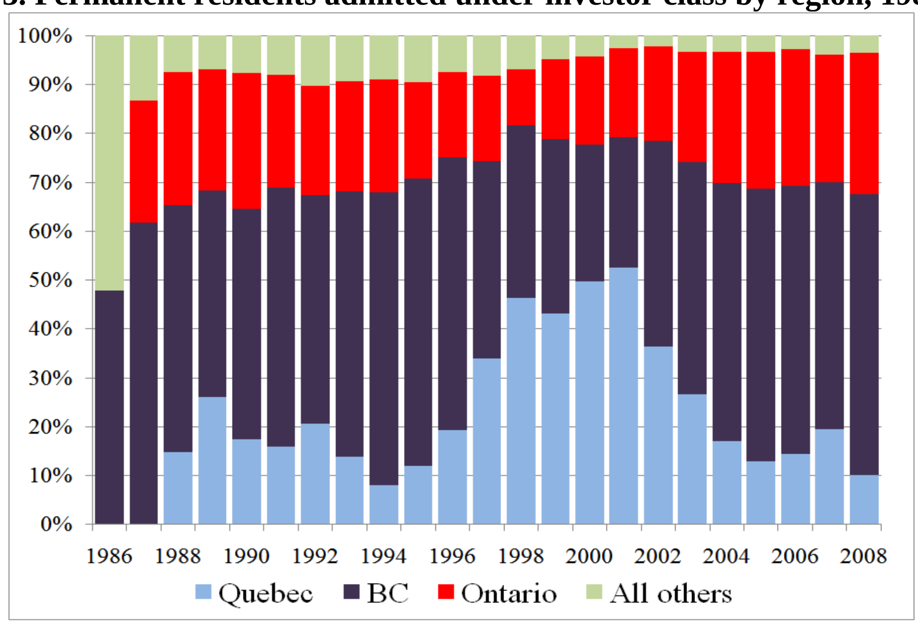
Figure 2. Number of family members by PA



Source: CIC.

British Columbia is chosen as the primary province of settlement by 49% of all investor immigrants, followed by Ontario (23%) and Quebec (22%). Figure 3 shows that over time, the share of immigrant investors settling in other Canadian provinces grew from 7% in 1996 to 25% in 2008, suggesting that they are getting more successful in attracting investor immigrants.

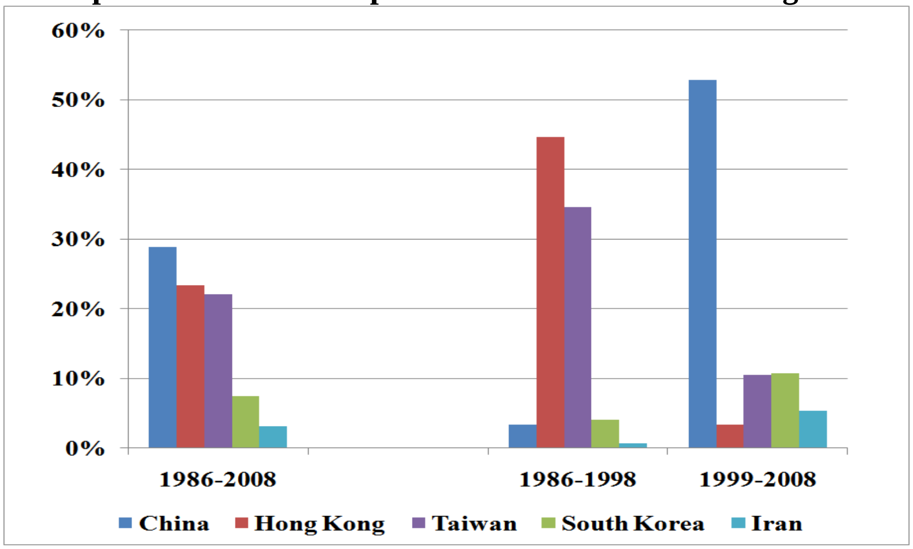
Figure 3. Permanent residents admitted under investor class by region, 1986-2008



Source: CIC.

About 74% of investor immigrants come from Chinese descent, namely 29% from Mainland China, followed by Hong Kong (23%) and Taiwan (22%). As mentioned earlier, Hong Kong was the main source country during 1986-1998 when its former residents accounted for 45% of all investor immigrants. After 1999, mainland China became the main source country, accounting for 53% of all investor immigrants (Figure 4).

Figure 4. Top-5 countries of last permanent residence for immigrant investors



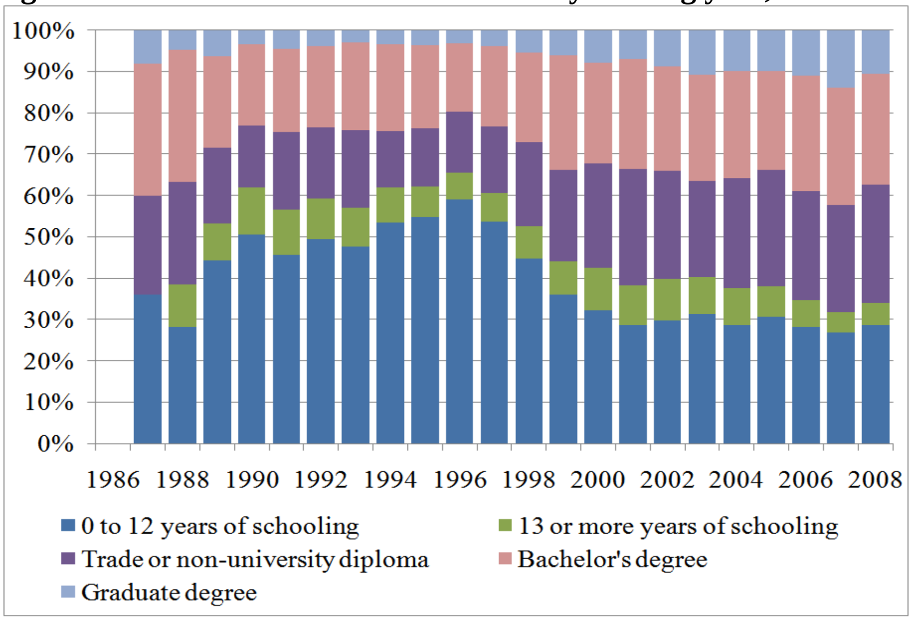
Source: CIC.

According to CIC, 65% of all investor immigrants admitted between 1986 and 1998 spoke neither French nor English, and another 32% spoke English only. Since 1999, the fraction of immigrants speaking none of the official languages grew to 68%. However, the fraction of those speaking French or both French and English also grew from 1% to 3%. This result is essentially due to the fact that most applicants come from high-growth countries where neither French, nor English has an official language status.

Educational attainment of immigrant investors has substantially improved over time (Figure 5). A comparison of pre- and post-1998 distribution of investor immigrants among educational level groups suggests that the proportion of individuals with high school education or less (0-12 years) fell from 50% to 30%. At the same time, the share of investor immigrants with a university degree (undergraduate or graduate) grew from 24% to 36%. The number of individuals with other degrees and certificates also increased. Therefore, the overall proportion of immigrants who had at most a high school diploma dropped after 1996. In 2008, the share of immigrants with only a high school diploma was about 28%.

In summary, investor immigrants arrive to Canada with an average of three additional family members, which is almost twice as many as other categories. The majority of PAs come from Asia and most were between 40 and 49 years old at arrival. British Columbia is the main province of choice, followed by Ontario and Quebec. While more than two thirds did not speak either official language at the time of immigration, educational attainment was much higher among recently-landed immigrant investors compared to a decade ago.

Figure 5. Educational attainment of PAs by landing year, 1986-2008



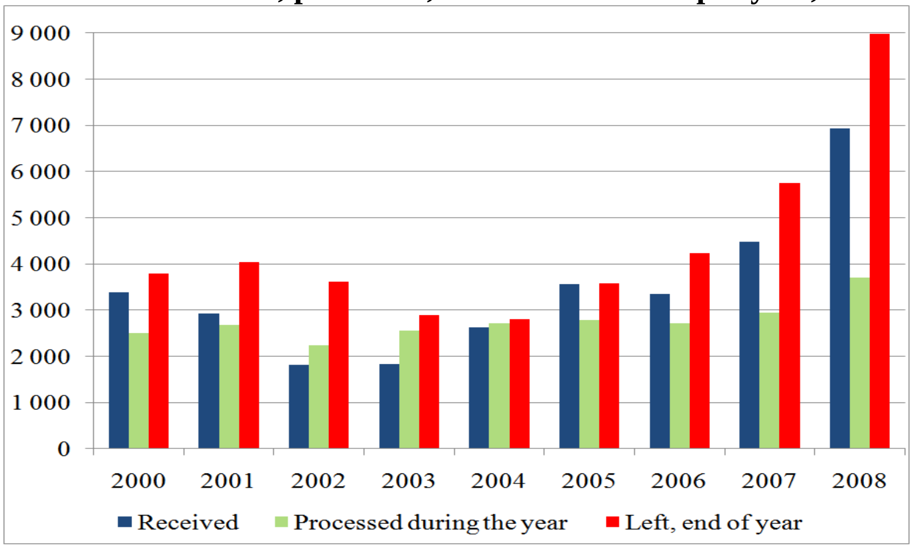
Source: CIC.

Selection process

The entire process of receiving, processing, and approving immigrant investor applications is the key administrative component of the Program. Indeed, during this process several exchanges occur between immigrant investors and Program authorities, as they spend time and money building their candidacy and have to wait several months for a decision. In fact, the inherent cost and efficacy of the immigration process is part of any immigrant's decision to choose Canada over any other country, especially considering the opportunity cost of the time spent waiting for an answer. This section analyzes some indicators of this process and their evolution during the past decade.

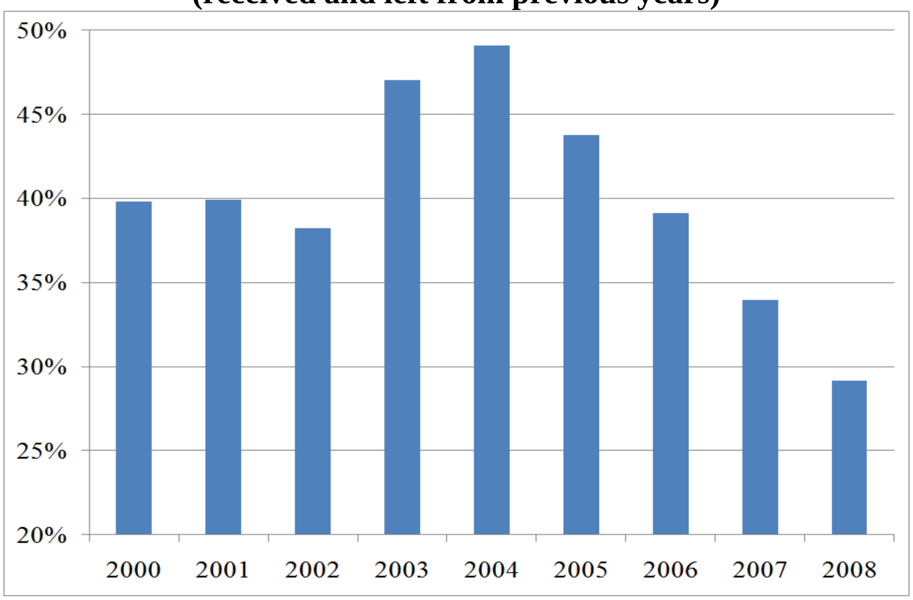
Figure 6 summarises overall data of applications for permanent residency which were received, processed annually, and left to process at the end of the year. A few observations stand out of this chart. First, after decreasing from 3,400 to 1,800 between 2000 and 2003, the number of applications has grown swiftly over the next five years up to 7,000 in 2008. Secondly, this sizeable increase has not been matched on the processing side. Although the number of applications processed reached an all-time high of 3,700 in 2008, it represented only half of the total number of applicants during this same year. A huge inventory has resulted from this excess demand, with nearly 9,000 files still waiting to be processed at the end of 2008. Therefore, the percentage of processed cases per year has dropped from close to 50% to less than 30% between 2000 and 2008 (Figure 7). These findings indicate that solutions may be envisioned at each step of the administrative process (i.e., information, administrative requirements, screening, processing, decision and follow-up), and of material and human resources to improve its overall level of efficiency.

Figure 6. Cases received, processed, and left untreated per year, 2000-2008



Source: CIC.

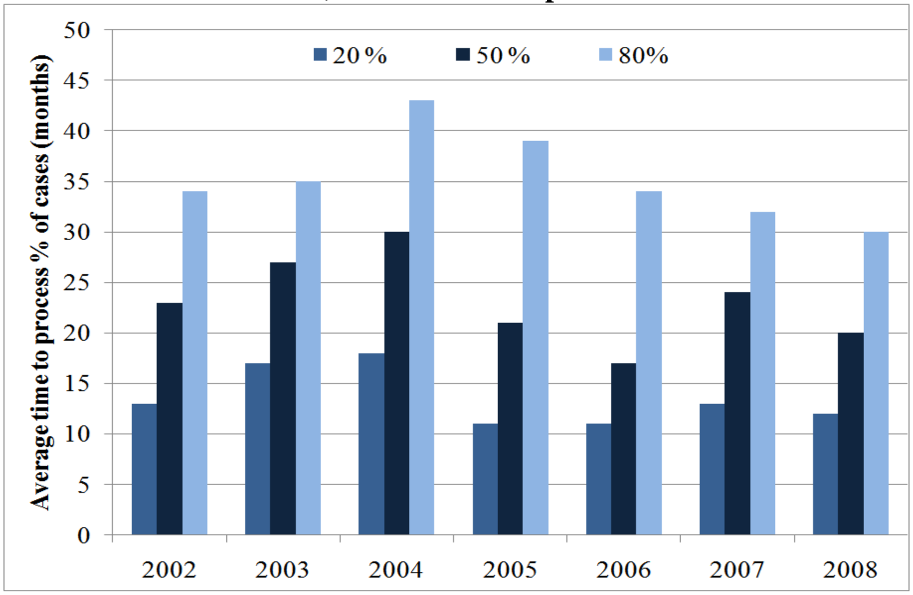
Figure 7. Percentage of processed cases out of all cases (received and left from previous years)



Source: CIC.

Figure 8 presents the average duration of case processing for cohorts of the fastest 20% processed cases; the fastest 50%; and the fastest 80%. A typical case takes about 20-25 months to be processed, from the date at which processing actually begins. Therefore, the average processing time is actually much longer when considering the backlog; however, this indicator could not be assessed precisely using the available data. Otherwise, there appears to be a convergence in processing times, as a slow rise of the '20%' columns and a more rapid decline of the '80%' columns have occurred simultaneously since 2005.

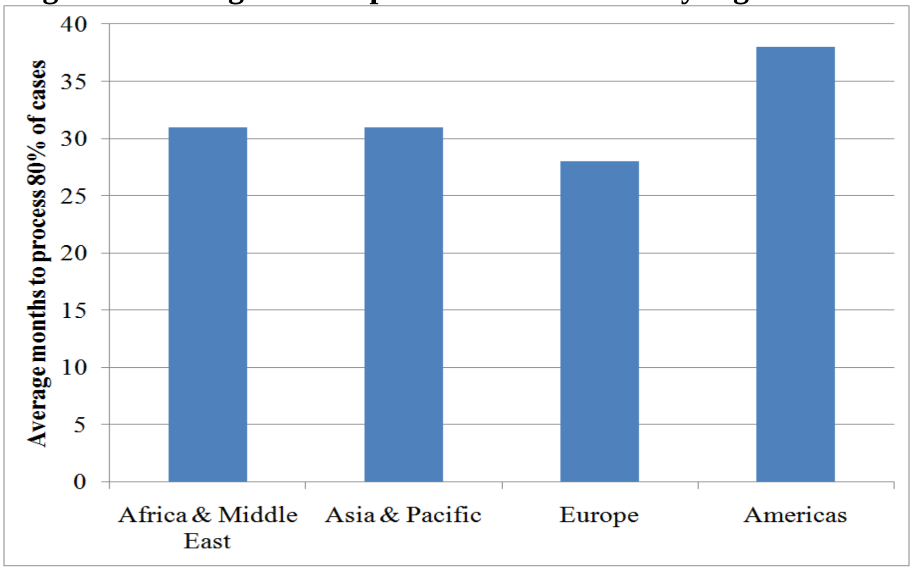
Figure 8. Average time (months) required to process – Fastest 20%, 50% and 80% processed cases



Source: CIC.

Figure 9 indicates that applications in the Americas offices usually take longer to process than those in other regions. However, even the fastest average processing time (Europe, 28 months to process 80% of cases) represents a lengthy delay compared to similar international initiatives.

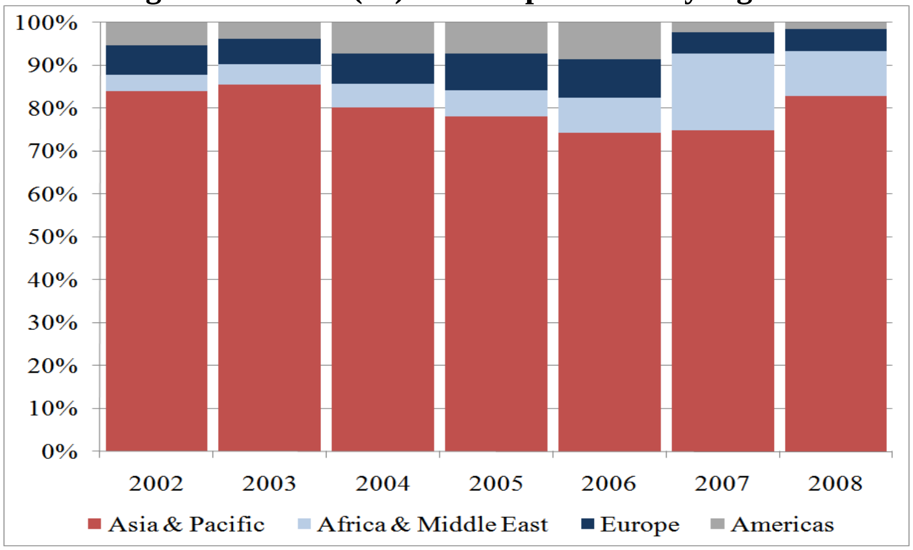
Figure 9. Average time to process 80% of cases by region in 2008



Source: CIC.

The distribution of cases processed by region has fluctuated somewhat over the years, yet Asia and the Pacific region remained the main source of immigrant investors. Africa and the Middle East have grown in importance since 2007, while the two other regions have seen their share in the total decrease (Figure 10).

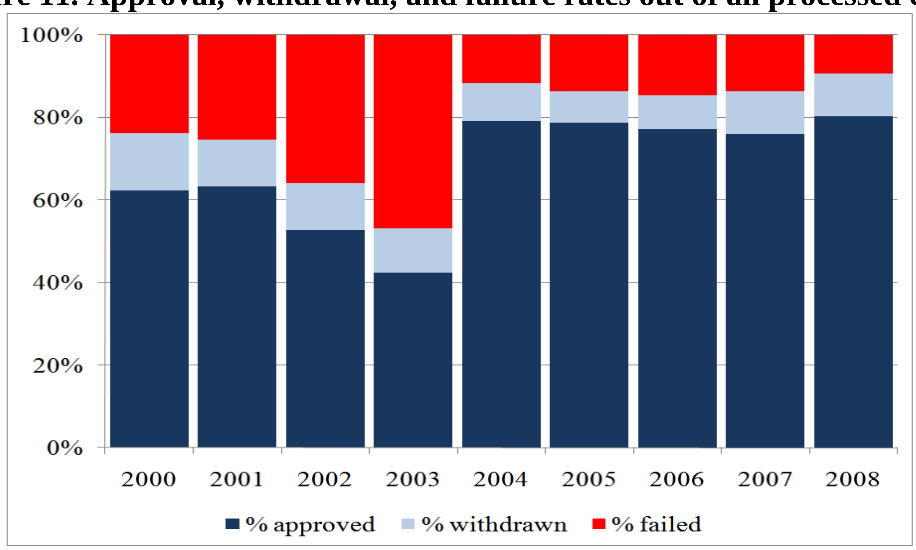
Figure 10. Share (%) of cases processed by region



Source: CIC.

The approval rate of final applications by CIC, including pre-screened applications from Quebec, has recorded two significant breaks in the past decade. First, a sharp decrease was noted in 2002 and 2003, which was then followed by a rise in 2004 (from 42% to 79%, Figure 11). The pre-2004 variations can be explained mainly by year-to-year changes in the intensity of files treated, rather than by particular policies. Afterwards, application processing has followed a smoother, more continuous pattern.

Figure 11. Approval, withdrawal, and failure rates out of all processed cases



Source: CIC.

Use of investor funds

The execution of the Program and the use of investor funds can be separated in two broad categories: the 'federal' model, where the initial contribution of investors is allocated towards various provincial funds that initiate various economic and social development initiatives, and the Quebec model, which specifically channels funds into small-business financial assistance.

The federal model

Under the 1999 revision of the Program, CIC acts as an agent to allocate immigrant investor capital to participating provincial and territorial governments for their use in economic development initiatives. The initial investor contribution of $400,000 is remitted to the Canadian government prior to visa issuance. A 7% commission is paid by participating provinces to financial institutions ($28,000) for their recruitment efforts, and the rest ($372,000) is distributed to the participating provinces and territories as follows: 50% in equal parts, and 50% according to the size of their economies, as measured by the gross domestic product (GDP). Provincial allocations (i.e., $400,000 per investor) are repayable to the federal government without interest on the fifth anniversary of their receipt. In 2008, Nova Scotia was the latest province to join the Program. Table 2 presents allocation of investor funds by province since 2002.

Table 2. Provincial allocations per year

Year received	N	Total	ON	BC	PEI	MB	NWT	NFL
2002-2003	80	$32.0 M	$17.6 M	$9.0 M	$5.4 M	–	–	–
2003-2004	105	$42.0 M	$21.9 M	$10.6 M	$6.1 M	$1.4 M	$2.0 M	–
2004-2005	723	$289.2 M	$133.8 M	$59.0 M	$29.7 M	$37.0 M	$29.6 M	–
2005-2006	757	$302.8 M	$132.8 M	$57.6 M	$26.9 M	$34.3 M	$26.9 M	$24.3 M
2006-2007	527	$210.8 M	$90.9 M	$40.0 M	$18.1 M	$23.2 M	$18.2 M	$20.4 M
2007-2008	1,172	$468.8 M	$204.2 M	$93.5 M	$43.6 M	$55.0 M	$23.3 M	$49.1 M
Total	**3,364**	**$1,345.6 M**	**$601.2 M**	**$269.7 M**	**$129.8 M**	**$150.9 M**	**$100.0 M**	**$93.8 M**

Source: CIC. Departmental Performance Review. March 2008. p.26. http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/inst/imc/imc-eng.pdf.

As of March 31, 2008, CIC had outstanding gross allocations of $1.3 billion to the provincial and territorial government funds operating under the new Program. This amount is not recorded as either an asset or liability of the Government of Canada because CIC acts solely as an agent for the provinces and territories. Only investments that have been collected, but not yet remitted to either the provincial funds or the investor are recorded (i.e., they are still being held in CIC's account for a limited period of time).

Provinces are free to join the Program or not, depending on their economic development objectives and priorities. Specifically, here is how four of the participating provinces use these funds[4]:

- *British Columbia*: Investor funds are received and managed by the B.C. Immigration Investment Fund Ltd (BCIIF), which was incorporated in September 2000 and is fully owned by the province. The funds are targeted to two distinct areas, namely public infrastructure and venture capital. Specifically, the BC Renaissance Capital Fund Ltd (BCRCF), which is administered by the Ministry of Small Business, Technology, and Economic Development,

[4] No information could be obtained from other provinces.

aims to attract successful venture capital managers and their capital to British Columbia to develop promising innovative technology companies in the province. In August 2007, the provincial Treasure Board approved an allocation of $90 million from the BCIIF to the BCRCF for the purposes of pursuing investment in four technology sectors: new media, information technology, life sciences, and clean technology. In April 2008, the BCRCF announced investments for a total of $90 million with six venture capital fund managers, who collectively manage more than $2 billion of investment capital.

- *Nova Scotia*: This province joined the Program on April 1, 2008. Previously, Nova Scotia was involved in three government funds under the Program, out of which only one was funded and active - the Nova Scotia Government Fund. So far, three investment transactions have been approved: the construction of a cogeneration facility by Minas Basin Pulp and Power, the implementation of a high-speed wireless broadband service by Eastlink Communication, and a $120 million Knowledge Infrastructure Program in participation with the Federal and Provincial Government and nine Nova Scotia universities.

- *Manitoba*: The main recipient of investor funds is the Manitoba Opportunities Fund (MOF), whose funds are used to support Manitoba's “Growing through Immigration Strategy”, which is one of seven points in Manitoba's Action Strategy for Economic Growth. Current priorities include increased support for “qualifications recognition and responsive settlement and English as a second language” training; increased Provincial Nominee certificates for skilled workers and business persons including a new Young Farmer Program, and enhanced strategic recruitment of Francophone workers/entrepreneurs and international students. To date, MOF has funded over 97 economic development projects throughout Manitoba.

- *Ontario*: Immigrant investor funds were used to finance the Innovation Demonstration Fund, as announced in the 2006 Budget, the Next Generation Jobs of Fund, and the Advanced Manufacturing Investment Strategy. Innovation Demonstration Fund is a 4-year investment program provided by the Ontario government. Its goal is to partner with innovative companies to develop emerging technologies, with a preference towards environmental, alternative energy, bio-products, hydrogen, and other globally significant technologies. The Next Generation of Jobs Fund is a 5-year program that supports new economy investment projects helping innovative companies. Finally, the Advanced Manufacturing Investment Strategy is a 6-year incentive loan program whose goal is to encourage companies to invest in leading-edge technologies and processes.

The Quebec model

Quebec also uses investor funds for economic development purposes. However, two differences distinguish the Quebec model from other provinces: the focus on small-business financial assistance and the collaboration between Investment Quebec and financial institutions in helping to identify small businesses for financial assistance. In Quebec, investors are given a term note of $400,000, which they can recuperate in full five years later. This is equivalent to providing an initial capital of $320,000 to $340,000, depending on the market interest rate, which can then be invested at the market interest rate to generate the initial amount of $400,000. Thus, the actual value of the investor contribution equals $60,000 to $80,000, and is distributed as follows:

- 46% is invested in Quebec small- and medium-sized businesses. It must be noted that these small firms have no relation to the immigrant investor who provides these funds;

- 44% is the share of financial institutions, who both recruit immigrant investors abroad and prepare financial assistance dossiers of candidate small- and medium-sized businesses in Quebec;

- 5% goes to Investment Quebec, who approves and manages these financing operations;

- 4% is paid to a program that aims at integrating immigrants and visible minorities in the Quebec labour force;

- 1% is received by the Quebec Ministry of Immigration.

To summarize, provinces that participate to the Program have implemented various initiatives to enhance the economic contribution of funds provided by immigrant investors. In many cases, concrete projects were implemented, whether in business sectors or infrastructure, resulting in positive economic spin-offs which add up to the direct effect of investor’s initial contributions. However, the information on these initiatives and their results is uneven across provinces, and somewhat vague in some instances. As such, the general public would benefit from improved transparency and reporting of these development activities and their impact.

Profile of Canadian immigrant investors

This section comprises two parts. Firstly, we present a survey of the personal and economic activities of immigrant investors. To our knowledge, this is the first time that such a characterization has been performed. Secondly, we summarized case studies of three families of immigrant investors.

Survey results

So far, there exists almost no information on personal and economic activities of Canadian immigrant investors. Most accounts of their presence in Canada, or lack of it, and of their living patterns are based on anecdotal evidence. To overcome this hurdle, we have conducted a survey of these immigrants. It must be underlined that in general, these individuals are highly mobile, quite busy, and often travelling around the world, which makes them very hard to reach, and even more to get them to fill out a survey. Nevertheless, it was important to conduct a survey that was as thorough as possible in order to generate concrete information on their activities and economic contribution to Canada.

To this aim, we conducted a web-based survey to collect information on socio-demographic, personal, and economic activities of immigrant investors landing in Canada as permanent residents. These immigrants landed in Canada over the past decade and were identified by the client lists of four financial institutions. The survey process was the following:

- these financial institutions sent a letter to immigrant investors inviting them to log onto the survey website;

- each targeted respondent was given a personal access code allowing him or her to enter the survey website to fill out the questionnaire (available in English, Chinese, and Korean). Financial institutions were provided with the personal access codes of respondents, which enabled them to identify non-respondents for follow-up purposes. We then accessed the original database, which only included de-identified information;

- as responses were provided, they were automatically transferred to an Excel file, from which result tables were compiled;

- the survey was posted online from October 5, 2009 through February 1st, 2010. After three weeks, reminders were sent to non-respondents inviting them again to fill-out the survey.

The full survey questionnaire is available in Appendix 1. It contained a total of 20 multiple-choice questions divided in the following three sections:

1. socio-demographic characteristics (questions 1-4): gender, age, landing year, and region of origin;

2. personal activities in Canada (questions 8-11): province of residence, time spent in Canada by respondents, number of dependents, educational profile of dependents, and time spent in Canada by their children;

3. economic activities in Canada (questions 12-20): housing patterns of respondents, respondents' participation in philanthropic activities, value of respondents' personal assets, and occupational status. For self-employed respondents, we also inquired about their business sector, their number of workers, their business relationships with other Canadian companies, and the value of their investments.

Overall, 107 immigrants responded to the survey, which provides a margin of error of 9.5%, at a 95% confidence level[5]. Note that these results cannot be generalized to the entire population of immigrant investors. Also, a non-response bias could be present, as interpersonal differences may exist between individuals who answered the survey and those who did not. Nevertheless, these findings are generally consistent with the overall profile of immigrant investors in terms of age, gender, and country of origin. As such, they are certainly informative, and constitute a valuable insight on the activities of these immigrants in Canada.

Socio-demographic characteristics

Table 3 presents the socio-demographic characteristics of respondents. A total of 92% of respondents were men. About nine out of ten respondents were 40 and 69 years of age, reflecting the fact that at these ages, they are likely to be in a better financial position than individuals from other age groups. This result is consistent with CIC statistics, which indicate that about 86% of immigrant investors (principal applicants) are men, and upon their arrival, immigrants aged from 40 to 69 years old comprise 77 % of the total.

More than three quarters of surveyed immigrant investors landed in Canada between 2005 and 2009, which simply reflects the fact that their recent arrival is likely correlated with the fact that their contact information is updated and their interest in participating to this consultation. Consistent with global immigration trends for these investors in Canada, respondents primarily originated from the Asia and Pacific region (63%), followed by Europe (19%), and finally Africa and the Middle East (10%) and the Americas (8%).

[5] Therefore, if the proportions of respondents to a given question are separated by more than 9.5%, this difference may be considered statistically significant. For example, if the result of a yes-no question is 60% yes, 40% no, the difference between both answers is 20%, which is statistically significant as it exceeds 9.5%.

Table 3. Socio-demographic characteristics (N=107)

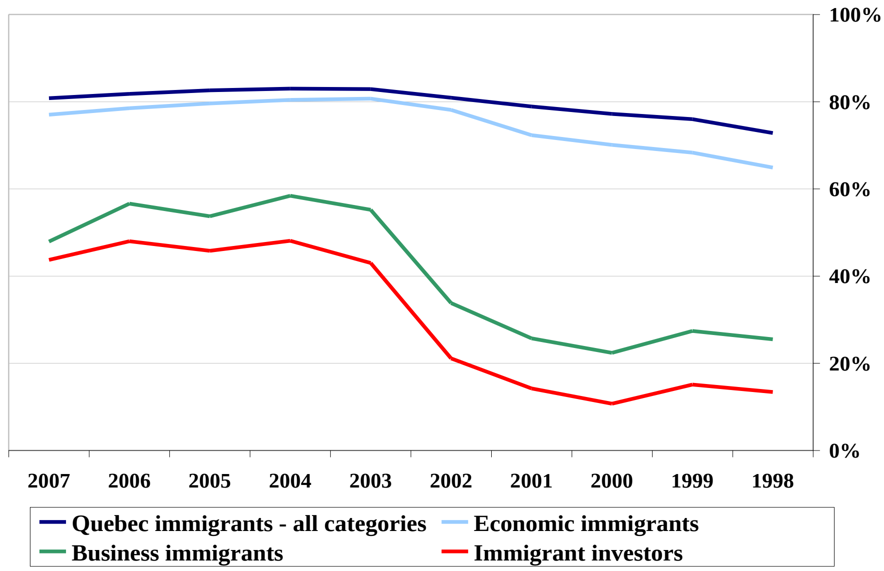
Characteristics	N (%)*
Gender	
Man	98 (91.6%)
Age, years	
25 - 39	6 (5.6%)
40 - 54	63 (58.9%)
55 - 69	35 (32.7%)
70 and over	3 (2.8%)
Landing Year	
2005 - 2009	83 (77.6%)
2004 - 2000	10 (9.3%)
1999 or before	14 (13.1%)
Region of Origin	
Africa and Middle East	11 (10.3%)
Asia and Pacific	67 (62.6%)
Europe	20 (18.7%)
Americas	9 (8.4%)

* Numbers may not add up to 107 respondents because of missing entries in some questions.

Presence in Canada and provincial distribution

Contrary to popular belief, a majority of respondents (82%) reside in Canada on average between 10 and 12 months a year (Table 4). In addition, another 11% of respondents indicated that they stay in Canada for 7 to 9 months a year. The only official and comparable figures on this topic come from the province of Quebec, where about half of all immigrant investors who landed in Canada since 2003 still lived in the country in 2007 (Figure 12). Our survey results give a higher estimate on a national basis of the proportion of immigrant investors who reside permanently in Canada compared with statistics from the province of Quebec.

Figure 12. Presence of immigrant investors in Quebec by year of landing in Canada



Source: Immigration Québec.

As expected, British Columbia, Ontario, and Quebec were the main choice of residence of the surveyed immigrant investors. In particular, British Columbia welcomed 59% of respondents, which is partly explained by the province's close proximity to Asia and Pacific, the most frequent region of origin of immigrant investors.

Table 4. Presence in Canada and distribution

Characteristics	N (%)
Average Months per Year in Canada	
0 - 3	4 (3.8%)
4 - 6	4 (3.8%)
7 - 9	11 (10.5%)
10 - 12	86 (81.9%)
Province of Residence	
British Columbia	62 (59.0%)
Ontario	17 (16.2%)
Quebec	15 (14.3%)
Others	11 (10.5%)

Children of immigrant investors

The surveyed immigrant investors had on average 1.6 children (Table 5), which is one less than the overall average of 2.7 children according to overall statistics from CIC. These children overwhelmingly spent most of their time in Canada (96%) and more than half of them currently study in Canada. Almost half of the respondents' oldest child studies at the university level (46%), with smaller proportions attending high school (18%) or elementary school (25%). Similarly to their parents, nearly all the immigrant investor's children lived in British Columbia, Quebec, and Ontario.

Table 5. Characteristics of respondents' children

Characteristics	N (%)
Number of Children per Respondent	
0	19 (17.0%)
1	38 (33.9%)
2	35 (31.3%)
3	9 (8.0%)
4 or more	11 (9.8%)
Currently Studying in Canada	
Yes, all of them	34 (37.4%)
Yes, some of them	45 (49.5%)
No	12 (13.2%)
Academic Level of Oldest Child	
Elementary	7 (11.5%)
High School	15 (24.6%)
Professional School	11 (18.0%)
University	28 (45.9%)
Average Months per Year in Canada	
7 - 9	3 (4.3%)
10 - 12	67 (95.7%)
Province of Residence	
British Columbia	40 (55.6%)
Ontario	10 (13.9%)
Quebec	13 (18.1%)
Others	9 (12.5%)

Economic activities in Canada

Immigrant investors were economically active in Canada (Table 6). About 90% of them bought an apartment or house after settling in the country, and 80% participated in philanthropic activities by donating their time and/or financial support to a charity organization. A larger proportion of respondents (63%) reported that the market value of their personal holdings and assets in Canada, including that of real estate, was estimated between $100,000 and $999,999. A smaller proportion of respondents (28%) had holdings or assets worth more than a million dollars. Finally, 55% of respondents were self-employed, while 28% were retired. About 7% of them were seeking work.

Table 6. Economic activities in Canada

Characteristics	N (%)
Own an Apartment or House in Canada	
Yes	75 (90.4%)
Time or Financial Support of Charity Organization	
Yes	65 (80.2%)
Value of Personal Holdings or Assets in Canada	
$0 - $99,999	9 (9.2%)
$100,000 - $999,999	62 (63.3%)
$1 million - $5 million	24 (24.5%)
More than $5 million	3 (3.1%)
Respondent's Current Economic Status	
Self-employed	58 (55.2%)
Employed	11 (10.5%)
Unemployed	7 (6.7%)
Retired	29 (27.6%)

The rest of the survey focused on self-employed respondents, that is, 55% of immigrant investors. While self-employed respondents operated across a broad range of business sectors, most of them (60%) employed between 5-99 persons. About 71% of respondents conducted all of their business activities outside of Canada. This figure also explains the fact that two thirds of respondents did not have any business investment in Canada. Of those who did, 20% had investments valued between $1 and $999,999, while 13% respondents estimated theirs at $1 million or more.

Table 7. Business activities of self-employed respondents

Characteristics	N (%)
Business Sector	
Agriculture	1 (1.8%)
Manufacturing	7 (12.7%)
Construction	11 (20.0%)
Retail	3 (5.5%)
Finance	3 (5.5%)
Trade (Export, Import)	4 (7.3%)
Other services	26 (47.3%)
Number of Employees	
0 - 4	14 (26.9%)
5 - 99	31 (59.6%)
100 and more	7 (13.5%)
Work with Canadian Businesses	
Yes, most of my business is conducted in Canada	8 (14.5%)
Yes, some of my business is conducted in Canada	8 (14.5%)
No, I conduct all my business in other countries	39 (70.9%)
Value of Business Investments in Canada	
$0	36 (66.7%)
$1 - $999,999	11 (20.4%)
$1 million - $5 million	6 (11.1%)
More than $5 million	1 (1.9%)

Several key observations stem from these results:

- The responding immigrant investors were generally present in Canada (82%), with almost all their families being present for more than half of the year. About nine of ten respondents bought a home or apartment in Canada;

- Most respondents had families, as they averaged 1.6 children each. Almost 90% of their children attended school in Canada;

- Immigrant investors owned significant assets in Canada. Specifically, 91% had personal assets exceeding $100,000, including 28% who owned assets valued at more than $1 million;

- Among self-employed immigrant investors, who represented 55% of respondents, some 30% were active in business in Canada, with 12% having invested more than $1 million in business assets;

- These results are consistent with CIC global statistics in terms of the age, gender, and country of origin of immigrant investors. Our survey results show a higher proportion of immigrant investors residing in Canada on a long term basis than other findings. Immigrants from the Asia and Pacific region were under-represented. Thus, these answers provide adequate information on immigrant investors who are present in Canada, yet fail to capture sufficient data on those who are not present.

Case studies

In addition to the survey, we also contacted three families to gather their personal views on 1) their experience as immigrant investors: how they learned about the Program, the acceptance process, their arrival in Canada, etc.; 2) their current activities in Canada, both personal (if they bought a house, have children who study, etc.) and economic (work, business initiatives, etc.); and 3) their overall evaluation of the Program, both personally and as an economic initiative for Canada. These families are not identified by name in the study report, and some of their characteristics were eluded to preserve the confidentiality of their responses.

Case One

This first family lives in the Montreal Metropolitan Area. They learned about Canada's immigrant investor program through newspapers' advertisements in Asia. After an initial visit, they applied for the permanent residency in Canada as immigrant investors. Their overall assessment is that "[it] could get much better…there are way too many hurdles to overcome in order to pursue the Program". Their immigration process took approximately 5 years. The lengthy procedure is seen as a major problem and was deterrent to potential applications according to the principal applicant, who cited some of her friends' experience. In addition, a substantial number of documents and forms were required before and during the application process. Following their arrival in Canada, they deplored the lack of effective methods or programs to facilitate the social and cultural integration of newcomer investors. However, resources for business information were substantially provided in a variety of ways. They bought a single family house and a car after their settlement. They are both self-employed in their hotel business. They have one child currently enrolled in elementary school.

Case Two

After a thorough research over the internet of immigration programs from different countries, this second couple chose Canada over Australia and New Zealand for several reasons among which the most important were that (1) Canada has a history of respecting human rights, (2) English is the official language of Canada, (3) there is high respect of the rule of law in Canada, and (4) Canadians are open to immigrants. They applied through the Canadian embassy in Berlin as Germany was their country of residence, and as they heard that the Berlin embassy had the shortest-processing time of immigration cases, estimated at nearly 15 months. After 2 years, they received an approval for their application, soon landed in Vancouver and rented an apartment. Provincial and municipal officials were less helpful in providing business-related information making them turn to federal programs. Although the immigration process with their financial intermediary was very well organized in terms of administrative provisions, the financial intermediary did not assist in developing business relationships or offer any advice in business financing.

Case Three

This third family first landed in Canada during the father's sabbatical year in order to explore new business possibilities and eventually immigration opportunities. After their arrival in Vancouver, the husband opened a bank account and was further offered information on immigration services. After a thorough research into immigration option plans, the family decided that the immigrant investor program was best fit to their profile and needs. Afterwards, immigration procedures were started with their bank. This family had several reasons for becoming Canadian immigrants, namely achieving a better quality of life and security, having access to new professional and educational opportunities, experiencing multicultural coexistence, attaining greater stability economically, socially, and becoming citizens of a first class country where the rule of law and respect of rights and obligations prevails.

Overall, the immigration process was very satisfactory. This family estimates that each of their individual goals and projects was successfully met, however gradually. One particular hurdle along the way was the fact that the husband experienced a number of challenges in doing business in Canada. These challenges were particularly exacerbated by differences in economic, social, and cultural behaviours. Using his privileged financial position and his financial advisor's guidance, the husband was able to overcome most difficulties. The couple and their three children live in Vancouver, where he holds an executive position in his private company.

Summary

The main takeaway points from these conversations were:

- all three families established their permanent living arrangements and activities here;

- they chose Canada essentially for its main intrinsic qualities: business and educational opportunities, acceptance of foreign cultures, economic and social stability, respect of the law and of individuals;

- overall, the process is viewed as heavy, challenging, and lengthy. Opportunities to streamline and improve the Program's efficiency should be considered;

- all have experienced sizeable challenges before or when arriving in Canada, either with the Program's process, or with personal or business integration. Here again, government actions may be improved on this aspect;

- two out of three families have children who go to school in Canada.

The economic impact of the Program

Economic impact: key concepts

For an economic impact to exist there must first be a "project", a government "program", or any other form of social or economic "change": new industrial development, product launch, new law, etc. The materialization of such a project or program implies various changes to the economic situation of individuals, businesses, and government organisations, which may be observed as economic benefits or costs, or both at the same time.

Currently, the project in question is the Program. Of note, this study does not aim to evaluate the impact of the government's intervention on beneficiaries versus non-beneficiaries, which is called 'impact evaluation' and is an entirely different exercise. Rather, the objective is to assess the net effect of the Program's existence on the Canadian economy.

To evaluate the economic effect of the Program like this one, we need to consider the state of the economy in the presence of the Program and compare it to the state of the economy in its absence. The difference between these two states is the net effect of the program. Before the Program's initiation, the economy is in equilibrium, and evolving normally. Upon implementation, the Program modifies the previous economic balance: new individuals and their families arrive in Canada, provide new benefits to their adoptive country, and also cause new costs. As a result, there may be a net benefit or a net cost compared to the pre-Program situation for some, while there may be no economic effect for others. The overall sum of benefits minus costs for all economic actors represents the economic impact of the Program.

The notion of economic impact should not be confused with that of economic spin-off, which is simply the amount of spending in a specific geographic region associated with a project or program. Economic spin-offs are useful for understanding the size of the economic activity associated with a particular project. For example, if one project represents economic spin-offs of $10 million and 240 jobs in a given region, while another provides spin-offs of $25 million and 500 jobs, one can say that the second initiative generates more economic activity than the first. However, economic spin-offs provide no indication of the relevance of projects or programs. Indeed, every activity generates economic spin-offs, because every activity involves some form of spending or resource consumption.

In the present study, as in any other project analysis, the main question is whether the Program is worth undertaking compared to the best alternative option. Therefore, the analysis focuses on its contribution to the Canadian economy, which would not have materialized in its absence. Of note, an important question is whether in the absence of the Program, the same number of immigrants would have been admitted, but through different programs. On this, we believe that the vast majority of immigrant investors would simply not have entered Canada otherwise, simply because the Program is more costly, both monetarily and in time, than any other economic immigration alternative. Therefore, these immigrants chose the Program because they probably cannot enter Canada via another less costly option. Also, the entry of other economic immigrants is essentially limited by CIC's processing capacity and by immigrants' characteristics, which means that in the current setting, the same volume of other immigrants would likely be admitted in Canada. Nevertheless, assuming a redistribution of processing resources, it is possible that the entry of immigrant investors may have prevented some individuals to land in Canada, in which case an incremental net benefit of immigrant investors versus 'other' immigrants could have been estimated: difference in productive contribution, consumption patterns, social costs, etc. Our approach did not follow this route, as we concentrated on estimating the net economic contribution of current flows of immigrant investors.

The benefits and costs of the Program

The economic impact of the Program is evaluated as it materialises in 2009. Benefits and costs are computed on an individual basis for each immigrant investor family. Thus, no discounting of these net effects is performed.

The benefits and costs of the Program listed and described below:

Benefits

- Direct foreign cash inflows: unlike other immigrant categories within the Canadian system, immigrant investors are required to provide an initial monetary contribution as a condition to obtaining their permanent residence. Since 1999, this contribution has been set to $400,000, and is given in exchange for a 5-year promissory note, which is essentially a term bond that allows the immigrant investor to recuperate this same amount in capital at maturity.

- Productive use of investor funds: this impact amounts to the net additional contribution of these funds to the economy, as they are invested in profitable activities.

- Acquisition of personal assets (houses, cars, etc.) and personal consumption items: when immigrant investors establish their families in Canada, they buy houses, cars, and other personal consumption items, and invest assets in the Canadian financial system. These purchases require an additional domestic production that would not have been generated otherwise, which benefits the economy.

- Net productive contribution of immigrant workers and entrepreneurs: as several immigrant investors work in Canada as entrepreneurs or employees, they provide a particular know-how, cultural, and productive contribution over and beyond the value of their work and that would not have been generated otherwise. For instance, immigrants tend to develop economic ties with their origin country, which translates into international trade activities.

- Integration of second-generation immigrants in Canadian labour force and society: with second-generation immigrants staying and studying in Canada, many of them will eventually become part of the productive workforce, and thus contribute to broadening the pool of skilled workers in Canada. Also, this group would eventually repatriate funds from their country of origin.

Costs

- Program management costs: administrative tasks must be performed by federal and Quebec governments for immigrant investors to choose Canada, namely to identify, select, and welcome immigrants, as well as plan immigration levels and policies.

- Social and public costs: immigrant investors and their family members will consume public services such as health care services and infrastructure, and some may have problems with the law. As a result, society will have to assume additional costs to provide the public services necessary to meet these additional needs.

Of these inputs, only cash inflows and management costs can be quantified with reasonable precision, while reliable and complete data is lacking for other items. Considering these limitations, as well as the nature of these economic effects, this impact assessment can be broken down as such:

Benefits – Costs =

[Foreign cash inflows – Program costs]
+
[Productive use of investor funds]
+
[Asset purchase and consumption + Production + Integration – Social Costs]

The first expression represents the basis of the Program's economic impact from a program management perspective. To enter Canada, each immigrant provides a direct injection of new money to the country. To receive this money, Canadian governments (federal and provincial) must perform administrative duties at a certain cost. Both of these main effects can be assessed using overall data on the Program, specifically on immigrant flows, cash flows stemming from the Program, and administrative costs.

The second expression represents additional leverage of the Program. So far, outside of Quebec, some initiatives were undertaken, yet their results were not always systematically monitored.

The third expression consists of less documented or intangible elements, which vary with each immigrant's situation and are not recorded in any database. Therefore, our goal was to provide as much factual information as possible, notably through a survey, in order to appreciate the nature and economic importance of these elements.

Direct economic impact of the Program – Management perspective

Table 8 describes the economic impact of the Program for each new family from a program-management perspective. The initial cash inflow to the provincial economy is equal to the initial $400,000 investment, minus the value of promissory note and administrative costs. The value of the promissory note depends on the current interest rate: the higher the rate, the higher the foregone interest and, therefore, the lower the note's value. For example, at a 4% interest rate, the note is valued at $328,771. Program costs were estimated at $26,400 per family (average size: 3.7 persons), based on (a) the average federal cost per landed immigrant, excluding refugee costs, and (b) the average Quebec costs per new immigrant, which are higher than in other provinces due to language programs[6]. Therefore, the net economic benefit of the Program from a management perspective amounts to approximately $45,000 per family. The main source of value is the direct foreign contribution ($71,400), which is unique to this category of immigrants, and far outweighs the Program's estimated administrative costs ($26,400).

Table 8. Direct economic impact of the Program – Management perspective

Benefits	
Initial investment	$400,000
Costs	
Promissory note (given to the investor, 4% interest)	$328,771
Program management (CIC, provinces)	$26,437
Net benefits per family	**$44,792**

Note: The value of the promissory note depends on the market interest rate, which is assumed to be 4% in this calculation. Therefore, the difference between the initial $400,000 paid by the investor and the value of the promissory note is equal to the foregone interest over a 5-year period.

Use of investor funds

It is not possible to precisely estimate the additional economic impact resulting from the use of investor funds, due to the lack of available information. In principle, this impact would amount to the net additional contribution of these funds to the economy, as they are invested in profitable activities. In the present instance, the only province with a systematic monitoring of such investments over the years is Quebec. Table 9 below presents the net economic contribution of this financial assistance from 2002 to 2008.

[6] As such, this is a limitation of our analysis, as the precise costs of the Program were not available.

Table 9. Economic spin-offs of net investor contributions in Quebec

Business Contributions 2001-2008 (M$)	**378.6**
New jobs	6,058
Economic activity (GDP, M$)	432.7
Fiscal revenues (M$)	
Federal gouvernment	68.1
Provincial gouvernment	72.1
Revenues and expenditures of the Quebec gouvernment (M$)	
Revenues from immigrant contributions	
Emploi Québec (PRIIME)	9.5
Investissement Québec	41.2
MICC	8.2
Other fiscal revenues	
Business receiving financial assistance	72.1
Financial intermediaries	22.7
Total revenues (direct and other)	153.7
Estimated program expenditure	22.4
Estimated net revenues (M$)	131.4

Source: Investment Quebec, author calculations.

The financial assistance to small firms of Quebec has generated in excess of 6,000 net full-time-equivalent jobs, as well as an economic production exceeding $430 million. Of this last figure, both government levels recuperated an estimated $130 million in direct and indirect revenues, after subtracting Program expenditures in Quebec. When converted on a per-family basis, this amounts to approximately $30,000 in economic activity and 0.5 full-time-equivalent jobs.

Note that companies who benefit from these subsidies have nothing to do with the immigrant investors themselves. As such, this impact occurs in addition to any economic activity of these immigrant investors. Also, economic spin-offs of similar activities in other provinces were not calculated and neither was the effect of any alternative use of these funds in Quebec.

Economic activities of immigrant investors in Canada

The most significant form of net additional contribution to the economy, over and above the value of net investor contributions and their positive effect on businesses, are personal consumption and investments by investors themselves. On this subject, survey respondents provided the following indicators:

- 63% had bought personal assets in Canada between $100,000 and $999,999, and 28% owned assets valued at more than $1 million;

- About 55% of respondents were self-employed, with 20% having invested $1-$999,999, and 13% having invested more than $1 million in business assets in Canada.

Therefore, a rough calculation indicates that the average respondent had undertaken personal and business acquisitions in Canada totalling approximately $721,500[7]. While the survey may overestimate the presence of immigrant investors in Canada, even half of this result would remain a sizeable contribution to the economy.

This result does not include personal spending on consumer goods and services. Also, it does not consider the positive economic contribution of immigrant investors employed in Canadian enterprises, nor does it account for the social costs (health care, infrastructure, etc.) associated with their presence. Based on the above results and given the profile of the average immigrant investor family, it is reasonable to assume that these last intangible elements likely represent a net benefit to the Canadian economy, rather than a net cost.

Summary

In summary, the average immigrant investor family generates a direct impact ranging from $770,000-$800,000, and broken down as such:

- $45,000 upon entry into Canada;
- between $0 and $30,000 in indirect benefits to the business community;
- $721,500 in durable expenditures, consisting of personal and business asset acquisitions.

Considering that about 2,500 immigrant investor families enter Canada each year, this means that the Program provides an annual economic contribution of $1.9 to $2 billion to the Canadian economy.

Again, this impact is direct, and does not account for the balance in terms of economic, social, and human contribution versus associated costs. On this subject, we believe that the balance of intangibles, that is, personal consumption, productivity, and human contribution versus social costs, as well as the integration of the second generation, indicates that these other impacts are substantially positive for the Canadian economy.

[7] 63% x $500,000 + 28% x $1 million + 55% x (20% x $500,000 + 13% x $1 million) = $721,500.

Prospective analysis

In recent years, the number of applications to the Program has grown considerably faster than Canada's current capacity to treat these demands. As a result, thousands of valid candidates remain on hold, waiting for an answer and, in some cases, possibly making alternative plans. In this context, this fourth section addresses questions relative to the future balance between the demand for immigrant investors by Canada and other countries, and the available pools of this clientele.

The demand for immigrant investors: economic needs, international programs and policies

Economic needs

In targeting specific groups for immigration (e.g., investors, entrepreneurs, specialized workers), Canada expects that the eventual economic and social contribution of these new immigrants and their families will contribute to alleviate some of its global economic challenges. Of note, even all immigrant groups combined cannot possibly turn around such strong trends. However, one can reasonably hope that the entry of immigrant investors can positively contribute in this context, and not the opposite.

First, nearly all advanced countries are facing rapid demographic decline in the coming decades. Specifically, low birth rates and an aging population may lead to labour and skill shortages, loss of productivity and competitiveness, pressure on public finances, etc. Indeed, the birth rate in Canada has consistently fallen over the years. As a result, the Canadian population has been growing slower than what is required to naturally replace its population (2.1 children per woman according to Statistics Canada). Efforts to increase fertility levels have resulted in increased births over the last five years, particularly in Quebec and Alberta, mainly due to governmental programs and financial stimuli. However, at 1.59 children per woman in 2006 (latest estimation by Statistics Canada), the Canadian birth rate is still low. At the same time, the senior population is the fastest growing demographic group: in 2008, about 14% of Canadians were 65 years or older, up from 8% in 1971. According to Finance Canada, by 2050, the ratio of working age Canadians per person of retirement age is expected to decrease to 2.5 economically-active persons per senior, compared to about 5 today.

As a result, two main issues are emerging: maintaining high living standards and reducing specialized labour shortage. In both instances, immigrant investors may provide a valuable contribution, both through their business ventures, employment, and/or acquisitions. Also, in terms of age structure, nearly three quarters of PAs are less than 50 years old, and most of them have two children.

Second, disrupted financial markets in the second part of 2008 have led to a global recession, which has shown to a great extent the fragility of world economies. Canada was among countries that fared better than average during the economic downturn and, according to recent statistics, the recovery has begun. This situation presents a real opportunity for Canada to build on its existing strengths, notably financial stability and sound macroeconomic policies. These advantages are particularly important, as Canadian governments have enacted stimulus programs, notably undertaking major infrastructure investments, and expect private economic growth and investment to follow. In this context, the initial investment and private wealth of immigrant investors does contribute to economic growth in Canada. Therefore, increasing pools of fund providers would be a worthy contribution in this perspective.

Third, there is a need to plan ahead for long-term economic growth as the global economy continues its transformation. With the rise of new emerging economic powers and the ever-growing integration of world trade, firms now compete on global markets, and must plan their strategies accordingly. Notably, immigrants tend to develop more ties with their former home country than local workers, which tends to increase the volume and value of international trade.

In addition, environmental and technological issues will become ever more present in all sectors of the economy and our lives. Ultimately, Canada's future economic health will depend on the ability of firms to adapt to these massive and rapid changes and bring their own innovations to market. In this context, the roles of knowledge, education, and research become paramount, as specialized and skilled workers will comprise an increasing share of the labour force.

On this subject, family income and parental education are two phenomena that contribute most positively to the likelihood that a child will enter a university and obtain a diploma. Most immigrant investors are wealthy, arrive in Canada between 40-49 years old, and have children who attend Canadian schools, colleges, and universities. Therefore, their demographic profile and their favourable economic situation both represent positive elements for Canada's future.

In summary, the Program positively affects all above-mentioned economic issues. First, it attracts foreign cash flows upon entry of immigrant investor families in Canada. Second, it can have additional positive impact depending on how investor funds are used. Third, it results in several other economic effects, such as purchases of personal and business assets, as well as personal consumption items. Furthermore, their age and family profile, as well as the presence of their children in the Canadian school system, are positive news considering current economic challenges.

International programs and policies

As other countries also face similar economic and demographic challenges, they have implemented similar international immigration initiatives aiming at attracting wealthy individuals. These programs have a few features in common that make them fairly comparable from the point of view of a potential immigrant investor, yet there are several differences that can make these programs more or less efficient relative to each other. Table 10 compares the Canadian Program to its counterparts in the United States, the United Kingdom, Australia, and New Zealand.

The principal similarity among these programs is the requirement to invest a certain amount of money in the host country. However, the amount of investment, its duration, and conditions vary significantly from country to country, placing them in different niches on the "market for immigrants". For example, the New Zealand program is oriented towards extremely wealthy immigrants; an equivalence of C$1.8 million to 14.7 million has to be invested. The required amount is smaller in the other three countries (C$1.3 million in both Australia and the UK, and C$1 million in the US). Also, in Australia and the UK, a potential investor is expected to have a net worth equivalent to C$1.75 million – 3 million in cash or assets. These high financial requirements substantially limit the pool of potential immigrants to these countries compared to Canada, which asks for an investment of C$400,000 and a net worth of C$800,000.

Table 10. Comparative analysis of international investor-immigrant programs

Feature	Canada	USA	UK	Australia	New Zealand
Program start date	1986, modified 1999	1990			
Eligibility criteria	Invest, or intend to, the required amount and have required net worth	Invest (or in the process) the required capital into new enterprise: established, purchased, expanded by 140%, or troubled business recovered	Have the required amount to invest, and intend to invest it into required assets;	Invest in Australian Gov't bonds to qualify for investor visa	Have required investment and settlement funds;
	Obtain at least 35 points for experience, education, language proficiency	Prove benefit of new enterprise to US economy by creating at least 10 full time US jobs	Maintain themselves and family	Hold the bonds for 4 years for permanent residence; to be physically present in AUS 2 yrs out of 4	Age criteria, English proficiency, and maintain minimum residence in the country
Amount of investment	C$400,000	US$500,000 in targeted areas	Passive investor: £1M, of which £750,000, invested in bonds, companies, unit trusts, and £250,000 in other assets	AUD 1,500,000 (if not sponsored) or AUD 750,000 if sponsored	Global Investor: NZ$20 million, 4 yrs
		US$1 million elsewhere	Active investor: £200,000 in a new UK business		Professional investor: NZ$ 10 million for 2 years
					General active investor: NZ$ 2.5 million for 4 years
Net worth	C$800,000		Passive: £1 m funds in UK or £2 m assets and £1 m funds (via loan)	AUD 2,250,000 owned for at least 2 years prior to application (if not sponsored) or AUD 1,125,000 (if sponsored)	
Other criteria	To have business experience of ≥2 yrs within 5 yrs before applying		To spend most time in the UK	To have at least 3 yrs of business experience and successful career (no bankruptcies, etc.)	Age: to be up to 64 (professional) and 54 (general)
	To have experience in a qualifying business, role, and time		Active investor: create at least 2 jobs, work solely in the business,	To be under 45 (if not sponsored), under 55 (if sponsored)	Minimum stay from 73 to 146 days a year
					To have at least 4 yrs business experience
Stages	Permanent residence is given right away but is conditional on remaining in Canada 2 yrs out of 5	Conditional residence for 2 yrs, afterwards permanent residence	Initial permit (3yrs), extended permit (5yrs), permanent status	Investor visa (4 year), followed by permanent residence (as business owner or investor)	Initial residence permit (2yrs), returning residence permit (2yrs), indefinite residence permit
Interest rate paid to investors	None	Full	Full	Full	Full

This comparison raises interesting questions on the optimal contribution and wealth level for the Program. Indeed, these wealthy immigrants are in a real sense "buying" entry to the country and Canada should make sure that they are selling these spots to bidders (immigrants) who will contribute the most. If the initial contribution and/or wealth requirements were increased, what would be the effect on immigration demand? Canada would likely receive fewer applications, yet the resulting figure may still exceed CIC's capacity to process within a year. Also, note that the waiting time is also a constituent of the overall cost of immigration for these candidates.

Conversely, one needs to consider the evolution of the real economic effort involved for investor immigrants to pay their initial contribution of $400,000 (see Table 11). First, inflation has eroded the purchasing power of each dollar by about 20% over the past decade. Therefore, a $400,000 contribution in 1999 is worth about $100,000 more today (+24%). Secondly, one also has to account for the cost to the foreign investor of this initial payment. Taking the example of China, which is the largest source of immigrant investors, it costs 7% more renminbis for a Chinese immigrant to provide the initial contribution compared to 1999. Of course, this result varies with each country. In short, this issue of contribution and wealth requirements is not trivial, changes with each country's perspective, and would be worthy of further and careful investigation.

Table 11. Inflation, exchange rate and the level of initial contribution – 1999-2009

	1999	2009	Var. 1999-2009
Initial contribution	400,000 $		
Value in constant 1999 C$	400,000 $	321,801 $	-19.5%
Contribution indexed with CPI	400,000 $	497,202 $	24.3%
Canada-China exchange rate ($)	0.1795	0.1672	
Cost in renminbis			
Fixed contribution @ $400,000	2,228,412	2,392,344	7.4%
Contribution indexed since 1999		2,973,698	33.4%
Contribution @ $500,000 (2009)		2,990,431	34.2%
Contribution @ $600,000 (2009)		3,588,517	61.0%

Sources: Statistics Canada (inflation) and Bank of Canada (exchange rates).

Unlike Canada, all of the above-mentioned countries allow investor immigrants to keep the interest paid to their investments and only require that the money be invested in assets of these countries (bonds or companies, depending on the country). These two major differences represent both an advantage and a disadvantage for the Canadian program relative to other countries.

International investor immigrant programs also differ in the required involvement of investors. For example, the US program admits only "active investors" making the program oriented towards starting new businesses or helping in the recovery of struggling business and regions in the country. The US program provides very specific requirements on the type and location of admissible businesses. This reduces the possibility of fund misuse and makes the program fairly efficient in serving its goal. Investor immigrants in the US are expected not only to invest the money "at risk" (as opposed to depositing it into a corporate savings account) but also to actively participate in business decisions. The US program also specifies the requirement on the number, nature, and duration of new jobs created by an investor immigrant. The UK program specifically distinguishes between active and passive investors, but admits both types within the Tier 1 category. Active investors have lower requirements on their financial contribution, but are expected to manage the company they create or support, and to provide new jobs to the UK economy. These requirements make the US and the UK programs more comparable to the "entrepreneur" immigrant category in Canada.

Table 12. Comparative international experience

Feature	Canada	USA	UK	Australia	New Zealand
Number admitted since start of program	34,354	6,024			7,711
Number admitted recently	2,831 (in 2008)	806 (in 2007)	117 (in 2008)	4,251 (in 2005)	87 (in 2007)
Processing time	31 months		14 weeks	12 months	
Approval rate	84%	52.7% for new applications 66.6% for condition removals			
Primary location	BC, ON and QC	California - 41%, Maryland - 11%, Arizona - 8%			
Country of origin	Hong Kong - 40%, Taiwan - 32%	Asia - 83%, within Asia: Taiwan, South Korea, China (mainland)			China 43% during 2002-2008

Compared to other countries, applicants in the investor category to Canada should expect the longest processing time: on average, the waiting time is 31 months compared to only 14 weeks in the UK or 12 months in Australia. This represents a clear disadvantage of the Canadian program (Table 12), both in terms of the actual delays, and of the signal sent to potential immigrants versus other countries who process their applications more than twice as fast.

Another important feature of the Canadian program is that upon approval of a candidate, permanent status is granted right away. All other programs considered here include one or several intermediate stages before permanent status is granted. These intermediate stages last from 2 to 5 years, during which an investor immigrant has temporary status in a country. In order to obtain permanent status, candidates are expected to show that they satisfy the requirements of the program and intend to continue doing so. The requirements include minimum physical presence in the country, proof of investment of funds, and creation of new jobs, if applicable.

This absence of intermediate stages in the Canadian program makes it more attractive for potential investor immigrants, and at least partly offsets the cost of the waiting time. Permanent residency status in Canada is not completely unconditional, as it requires physical presence in the country for two out of five years for all categories of immigrants. From Canada's point of view, conditioning residency status on satisfying program requirements may improve the efficiency of the Program, especially considering the significant economic impact of this immigrant category.

In summary, the Canadian Program is clearly competitive vis-à-vis similar initiatives designed to attract wealthy immigrants throughout the developed world. This observation holds true when considering both the objective Program criteria and the flow of immigrant investors to Canada versus other countries. The Canadian Program's strongest asset is its relatively low financial requirements, which encourages younger cohorts of affluent individuals to choose Canada as a destination. However, its weakness is the waiting time, which has a detrimental effect on the quality of applicants.

The supply of immigrant investors: foreign investment trends, and pool of potential immigrant investors

Canada's attractiveness for future immigrant investors depends on the capacity and willingness of possible candidates to invest abroad and on the motivation to do so in the context of immigrating in Canada. From Canada's perspective, its main assets as a host country are its stable social and economic conditions, specifically in terms of macroeconomic conditions, political stability, a sound financial system, high living standards, quality of life, as well as a flexible and open business environment.

One way to measure the overall willingness to invest abroad is to examine flows of foreign direct investments (FDI). Globalization motivates investors to undertake FDIs to access foreign markets. As such, FDIs import some proven know-how and technology into host countries, which in turn provide workers and infrastructure to produce. Canadian FDI inflows and outflows increased substantially from 2005 to 2007. In particular, FDI flows into Canada reached nearly C$109 billion in 2007, a four-fold rise over 2005 inflows. Outward FDI have also risen to a great extent and have exceeded the inward stock since 1997. Canada has been a net receiver of FDI for the last few years. By attracting FDIs, Canadian businesses and consumers benefit from improved efficiency and productivity, as well as spillover effects due to technology or management transfers, and increased competition.

Table 13. Foreign direct investments (in- and outflows) – Canada

FDI flows	FDI inflow, $ mln			FDI outflow, $ mln		
	2005	2006	2007	2005	2006	2007
Canada	$26,967	$62,765	$108,655	$29,619	$39,117	$53,818

Source: United Nations Development Programme.

The future supply of immigrant investors will also be contingent on the pool of wealthy individuals in the world with emigration prospects. According to the 13th annual World Wealth Report published by Capgemini and Merrill Lynch, the world wealth and high net worth population plummeted below 2005 levels at the end of 2008. Worldwide, there were 8.6 million individuals with net assets of at least $US 1 million, excluding their primary residence and consumables. In 2008, the US, Japan and Germany accounted for 54% of the world's high net worth individuals population, and China did better than the UK to become the fourth largest country with millionaires.

Between 2000 and 2007, the worldwide financial wealth of a high net worth individual (HNWI) grew by an average of 7%. During this period, the wealth of HNWIs from Asia and the Pacific region rose by 10.3% while that of HNWIs from North America increased by 4.9%. Whereas North America still accounts for the highest number of HNWIs, Asia has been closing the gap over the years. For instance, India and China have led all other countries in the growth of the number of HNWIs between 2002 and 2007, with respectively an average growth rate of 19.8% and 14.9%. Two emerging countries, Brazil and Russia, score the next highest growth rate of HNWIs, that is, respectively 13.9% and 11.3% throughout this period. Despite the economic downturn in 2008, the number of HNWIs from Brazil, India, and China still grew by more than 10% on average, more than any other country between 2002 and 2008 (Table 14).

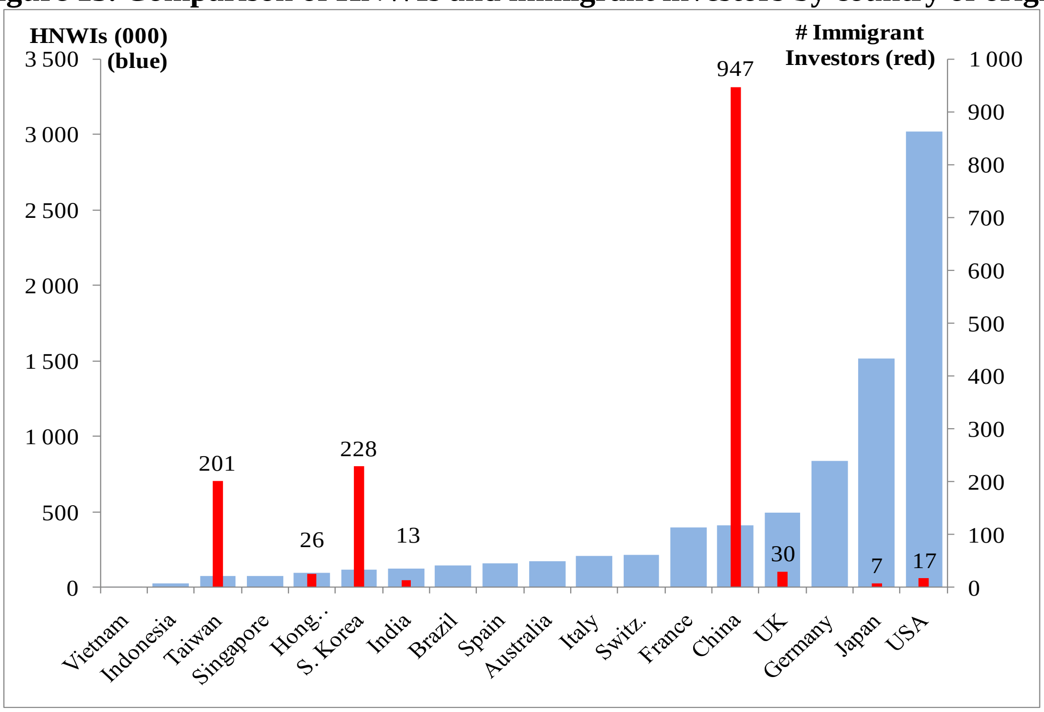
Table 14. Number of high net worth individuals (HNWIs) per region – Millions

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Africa	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Middle East	0,3	0,3	0,2	0,2	0,3	0,3	0,3	0,4	0,4
Latin America	0,3	0,3	0,3	0,3	0,3	0,3	0,4	0,4	0,4
Asia-Pacific	1,6	1,7	1,9	2,1	2,2	2,4	2,6	2,8	2,4
Europe	2,2	2,2	2,2	2,5	2,6	2,8	2,9	3,1	2,6
North America	2,5	2,5	2,5	2,5	2,7	2,9	3,2	3,3	2,7
Total	**7,0**	**7,1**	**7,2**	**7,7**	**8,2**	**8,8**	**9,5**	**10,1**	**8,6**

Source: Capgemini and Merrill Lynch.

When comparing the number of HNWIs in different countries, especially in Asia, to the number of Canadian immigrant investors originating from these nations, we observe that Canada's Program has significant room to grow (Figure 13).

Figure 13. Comparison of HNWIs and immigrant investors by country of origin



Source: Capgemini, Merrill Lynch and CIC.

In 2007, the four top countries of origin of immigrant investors were China (947 immigrant investors), South Korea (228), Taiwan (201), and Hong Kong (26). The number of HNWIs in these countries during 2007 was 413,000 in China, 118,000 in South Korea, 71,000 in Taiwan, and 95,000 in Hong Kong. As such, Canadian immigrant investors from these top four countries of origin accounted for less than 1% of HNWIs in each country. In addition, several other countries have large pools of HNWIs that remain untapped by the Program. Specifically, countries like India (123,000 HNWIs), Brazil (143,000), Spain (161,000), Australia (169,000), and France (396,000) had no immigrant investor in 2007, despite each one being home to tens of thousands of HNWIs. Of course, several personal, social, cultural, and political considerations enter the decision to immigrate besides the required funds. Nevertheless, there remains substantial opportunity for attracting more wealthy investors to Canada, either through Program improvements or increased recruiting abroad.

By 2013, the Asia-Pacific region is expected to lead North America in wealth growth. Strong economic growth in Asia during the past years has created a greater pool of prospective immigrant investors. These trends are consistent with the fact that over the majority of newcomers in Canada were originally from Asia. Moreover, as Asia grows, we might even start to see a reverse in the flow of immigration. As the global economy rebounds, Canada could further reap the benefit of attracting immigrants from an expanding pool of international investors.

Conclusion and recommendations

This report analyzed the economic impact of the Immigrant Investor Program ("the Program"). Firstly, we presented the Program and described its results over the years. Specifically, we profiled immigrant investor flows to Canada since 1986, and examined the process through which they entered Canada. We also presented the inner workings of the Program, including a discussion on the use of investor funds, which varies across provinces.

Secondly, we profiled the personal and economic activities of immigrant investors in Canada, using a survey, pertaining to the presence of immigrant investors and of their families in Canada, school attendance by their children, acquisition of personal assets, and business activities and investments. Also, we conducted case studies of families who have chosen Canada as their new home country and described the challenges they experienced in the process.

Thirdly, we estimated the economic impact of the Program. To do so, we roughly identified and quantified the economic benefits and costs associated with the arrival and settlement of immigrant investors in Canada. The three main sources of economic impact are their net contribution upon entry in Canada, the additional economic spin-offs resulting from the use of investor funds, as well as their acquisition of significant personal and business assets.

Fourthly, we looked at the main trends underlying the future evolution of the demand and supply of immigrant investors in Canada. On the supply side, we reviewed the evolution of the pool of wealthy individuals worldwide, while on the demand side, we analyzed future economic needs in Canada, and existing international programs and policies that aim to attract these investors.

The main findings of our analysis can be summarized as follows:

- The Program clearly constitutes a positive economic initiative for Canada. Considering that about 2,500 immigrant investor families enter Canada each year, this means that the Program provides an annual economic contribution of $1.9 to $2 billion to the Canadian economy. While the Program structure is beneficial as soon as these immigrant investors land in Canada, the main economic benefits stem from their acquisition of valuable assets in Canada. Therefore, the primary distinctive feature of these immigrants, i.e. their wealth, is indeed the main source of economic impact associated with their establishment. These benefits clearly outweigh the associated costs, both in terms of monetary benefits and when considering additional intangible elements.

- The Canadian Program is clearly competitive vis-à-vis similar initiatives designed to attract wealthy immigrants throughout the developed world. This observation holds true when considering both objective Program criteria and the flow of immigrant investors to Canada versus other countries. Compared to other countries, the Canadian Program's strongest asset is its relatively low financial requirements, which encourages younger cohorts of affluent individuals to choose Canada as a destination. However, its weakness is the waiting time, which has a detrimental effect on the number and quality of applicants. Also, based on the experience of immigrant families, the existing support to their integration has been somewhat wanting.

- In the future, Canada should welcome more of these immigrants, as they directly contribute to alleviating our demographic and economic challenges. In particular, the demographic profile of the typical immigrant investor family, their financial independence, their involvement in the Canadian business community, and the strong likelihood that their children will reach high levels of educational attainment are the main facts supporting this finding.

Considering the above analysis, our recommendations for the future of this Program are:

- The Program should be not only maintained, but expanded. It is financially profitable from a management standpoint, and results in the presence in Canada of thousands of affluent families who significantly contribute to the economy. Moreover, their demographic profile and the integration of the second generation directly contribute to respond positively to our future economic and social challenges. Also, because they still represent only 3% of new immigrants to Canada, their numbers may well be raised substantially;

- For the benefit of the general public, immigration authorities should prepare an annual report on the overall impact of economic immigration, both stemming from immigrant investors and other categories of economic immigrants. For immigrant investors, this report could provide statistics on initial investments, spin-off effects in terms of projects funded, jobs created, etc., as well as business activity involving immigrant investors, and other economic immigrant categories.

- Canadian authorities could build on the analysis that we have offered as a starting point to optimise the Program's criteria and conditions compared to other like international initiatives, and especially improve its weaker aspects, namely reducing the processing time of applications, analysing the levels of initial contribution and wealth requirements, and improve the integration of new immigrants.

- Further research would be warranted to assess the long-term impact of the second-generation of immigrant investors, both in terms of educational attainment and of their general characteristics compared to their parents.

APPENDIX 1

SURVEY QUESTIONNAIRE

THE ECONOMIC IMPACT
OF THE IMMIGRANT INVESTOR PROGRAM IN CANADA

Over the past two decades, more than 130,000 individuals immigrated to Canada through immigrant investor programs. This short survey aims to profile the activities and economic contribution of immigrant investors like you in Canada. Your answers are strictly confidential, and only consolidated results will be presented in study reports. The entire survey should take about 5-6 minutes to fill out. Thank you in advance for your collaboration!

Characteristics

1. Gender

    Man
    Woman

2. Age

    0 – 24 years
    25 – 39 years
    40 – 54 years
    55 – 69 years
    70 years and more

3. Year of landing as a permanent resident in Canada

    2005 – 2009
    2000 –2004
    1999 or before

4. Region

    Africa and Middle East
    Asia and Pacific
    Europe
    Americas

Personal activities in Canada

5. On average, how many months do you spend in Canada each year?

    0 – 3 months
    4 – 6 months
    7 – 9 months
    10 – 12 months

6. In what Canadian province do you spend the most time?

(**insert 10-province list**)

7. How many children do you have?

0 (**go to 12**)
1
2
3
4 or more

8. Do your children study in Canada?

Yes, all of them
Yes, some of them
No (**go to 10**)

9. At what academic level does your oldest child study?

Elementary school
High school
Professional school
University

10. On average, how many months do your children spend in Canada each year?

0 – 3 months
4 – 6 months
7 – 9 months
10 – 12 months

11. In what Canadian province do your children spend the most time?

(**insert 10-province list**)

Economic activities

12. Do you own a house or apartment in Canada?

Yes
No

13. Have you supported, financially or with your time, any charitable organization in Canada since your arrival?

Yes
No

14. What is the approximate market value of all your personal holdings/assets in Canada, including real estate?

$0 - $99,999
$100,000 - $999,999
$1 million - $5 million
More than $5 million

15. Do your family members work in Canada?

Spouse (Yes, No, Not applicable)
Oldest child (Yes, No, Not applicable)

16. What is your current economic status?

Self-employed (own business)
Employed (work for someone) (**end survey**)
Unemployed (**end survey**)
Retired (**end survey**)

(Self-employed: survey continues)

17. What economic sector is your business in?

Agriculture, resources
Manufacturing
Construction
Transport
Retail
Finance
Trade (export, import)
Other sector (please specify): ________________________________

18. How many workers does your business employ worldwide?

0 – 4 employees
5 – 19 employees
20 – 99 employees
100 employees and more

19. Do you work with Canadian businesses?

Yes, most of my business is conducted in Canada
Yes, some of my business is conducted in Canada
No, I conduct all my business in other countries

20. What is the approximate market value of all your business investments in Canada since becoming a permanent resident?

$0
$1 - $999,999
$1 million - $5 million
More than $5 million

Thank you for your collaboration!