

Ernst & Young: Economic Analysis of the Global Innovation Clusters

About the Report

- Ernst & Young (EY) was engaged by Innovation, Science and Economic Development Canada (“ISED”) to examine the socioeconomic impacts of Canada’s Global Innovation Clusters (GIC). This report encompasses the estimated contributions of the program’s activities between 2018/19 to 2023/24 based on \$1 billion of government investment. It further forecasts impacts based on the clusters’ complete funding profile towards 2028/29 and 2034/35. The data is current as of May 2024.
- This report provides an overview of program-level insights gained through qualitative and quantitative assessments of the program across five main pillars of socioeconomic benefits: economic growth, productivity, innovation, new business and employment opportunities, and social capital.
- The EY study focuses on impacts resulting from the clusters’ direct spending (the more directly measurable subset of total economic impacts).

Key Messages

- The Global Innovation Clusters are strengthening ecosystems and helping to accelerate economic growth in key sectors by driving innovation across Canada. They are positively impacting Canada’s innovation ecosystems, increasing social capital, creating new business opportunities, and helping firms scale-up.
- The impact of the Global Innovation Clusters extend beyond cluster-funded projects and initiatives. The program’s unique model not only de-risks innovation but sets the stage for long-term sectoral growth, boosting investor confidence, attracting follow-on investments, and growing markets.
- The results achieved by the clusters and their projects are positioning Canada well for the future economy and global markets in high-growth sectors like digital technology, protein industries, advanced manufacturing, artificial intelligence in supply chains, and oceans.
- Since its inception, the program is estimated to have contributed \$3.3 billion to Canada’s gross domestic product (GDP) through a \$1 billion government investment in collaborative projects. With continued investments and the compounding of investments over time, the GDP contribution of the program is projected to reach \$8.1 billion by 2028/29 and \$13 - \$16 billion by 2034/35. The clusters are bringing innovative solutions to life and accelerating the growth of Canadian businesses, supporting a strong and prosperous economy.



- The Global Innovation Clusters are creating high-quality jobs and strengthening Canada's workforce for some of the most in-demand fields in the economy, including engineering, information technology, physical sciences, agriculture, artificial intelligence, manufacturing, and sales and marketing.
- The clusters are estimated to have supported the creation of 34,958 jobs through the \$1 billion government investments thus far. Continued investments and the compounding of investments until the end of program funding are forecasted to contribute 83,368 jobs by 2028/29 and between 128,760 – 153,060 by 2034/35, based on various scenarios.
- The program is boosting market-driven growth, accelerating the commercialization of innovative solutions to attract follow-on investments and support long-term growth. By acting as an anchor investment for projects, the clusters are 'de-risking' innovations and boosting investor confidence in projects that otherwise would have not been possible or delayed due to a lack of early-stage investments.
- The Global Innovation Clusters are empowering businesses not only to bring their innovations to life sooner but are accelerating their growth in the short term and positioning them for long-term success. EY highlighted that on average, for-profit cluster SME partners grew at a faster rate than their peers in both revenue and employment.
- The report highlights that innovative capability and industry maturity play a critical role in how the clusters are impacting their broader industries. As innovative capabilities and industries mature, projects will be more quickly adopted by industry due to market-driven growth.

Frequently Asked Questions (FAQ)

1. Why was this report created?

The Global Innovation Clusters are a key part of the government's plans to drive innovation, create good-paying jobs, and position Canada for the economy of the future. Based on the program's initial \$950 million investment, an additional \$60 million announced in Budget 2021, and \$750 million committed in Budget 2022, it is important to review the results to ensure the program is delivering results for Canadians.

EY was engaged to conduct a specialized economic and business analysis for project-specific outputs and outcomes related to activities undertaken by participants in projects receiving Global Innovation Cluster funding.

2. Didn't the Parliamentary Budget Officer say that the program wasn't meeting its goals when the program was studied in 2020?

In October 2020, the Parliamentary Budget Officer released a "preliminary analysis" report on the progress of the program. The early timing of the report, conducted just a year after initial projects were launched, led to an incomplete picture of the program's performance, especially in light of the strong momentum achieved over the course of 2020 and onwards.



As of March 31, 2025, the clusters have announced 615 projects worth over \$3.02 billion and involving 3,226 partners; 2,095 of these are business partners and 51% are SMEs (1,640). The total co-investment of over \$3.02 billion includes over \$1.87 billion from industry and other partners, and more than \$1.15 billion in program funding.

3. The government indicated that the program would lead to the creation of 50,000 jobs and increase GDP by \$50 billion over 10 years. The economic contributions are nowhere near what the government had promised when the program was established. Doesn't this mean that the program is failing to meet its goals?

At the program's outset, projections estimated that the program would contribute up to \$50 billion to Canada's GDP over 10 years. This estimate refers to the total economic contributions (direct and indirect) expected from the clusters. It reflects the underlying objective of the program that strategic government investments into key technology sectors through collaborative projects that bring together companies of all sizes, academic institutions and not-for-profits will create broader opportunities and spur significant growth for Canada.

Canada's Global Innovation Clusters are already showing strong results and are driving expansive impacts in Canada's key industries, accelerating Canadian innovation and strengthening ecosystems to support them.

The clusters have become an engine for SME scale-up and growth in Canada, facilitating strategic connections to help Canadian innovators grow and capture new markets. Statistics Canada reports:

- 45% of SME cluster project partners are high-growth firms based on revenue, compared to a national baseline of 5.5%;
- 22% of cluster SME project partners are generating significant export revenue, compared to a national baseline of 12%.

In addition to networks, the clusters are equipping Canadian innovators with the resources, expertise and mentorship to scale up, increase their competitiveness, as well as to access and commercialize IP. The EY study, which focuses on impacts from the clusters' direct spending (the more directly measurable subset of total economic impacts), forecasts that existing and future cluster investments are on track to contribute \$13-16 billion in gross domestic product (GDP) for Canada as well as create and maintain 128,760 to 153,060 full-time equivalent (FTE) jobs by 2034-35. Based on a \$1 billion government investment in collaborative projects, the program is estimated to have contributed \$3.3 billion in GDP and 34,958 FTE jobs.

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The clusters are also addressing skills gaps, developing talent, and fostering opportunities for equity-seeking groups to drive innovation and inclusive growth. This includes through



projects and initiatives, workshops, formalized training, and internship opportunities. Over 164,000 participants have benefited from cluster education, awareness, training and mentoring opportunities.

Building on their successes to date, the clusters will continue to accelerate Canadian innovation and deepen their domestic and global impact. The program will continue to catalyze and build diverse and skilled workforces, grow and scale-up Canadian SMEs, and invest in promising solutions that will help tackle real-world problems through collaboration.

4. How was the analysis conducted?

EY performed an economic contribution analysis based on project-level financial reconciliation data, project activity reports, inputs from Statistics Canada, and proprietary economic modelling tools. The analysis aimed to evaluate the program's socioeconomic impacts to date and develop a forecast of expected benefits over short- and long-term forecast periods.

The study utilized an analysis framework based on the following pillars:

- **Economic Growth:** Investment in growth opportunities for partner organizations that generate positive economic outcomes
- **Productivity:** Improvements in supply chain integration, production processes, access to inputs, ability to scale, and overall efficiency
- **Innovation:** New forms of intellectual property (IP), accelerating innovation through collaboration, commercialization of new products, processes, and services
- **New Business and Employment Opportunities:** Potential for follow-on investment, opportunities to access new global markets, jobs created and maintained, and training and upskilling opportunities
- **Social Capital:** Development of networks, norms, and trust that facilitate coordination and cooperation among members for mutual benefit

5. What long-term objectives is the program trying to achieve?

The Global Innovation Clusters program is supporting the acceleration of world-leading innovation ecosystems in Canada that translate the country's strengths into new commercial opportunities for Canadian firms. The objectives since the government's renewed commitment in 2022 are even more ambitious, building upon the strengths that the clusters demonstrated in its first five years. Specifically, the program is making investments for the clusters to be:

- **A national force:** Develop ecosystems that create a global advantage for Canada by attracting investment, developing a global profile, and collaborating on projects at a national scale.
- **A driver of growth:** Accelerate the scale-up of SMEs in Cluster projects by fostering collaboration and integration into emerging value chains, in order to drive international opportunities, expand market share, and grow revenues.



- **A creator of networks:** Strengthen connections and collaborations between private, public and academic organizations to drive impactful commercialization outcomes and develop domestic capacity.
- **A catalyst for skills development:** Address skills gaps, act as a magnet for global talent, collaboration, and skills and talent development, and foster opportunities for equity-seeking groups to benefit from connections, in order to drive innovation and contribute to inclusive economic growth.

6. Why is the data used in this report so old?

Due to the time and resources required for EY's modelling methodology, the analysis in this year's report was conducted on the clusters' activities up to the end of FY23/24, including project data up to May 2024.

Since then the clusters have continued to build their respective innovation ecosystems. As of March 31, 2025, the Global Innovation Clusters have:

- Announced over 615 projects;
- Partnered with over 3,226 partners, 51% of which are small and medium-sized businesses (1,640); and
- Provided over \$1.15 billion in project funding, attracting co-investment of over \$1.9 billion from industry and other partners.

7. If the results for the program are so good, why has the government reduced the level of funding for the Global Innovation Clusters in their second five year term?

The stable funding provided to the clusters through to 2027/28 in Budget 2022 reflects the government's request for a greater share of project funding from the business community. The EY report has affirmed that as the clusters mature and are better able to leverage other funds to attract investment, a smaller injection of federal capital is required. There is an opportunity to build on the success of this model to strengthen networks between the private sector, academia, and governments in ways that will promote innovation, help firms grow in Canada, and grow the economy.

The program continues to attract significant investment from industry and other partners via cluster projects. For every \$1 committed by the program, project partners collectively matched it at a ratio of 1:1.6, exceeding the program's 1:1 requirement and 1:1.2 target.

8. Doesn't the emergence matrix show that there are some clusters that are performing better than others?

Established through a competitive process, the Global Innovation Clusters are accelerating innovation and growth high-potential Canadian industries: digital technology, protein industries, advanced manufacturing, artificial intelligence and supply chain logistics, and the ocean economy.

The emergence matrix shows how pre-existing innovation and industry environments present unique opportunities for each cluster to bolster innovation within each industry. Whether the cluster is located in an emerging, transitional, or mature industry – the report



shows that all five clusters are strengthening ecosystems, helping organizations optimize and increase productivity and revenue, de-risking adoption of technology, attracting new investment, and accelerating growth by enabling launches of new projects and products ahead of schedule.

9. How is ISED using this report?

Given the significant investment of resources made into the Global Innovation Clusters, ISED will use the insights gained to guide the growth of existing clusters, inform future policy development, and demonstrate the true value of the program for the Canadian economy.