



Technology Partnerships  
Canada

An Agency of  
Industry Canada

Partenariat technologique  
Canada

Un organisme  
d'Industrie Canada

April 1, 2001

## TECHNOLOGY PARTNERSHIPS CANADA TERMS AND CONDITIONS

### 1. PURPOSE

The purpose of this document is to set forth the terms and conditions for the administration of class contributions under the Technology Partnerships Canada (TPC) program.

### 2. LEGISLATIVE AUTHORITY

The legislative authority for TPC to make transfer payments is: Paragraph 4(1)(a), subsections 5(c), 5(d), 6(c) and paragraph 14(1)(c) of the *Department of Industry Act*, Statutes of Canada 1995, Chapter 1.

### 3. OBJECTIVE

TPC is a Special Operating Agency (SOA) of Industry Canada and, as such, contributes to achieving the Department's strategic objectives, as stated yearly in Industry Canada's Report on Plans and Priorities (RPP). TPC's operations directly support key objectives of Industry Canada. Specific objectives, as well as expected results and outcomes to be achieved by TPC over identified planning periods will be published in successive editions of the Agency's business plans and accountability documents (e.g. Annual Reports).

In a context in which innovation is essential in an increasingly knowledge-based economy, TPC is a technology investment fund established to contribute to the achievement of Canada's objectives of increasing economic growth, creating jobs and wealth, and supporting sustainable development. TPC will advance and support government initiatives by investing strategically in research, development and innovation in order to encourage private sector investment, and so maintain and grow the technology base and technological capabilities of Canadian industry. TPC will also encourage the development of small and medium-sized enterprises (SMEs) in all regions of Canada.

TPC will take an investment approach, targeting an average sharing ratio of not more than 33 percent (with typical project sharing ratios ranging between 25 percent and 30 percent). TPC will share with its private sector partners in the risks and the rewards, the rewards to the program consisting of both financial returns and economic benefits. TPC will manage the contributions so that all repayments are recycled into TPC, allowing potential for future growth.

Canada



## 4. ELIGIBILITY CRITERIA

### 4.1 Eligible Areas

Eligible areas are Environmental Technologies, Enabling Technologies and Aerospace and Defence.

- a. The **Environmental Technologies** component encourages and supports the development and application of innovative technologies that contribute to the achievement of sustainable development, or that have significant environmental benefits. It involves projects in priority environmental areas such as the development of sustainable alternatives (better conservation of energy, water and non-renewable resources), pollution prevention through the development of clean process technologies (including clean car technologies), pollution abatement (technologies that reduce waste or harmful emissions) and pollution remediation.
- b. The **Enabling Technologies** component encourages and supports the development, application and diffusion of those critical technologies that will have major impact and benefits within and across industry sectors. It involves projects in critical areas such as advanced manufacturing and processing technologies, advanced materials processes and applications, applications of biotechnology, applications of selected information technologies and such other technologies as may be designated from time to time by the Minister.
- c. The **Aerospace and Defence** component encourages and supports the development and application of those technologies essential for the development of these sectors. It involves projects that sustain and expand the technological capacity and capability of these sectors. Support is also available for defence conversion projects aimed at reducing the dependency of enterprises on military contracts.

### 4.2 Eligible Recipients

Eligible recipients are firms, organizations or institutions established in Canada, which are prepared to conduct research, development and innovation activities in the eligible areas, and which can demonstrate their ability to achieve the stated objectives of the proposed project. Eligible recipients may be incorporated entities, partnerships, cooperatives, or any trustee or legal representative thereof, or groups or alliances of eligible recipients where a lead recipient has been identified. Agencies of the Crown (including Crown corporations, government institutes, government laboratories, etc.) and universities may be allowed as members of alliances, but not as lead recipients.

The Minister may also provide contributions to associations, consortia or other entities to enable them to provide contributions to eligible recipients in eligible areas under conditions consistent with these terms and conditions.

### 4.3 Eligible Activities

Eligible activities for TPC funding are industrial research, pre-competitive development and studies.

- a. **Industrial research:** planned search or critical investigation aimed at discovery of new knowledge, with the objective that such knowledge may be useful in developing new products, processes or services, or in bringing about a significant improvement to existing products, processes or services;
- b. **Pre-competitive development:** translation of industrial research findings into a plan, blueprint or design for new, modified or improved products, processes or services; conceptual formulation and design of products, processes or services alternatives; initial demonstration or pilot projects, and prototypes; and other related pre-production activities; and
- c. **Studies:** studies pertaining to potential industrial research or pre-competitive development projects and studies for related activities.

### 4.4 Eligible Costs

Eligible costs are those incurred by the contribution recipient and which, in the opinion of the Minister, are necessary and reasonable to carry out the eligible activities to which they relate, as outlined in the project's Statement of Work. Eligible costs will be limited to non-recurring costs and will include labour, material, overhead, specialized equipment and other costs which are attributable to the project. TPC will not support costs associated with land and buildings.

TPC may support retroactive reimbursement of eligible project costs incurred prior to the signing of the contribution agreements with recipients. In such cases, retroactivity will not pre-date receipt of a proposal nor exceed a specific percentage of total project costs.

TPC will be under no obligation to reimburse eligible costs incurred by the recipient should the investment proposal be rejected.

## 5. ASSESSMENT CRITERIA

Applications for contributions under TPC will be assessed in the context of their relevance to the objectives of TPC. Specifically, applications will be assessed in terms of the extent to which they demonstrate:

- a. that the project contributes to the strategic objectives of the government, including technological and net economic benefits to Canada;

- b. that the project is technologically feasible, and that the applicant possesses, or can reasonably be expected to secure, the requisite technological and managerial capabilities, and financial resources, to achieve the stated objectives of the project;
- c. that a contribution under TPC is necessary to ensure that the project (either individually or as part of a portfolio of related activities of the applicant) proceeds with the desired scope, timing or location; and
- d. that the contribution would be repaid.

## **6. TYPE AND AMOUNT OF ASSISTANCE AND STACKING PROVISIONS**

All decisions to provide financial assistance to applicants will reflect the need for a contribution under TPC, as well as the degree and nature of the uncertainty and risk associated with the proposed project.

Assistance provided will be in the form of repayable contributions at a level and amount deemed by the Minister to be justified in light of the anticipated benefits to Canada. The average sharing ratio of assistance under TPC on a portfolio basis will not exceed 33 percent of eligible costs. While typical sharing ratios will range between 25 and 30 percent, TPC may offer on a limited basis higher than average sharing ratios to individual recipients or targeted groups of recipients. In exceptional circumstances, when the Minister deems it essential and justified by the potential economic benefits, the sharing ratio may reach, but will not exceed, 50 percent of eligible cost. The foregoing in no way obviates TPC from respecting the requirement that the entire portfolio have an average sharing ratio that does not exceed 33 percent of eligible costs.

Potential recipients are required to identify other sources of proposed funding for projects throughout the life of the project, including contributions from other programs in Industry Canada, from other departments or agencies of the Federal Government or from other levels of government. For projects supported by TPC whose contributions are in excess of \$100,000, total government assistance will not exceed 75 percent of total eligible project costs.

TPC assistance for projects under the Defence Development Sharing Agreement (DDSA) with the United States will be exempted from the total government assistance limit of 75 percent.

TPC's contribution agreements will contain provisions that permit reductions in the Agency's contributions in cases where it is determined that total government assistance exceeds the authorized percentages of total eligible project costs.

## **7. ADMINISTRATION**

### **7.1 General**

TPC will be administered in accordance with Canada's international agreements, and in particular, the granting of contributions will not be contingent, either in law or in fact, upon actual or anticipated export performance. However, the granting of assistance to enterprises which export will not, for that reason alone, be precluded. Further, TPC will be administered in accordance with all applicable legislation and regulations (including the provisions of the *Canadian Environmental Assessment Act* and regulations thereunder) and, unless otherwise specified in these terms and conditions, all applicable Treasury Board policies and directives.

### **7.2 Contribution Agreement**

Contributions will be administered and paid in accordance with contribution agreements which will identify all conditions pertaining to the contributions, all obligations of both parties, and the conditions under which payments and repayments will be made.

### **7.3 Delegation of Authority**

The approval or rejection of applications, the execution and administration of contribution agreements and related administrative matters, and the approval of claims for payment in conformity with the requirements of the *Financial Administration Act*, will be administered by officials of the Department in accordance with the delegated authorities approved by the Minister and consistent with TPC's Special Operating Agency (SOA) Framework Document. Members of Parliament have no formal role in the delivery and administration of the TPC program.

### **7.4 Information Requirements**

The Minister will require from applicants information which the Minister deems pertinent to the assessment of the project. Without limiting the generality of the foregoing, this will include:

- a. a detailed description of the applicant (ownership, management, business experience, financial results, etc.);
- b. a detailed description of the project, and of the technological advances to be achieved;
- c. the forecast cost of the project, and details on its financing;
- d. the forecast benefits to result from the project;
- e. the amount of any federal, provincial or municipal assistance or tax credit, received or likely to be received for the project; and

- f. the identification of former public servants involved in the project who are under the Conflict of Interest and Post-employment Guidelines.

## **7.5 Due Diligence Process**

Projects considered for approval under the TPC program will be subjected to a comprehensive due diligence process, including the verification of eligibility. At a minimum, the due diligence conducted by TPC will consist of close examination of the proposal by technical and other experts, and for projects in excess of \$500,000, scrutiny by the Interdepartmental Advisory Committee (IAC) and review by Industry Canada's Programs and Services Board (PSB).

All projects are analyzed to determine the relative technological, management and financial risk, as well as the risk of achieving the forecast benefits.

Departmental systems, procedures and resources are in place for ensuring due diligence in approving contributions and verifying eligibility and for the management and administration of the program.

## **7.6 Monitoring**

Contribution recipients will be required to submit periodic reports in sufficient detail to enable the Minister to assess the progress of the project.

Further to completion of the project, contribution recipients will be required to submit annual reports on project benefits, and information relevant to the calculation of repayments, to enable the Minister to:

- a. carry out the post-disbursement monitoring called for in the contribution agreement;
- b. administer the repayment of the contribution when conditions for repayment come into effect, including the application of interest charges on overdue repayments; and
- c. evaluate the effectiveness of the contribution, as stated in Section 10.2.

## **7.7 Operating Resources**

TPC will ensure that sufficient resources are allocated in the Agency's annual operating budget for the conduct of due diligence as well as the management and administration of the program.

TPC will be managed in such a way that program administration will consume approximately three percent of total program funding. In addition, subject to Treasury Board approval, TPC will use a portion of the net recycled repayments in its operating funds to cover the costs associated with the management and collection of revenues and to fund program delivery costs associated with increased investment activity.

## **8. BASIS AND TIMING OF PAYMENT**

Contribution payments will be made on the basis of documented claims for reasonable eligible costs incurred, to be submitted by the contribution recipient not more frequently than monthly. Each claim is to be accompanied by a brief report of the work completed and details of all costs being claimed, and shall be substantiated by such documents as are satisfactory to the Minister. Claims shall be certified by an officer of the contribution recipient or by such other person satisfactory to the Minister.

The Minister may request at any time that the contribution recipient provide satisfactory evidence to demonstrate that eligible costs claimed have been paid.

The Minister may withhold up to 10 percent of the contributions prior to completion of the projects or of such project audits as may be required.

Payments to TPC recipients will be consistent with the Treasury Board Transfer Payment Policy including those involving advance payments of contributions.

The terms and conditions, program literature and agreements include provisions for cancellation or reduction of transfer payments in the event that funding levels are changed by Parliament.

## **9. REPAYMENT**

Repayments of contributions will be set by the Minister in accordance with the Treasury Board Policy on Transfer Payments. TPC will manage the contributions so that all repayments and recoveries are recycled into TPC, allowing potential for future growth.

TPC contributions are generally conditionally repayable, including potential for sharing in upside returns. Repayment is not limited to the face amount of the contribution. In view of the risks inherent in projects of a high-technology nature, it is recognized that not all projects will succeed, and consequently, that not all contributions will be fully repaid.

A variety of repayment instruments will be considered, including: royalties, fixed repayments, warrants on the recipient's equity, and/or a combination of the different instruments. Hence, repayment terms are negotiated on a case-by-case basis, and are based on an assessment of the nature and risk of the project, need of the applicant and benefits to Canada.

Repayments will generally be triggered by a fixed date. Due to the variety of the repayment instruments, this date is also established on a case-by-case basis. Examples include: a fixed date following the completion of the statement of work or a predetermined date when the technology is expected to be inserted into the company's operations.

TPC will monitor all provisions of the contribution agreements including those relevant to repayments. All contribution agreements will include provisions requiring recipients to submit

annual information updates on projected and actual repayments to the Minister together with explanations of significant changes, if any.

As part of its repayment administration process, TPC will ensure interest is charged on overdue repayments, in accordance with the *Interest and Administrative Charges Regulations*.

## **10. RESULT-BASED MANAGEMENT AND ACCOUNTABILITY FRAMEWORK**

### **10.1 General**

TPC's accountability framework is defined in its Special Operating Agency (SOA) Framework Document under the section entitled *Accountability and Reporting Relationships*. The Framework also outlines the terms of reference of the TPC Advisory Board, the organizational structure and partnering relationships within Industry Canada and other government entities.

The Annual Report is the primary reporting framework to the Minister and will be tabled in Parliament by the Minister. The Annual Report completes the accountability cycle by reflecting financial and operating results for the previous fiscal year. It will also report on the state of the overall TPC portfolio.

Annual plans and specialized reports (e.g. business plans and performance reports) are the principal and formal means by which TPC is held to account.

### **10.2 Performance Measurement**

In order to measure and report on the results of the Technology Partnerships Program, Industry Canada will ensure that appropriate performance measurement systems are integrated into the operational cycle of its activities. The department's requirements for a Results-based Management and Accountability Framework, that will provide for appropriate measuring and reporting of results, are included in TPC's Special Operating Agency Framework Document and its Evaluation Framework. These frameworks include: key results to be achieved; the performance measurement strategy; the expected schedule for major evaluation work; and reporting provisions for both funding recipients and the department, including parliamentary reporting.

## **11. AUDIT**

### **11.1 General**

The Minister will retain the right to have the necessary audits of the contribution recipient's books, records and financial statements or other areas as required undertaken by auditors satisfactory to the Minister, for the purpose of validating claims for reimbursement of eligible costs, and for the purpose of confirming amounts repayable to the Crown on the basis of the contribution agreement.



Utilizing a risk-based framework, TPC will annually compile a plan for the audit of selected recipients of contributions. Funds to cover costs related to implementation of the Agency's annual audit plan will be provided for in TPC's operating budget.

## **11.2 Contribution Audit Framework**

TPC will adopt a risk-based approach to the selection of contributions for audit. The audit risk of each contribution agreement will be assessed annually. The intent is to audit contributions where TPC has identified some particular concerns. In addition, audit selection criteria will be used to help determine the purpose, scope and timing of contribution audits. TPC will undertake to coordinate its audit plans with other government organizations at the federal and/or provincial level, where these are involved in funding the same projects, and will give due consideration to audits of recipients performed by other government organizations. TPC will require auditors to agree that contribution audits will be conducted according to generally accepted auditing standards.

## **12. EVALUATION**

TPC will be evaluated in accordance with Treasury Board's policy on program evaluation. The responsibility for scheduling and arranging for the conduct of formal evaluations of TPC's operations will rest with the Audit and Evaluation Branch of Industry Canada. Funds to cover costs related to formal evaluations of TPC's operations will be provided for in the Agency's operating budget.

## **13. DURATION AND RENEWAL**

These terms and conditions will come into effect on the date of approval by Treasury Board and will remain in effect until December 31, 2005 or otherwise revised or rescinded by the authority of the Treasury Board.

Prior to submitting these terms and conditions for renewal by December 31, 2005 an evaluation will be undertaken to assess the effectiveness of the program.