



Co-Investment Guidelines

Technology Leadership

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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 support of the federal Global Innovation Clusters. This guidance does not bind DIGITAL 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.

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Introduction

At DIGITAL, innovation is more than technology – it's about building meaningful partnerships that drive real-world impact. Since 2018, we have supported 185+ projects with a total investment of \$767M, bringing together over 1,000 partners across industry, academia, and government to tackle some of Canada's most pressing challenges. By bridging perspectives and cultivating collaboration, we accelerate solutions that strengthen industries, empower communities, and position Canada as a global leader in the digital economy.

At DIGITAL, we are building a future where Canadian industries and innovators lead globally, and Canadians benefit from the driving prosperity and growth for Canadians through technology products and services that create impact at home and around the world.

DIGITAL's Co-Investment Foundational Principles

At DIGITAL, we are driving industry-led, commercially focused innovation through the three core principles:

1. **Collaborative Innovation:** Partners work together to create new solutions that cannot be achieved alone, sharing knowledge, risk, financial investment, and benefits.
2. **Co-investment:** Consortium partners, including DIGITAL, share the total investment required for the project.
3. **Demand-Driven:** DIGITAL invests in technology solutions that solve market-validated problems with scaling potential in Canada and abroad.

Co-Investment Principles

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.

Each consortium partner’s financial commitments are outlined in the project budget that forms part of the Full Project Proposal (FPP) and subsequent Master Project Agreement (MPA). 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 projects are limited and DIGITAL’s co-investment is subject to availability of funds from ISED for the Global Innovation Cluster program.

No single consortium partner can receive more than 80% of the total maximum amount of DIGITAL co-investment in a project, unless otherwise pre-approved in writing by DIGITAL.

Eligibility Principles

Eligible costs must be incremental, reasonable, and directly related to project activities aimed at achieving outputs and deliverables during the project term.

DIGITAL’s co-investment is paid to [Eligible Organizations](#) for their actual [Eligible Project Costs](#) once a claim is approved, as outlined in Schedule A of the MPA. DIGITAL will only provide co-investment payments after a MPA is signed and executed by all parties, including DIGITAL. For clarity, no co-investment will be provided if the agreement is not executed.

For costs included in the approved project budget, consortium partners can claim costs incurred from the date DIGITAL approves the project for co-investment. The project approval date is stated in the Notice of Decision.

Consortium partners must track expenses, provide evidence, and regularly report on actual and forecasted costs. Expenses are subject to audit by DIGITAL and/or the Government of Canada.

Eligible Organizations¹

DIGITAL only provides co-investment to Member² organizations legally registered in Canada with substantial Canadian operations that are:

- for-profit organizations;
- not-for-profit organizations whose funding and/or revenue is primarily (more than 50%) from private-sector or industry organizations;
- non-federal Crown corporations whose funding is derived from commercial activities; and
- Indigenous organizations.

Other Government Funding

Other government funding that is expected or received by a consortium partner for project costs (except for Scientific & Experimental Development (SR&ED) 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 Pre-Conditions

The conditions for receiving co-investment from DIGITAL are:

- **Approved Budget:** Submit a detailed project budget or forecast that outlines estimated costs for each participating organization and all funding sources.
- **Funding Confirmation:** DIGITAL must be satisfied that each consortium partner can meet their financial commitments. DIGITAL may conduct a financial assessment or due diligence at any time.
- **Signed Agreement:** All consortium partners, including DIGITAL, must sign and execute a Master Project Agreement (MPA).
- **Certification:** A senior executive with signing authority from each eligible consortium partner must certify that they understand project cost eligibility, costs are reasonable and directly tied to project outcomes and are incremental to normal operations.
- **Membership in Good Standing:** Organizations must be current on any payments (e.g., Member Fees) and comply with the Charter of Values and Master Project Agreement obligations, including timely reporting and claims submission.
- **Canadian Bank Account:** Payments will only be made to a chartered Canadian financial institution unless otherwise approved.

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 outlined in the Program Guide or if there is an unapproved or substantial change from the project proposal.

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

² "Member" refers to an organization that has signed a Membership Agreement with DIGITAL.

Project Fees

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 Project Costs

The section 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 will be required 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 eligible foreign cost, reference section (l) below.
- b) Equipment costs including purchase, rental, operation and maintenance.
- c) Materials and supplies when 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. Travel expenses shall be appropriate, economical, and reasonable. International travel should only be used where necessary, virtual meetings should first be considered in all instances as a matter of cost efficiency.
- 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. For capital expenditure over \$1 million to be eligible for DIGITAL co-investment, written pre-approval is required in advance of purchase.
- l) Foreign costs: on an exceptional basis DIGITAL may pre-authorize expenditures to be incurred outside of Canada if they are necessary for the success of the project and cannot otherwise be undertaken in Canada. For foreign cost to be eligible for DIGITAL co-investment, written pre-approval is required in advance of incurring the cost.
- 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). For Foreground IP protection costs to be eligible for DIGITAL co-investment, an IP Disclosure Form corresponding with the asset must be approved by DIGITAL's Senior Official for Intellectual Property.
- 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.
- o) Other direct costs which can be specifically identified and measured as incurred in the performance of the project (e.g., market studies).

Ineligible Project Costs

This section outlines project costs that are not eligible for 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. For clarity, legal, accounting and consulting fees related to the DIGITAL application, evaluation process and completing the Master Project Agreement are not eligible costs.
- 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.