



Co-Investment Guidelines

Technology Leadership Program - Cycle 6

Funded by the Global Innovation Cluster Program

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Disclaimer

This document provides information and guidance about the types of project expenses that are eligible for DIGITAL’s co-investment in Technology Leadership projects in support of the federal Global Innovation Clusters. This guidance does not bind us or Innovation, Science and Economic Development Canada (ISED) and is subject to change at any time. Actual co-investment determinations will be made by DIGITAL when a project claim is adjudicated. Additional information about the process and required evidence to claim eligible project costs can be found in the Resources section of our Community Portal.



Co-Investment

The term “co-investment” refers to the concept that the consortium partners, including DIGITAL, are sharing in the total investment required to fund the collective costs for a specific project.

Financial commitments including costs (uses of funds) and investment (sources of funds) of each consortium partner are outlined in the project budget that forms part of the Full Project Proposal and subsequent Master Project Agreement. Revisions to estimated project costs and investment are approved by all consortium partners as part of their regular project reporting.

- The funds available from DIGITAL for co-investment in Technology Leadership projects are limited and DIGITAL’s co-investment is subject to availability of funds from ISED for the Global Innovation Cluster program.
- “Member” refers to an organization that has signed a Membership Agreement with DIGITAL. A Member must be a Canadian company or multi-national corporation that is legally registered to do business in Canada and has substantial Canadian business operations.
 - No single Member organization can receive more than 80% of the total maximum amount of our co-investment in a project, unless otherwise pre-approved in writing by DIGITAL.
 - Project Fees are deducted from DIGITAL’s co-investment payments. Project Fees are described in Article 5.3 of the [Membership Agreement](#). Current membership fees and other information can be found [here](#).

Eligible Organizations

All types of organizations, including organizations located outside of Canada, are encouraged to participate in projects.

- DIGITAL provides co-investment only to Member organizations¹ (“Eligible Members”) that are:
 - for-profit organizations;
 - not-for-profit organizations whose funding and/or revenue is primarily (more

¹ DIGITAL will confirm eligibility with applicants as they develop their project proposals and before they sign DIGITAL’s Membership Agreement.

- than 50%) from private-sector or industry organizations;
- non-federal Crown corporations whose funding is derived from commercial activities; and
- Indigenous organizations.
- Other not-for-profit organizations, governments, post-secondary and research institutions, DIGITAL Associates and non-Canadian organizations can participate in projects but cannot receive direct co-investment.

Eligibility Principles

Eligible costs must be **incremental, reasonable and directly** relate solely to the execution of project activities performed with the aim of achieving outputs and deliverables during the project term.

DIGITAL's co-investment is paid to Eligible Members against their actual Eligible Project Costs (outlined below) when a claim is approved. Terms and conditions for co-investment payment are outlined in Schedule A of the Master Project Agreement.

All project teams are required to track project expenses, substantiate them with evidence, and regularly report on their actual and forecasted project costs. Project expenses are subject to audit by DIGITAL and/or the Government of Canada.

- Any project-related expenses incurred prior to our selection and approval of a project proposal, and legal costs directly related to contracting for a selected project are not eligible.
- All eligible project expenses must be recorded net of all taxes. This includes but is not limited to GST, HST, PST, hotel taxes, airport taxes, tourism taxes and all foreign taxes. Taxes are not eligible costs.

Project teams can begin work and track their project costs from the date DIGITAL approves the project for co-investment (*found in the Notice of Decision*) if those costs were included in the approved budget for the proposed project. **DIGITAL will only provide co-investment payments to an Eligible Member for any Eligible Project Costs after a Master Project Agreement has been signed by all parties.** For clarity, DIGITAL will not provide any co-investment in a project if a Master Project Agreement is not successfully executed.

Eligible Project Costs

The following outlines project costs that are eligible for DIGITAL co-investment:

- a) Portion of base wages or salaries, including mandatory employment-related costs, and benefits, incurred that can be specifically identified and measured as having been performed on project activities and deliverables.
 - Time sheets or evidence of time tracking will be required to support direct labour costs charged to the project. Payroll registers may be requested to substantiate costs.
 - Mandatory Employment Related Costs (MERCs), which include Employment Insurance premiums, Employee Health Tax, Canada or Québec Pension Plan contributions, Vacation Pay, and Workers' Compensation premiums or equivalent liability insurance (if applicable).
 - Reasonable discretionary employee benefit costs up to 20% of base salary (e.g., dental, extended health, disability and life insurance premiums, pension and retirement contributions, bonuses).
 - Service providers, consultants and other subcontractors are expected to offer reasonable and discounted rates for the project. Total subcontractor costs for any Eligible Member cannot exceed 35% of their total eligible project costs.
 - **All project work must be performed in Canada**, unless otherwise pre-approved in writing by DIGITAL as an eligible foreign cost (see I) below.
- b) Equipment costs including purchase, rental, operation and maintenance.
- c) Materials and supplies as they used or consumed on the project (not when materials are purchased).
- d) Incremental room or facility rentals.
- e) Conferences and related telecommunication expenses **exclusively** for the purposes of the project.
- f) Honoraria to support Indigenous participation in the project.
- g) Travel costs, including meal and accommodation costs in accordance with the [National Joint Council Travel Directive](#) that are incurred **exclusively** for the purposes of the project.

- h) Dissemination costs (publication and other activities).
- i) Incremental costs related to necessary cybersecurity directly related to the project.
- j) Incremental insurance costs required to comply with the Master Project Agreement insurance obligations.
- k) Capital expenditures that are linked to the objectives of the project; vital for the success of research, development, demonstration or commercialization for the project; and not otherwise available as a shared resource. Capital expenditures **over \$1 million must be pre-approved in writing by DIGITAL before purchase.**
- l) On an **exceptional basis** DIGITAL may pre-authorize foreign expenditures to be incurred outside of Canada if they are necessary for the success of the project and cannot otherwise be undertaken in Canada. To be eligible, DIGITAL's **written pre-approval is required in advance** of any spending to determine eligibility of any project costs that will be incurred outside of Canada.
- m) Costs relating to the protection of Foreground Intellectual Property (IP) arising out of a project are eligible (e.g., registration, patent drafting, filing, prosecution costs, patent office fees, prior art searching, IP landscape reports). To be eligible, the Foreground IP is to be funded by DIGITAL and our **written pre-approval is required in advance** of any spending. Only SMEs² who are Eligible Members can claim Foreground IP protection costs, subject to a maximum of \$75,000 per SME per project unless otherwise pre-approved by DIGITAL.
- n) Reasonable legal, accounting and consulting fees related to executing commercial agreements between project participants or other commercial partners, and the development of standard license agreement templates for commercial readiness. To be eligible, DIGITAL's **written pre-approval is required in advance** of any spending. Only SMEs who are Eligible Members can claim these commercial agreement costs, subject to a maximum of \$20,000 per SME per project unless otherwise pre-approved by DIGITAL.
- o) Other direct costs which can be specifically identified and measured as incurred in the performance of the project (e.g., market studies).

² ISED uses the term 'SME' to refer to businesses with fewer than 500 employees globally.

Ineligible Project Costs

The following outlines project costs that are not eligible DIGITAL co-investment:

- a) Retroactive costs (i.e., any costs incurred prior to the date of DIGITAL's approval of the proposed project which is found in the *Notice of Decision*).
- b) Costs not directly related to the project activities and work to achieve the deliverables and objectives of the project.
- c) Federal and provincial income taxes, excess profit taxes or surtaxes and/or special expenses in connection with those taxes.
- d) Costs which are eligible for a rebate from federal, provincial, territorial or municipal government sources.
- e) Severance or separation packages for employees or contractors.
- f) Fines, penalties, cancellation fees or contingencies.
- g) Lobbyist fees or lobbying costs.
- h) Grants, scholarships, bursaries and all other disbursements of funds for which the costs cannot be accounted.
- i) Expenses relating to the construction or purchase of a building or land.
- j) Depreciation of assets funded through DIGITAL's co-investment.
- k) Amortization of unrealized appreciation of assets.
- l) Legal, accounting and consulting fees in connection with litigation, financial reorganization or extraordinary or abnormal fees for professional advice.
 - Legal, accounting and consulting fees related to the DIGITAL application, evaluation process and completing the Master Project Agreement are not eligible.
- m) Non-incremental costs including overhead; depreciation or amortization; excess facilities; vacant or unused space; compensation or expenses for Board members; and other costs related to the routine administration and operation of the organization.
- n) Losses on investments, other projects, contracts, bad debts or expenses for the collection charges.



- o) Gifts, donations, entertainment expenses and alcoholic beverages.
- p) Dues and other memberships including regular trade and professional associations.

Other Government Funding

Other government funding that is expected or received by an Eligible Member for eligible project expenses (except for Scientific & Experimental Development credits) must be disclosed to DIGITAL and included in the project budget, financial reporting and/or related claim submissions. DIGITAL reserves the right to adjust its co-investment rate, the amount eligible for co-investment and/or maximum co-investment funds from DIGITAL to meet ISED's industry investment matching requirements.

Co-Investment Conditions

The conditions for receiving co-investment from DIGITAL are:

- a) **A signed Master Project Agreement** between the project partners, including DIGITAL.
- b) **An approved project budget and/or forecast** that outlines all estimated project costs by participating organizations and all funding sources for the project.
- c) Confirmation and satisfaction from DIGITAL of each participant's ability to fund their commitments to the project. DIGITAL has the right to undertake a **financial assessment and due diligence** of any participating organization at any time to make sure they can meet their stated project commitments.
- d) **Certification** by a senior executive with signing authority from each Eligible Member that confirms they understand the eligibility of project costs and that the project budget is reasonable, the costs are directly related to achieving the project outcomes and are incremental to the normal operation of their organization.
- e) **Membership in good standing.** An organization is considered in good standing if they remain current on payments due to us (such as Member Fees) and comply with our Charter of Values and their Master Project Agreement(s) obligations, including timely project reporting and claim submission requirements.



DIGITAL reserves the right to withdraw commitments to co-invest in any selected project if it is determined the project no longer meets the requirements of the Technology Leadership Program or if there is an unapproved or substantial change from the project proposal.