

TABLE OF CONTENTS

1.0	Introduction	1
1.1	<u>Background</u>	1
2.0	Program Description	2
2.1	<u>General</u>	2
2.2	<u>Terms and Conditions</u>	2
2.3	<u>Eligible Proponents</u>	2
2.4	<u>Repayability</u>	3
2.5	<u>Level of Assistance</u>	3
2.6	<u>Project Duration</u>	4
2.7	<u>Intellectual Property</u>	4
2.8	<u>Environmental Screening</u>	4
2.9	<u>Ethics Requirements for Projects Involving Human and/or Animal Research</u>	4
3.0	Guidelines	5
3.1	<u>Request for Letters of Intent and Project Proposals Process</u>	5
3.2	<u>Letter of Intent</u>	5
3.3	<u>Proposal Content Requirements</u>	5
3.4	<u>Support for Preparation of Proposals</u>	6
3.5	<u>Evaluation Criteria</u>	6
	(i) <u>Essential Eligibility Criteria</u>	6
	(ii) <u>Desirable Criteria</u>	6
3.6	<u>Compliance, Completeness and Project Readiness Requirements</u>	7
	(i) <u>Proposal Compliance</u>	7
	(ii) <u>Proposal Completeness</u>	7
	(iii) <u>Project Readiness</u>	7
4.0	Evaluation Process	8
4.1	<u>Detailed Evaluation Stage</u>	8
4.2	<u>Proponents' Responsibilities</u>	8
4.3	<u>Project Approval</u>	8
5.0	Contracting and Monitoring of Approved Projects	9
5.1	<u>Contract</u>	9
5.2	<u>Statement of Work</u>	9
5.3	<u>Reporting Requirements</u>	9
5.4	<u>Success Indicators</u>	10
6.0	Other Government Programs	10
6.1	<u>Other Federal Departments and Agencies</u>	10

TABLE OF CONTENTS (Cont'd)

7.0	General Procedures	10
7.1	<u>Language</u>	10
7.2	<u>Submissions</u>	10
7.3	<u>Closing Dates</u>	11
7.4	<u>Enquiries and Requests for Clarification</u>	12
7.5	<u>Rights of ACOA</u>	12
Annex A	- Administration and Declaration Forms	
Annex B	- Guide for Preparation and Submission of Letter of Intent and Project Proposal	
Annex C	- Costs and Financing Templates	
Annex D	- Results Measurement Guide	
Annex E	- Statement of Work Guide	
Annex F	- Designated ACOA Offices	

**ATLANTIC INNOVATION FUND PROGRAM
ATLANTIC CANADA OPPORTUNITIES AGENCY**

1.0 Introduction

The Minister of the Atlantic Canada Opportunities Agency (ACOA) is pleased to invite eligible proponents under Round IV of the Atlantic Innovation Fund (AIF) program to submit a letter of intent by May 10, 2006 and a project proposal by June 28, 2006.

It is expected that Round IV will conclude in December 2006 with the announcement of selected projects, and coincide with the launch of Round V, which is expected to conclude in August 2007. Round VI is expected to be launched in August 2007 and to conclude in April 2008. **In the event that these time lines change due to unforeseen circumstances, updates will be posted on ACOA's website under the Atlantic Innovation Fund at <http://www.acoa-apeca.gc.ca>.**

1.1 Background

On June 29, 2000, the Prime Minister of Canada announced funding for a \$300 million Atlantic Innovation Fund to strengthen the economy of Atlantic Canada by accelerating the development of knowledge-based industry. The AIF is helping to increase the region's capacity to carry out leading-edge research and development that directly contributes to the development of new technology-based economic activity in Atlantic Canada. The February 2005 Federal budget included an additional \$300 million for the AIF program.

The objectives of the AIF are to:

- increase activity in and to build capacity for innovation, research and development (R&D) which leads to technologies, products, processes or services which contribute to economic growth in Atlantic Canada;
- increase the capacity for commercialization of R&D outputs;
- strengthen the region's innovation capacity by supporting research, development, and commercialization partnerships and alliances among private sector firms, universities, research institutions and other organizations in the Atlantic system of innovation, and to increase their critical mass; and
- maximize benefits from the national R&D programs.

The AIF program seeks to support R&D project proposals that have strong potential to lead to the development of new products, processes and services that can be successfully introduced into the marketplace. In order to maximize economic benefits to Atlantic Canada, the AIF must be strategic and favour project proposals that provide the best opportunity for future

growth, based on the region's capability to address global market opportunities. This can be found in sectors where Atlantic Canada has a comparative advantage, and in the development of clusters concentrated in emerging knowledge-based economy activities. Atlantic Canada has demonstrated an emerging capability in a number of sectors that have strong global growth prospects, including information technology, such as: communications and geomatics; ocean technologies; aquaculture; bio-technology; health and medical technologies; and environmental technologies. AIF investments could also strengthen the region's ability to develop technologies that allow resource industries such as oil and gas, agriculture and agri-food, fisheries, forestry and mining to maintain and increase their competitive positions.

The AIF contributes to the development of the Atlantic system of innovation and encourages collaboration, between the private sector and research institutions, and between institutions. It does not operate on the basis of allocations by province, by sector, or by commercial/non-commercial.

The AIF program is supported by an Advisory Board, comprised of regional leaders in business and academia. The mandate of this board is to review AIF project proposals and provide recommendations to the Minister for approval.

2.0 Program Description

2.1 General

The AIF finances research and development and related initiatives, which are focused in the areas of: natural sciences; applied sciences; and, social sciences, humanities, arts and culture, where these are linked to the development and commercialization of technology-based products, processes or services, and thereby strengthen the region's system of innovation. The AIF focuses on increasing research and development linked to economic development and commercialization in areas that are of strategic importance to the region, particularly those that support the growth of strategic sectors and clusters.

2.2 Terms and Conditions

The Terms and Conditions of the AIF program are available on ACOA's website at <http://www.acoa-apeca.gc.ca> (select the link to the AIF) or from the Agency upon request.

2.3 Eligible Proponents

Eligible proponents include private sector firms, universities, colleges, and research organizations or institutions in Atlantic Canada, which are prepared to conduct research, development and innovation activities that lead to commercialization, and which can demonstrate their ability to achieve the stated objectives of the proposed project.

To be considered for AIF funding, proposals should involve a discrete research and development project.

Partnerships in AIF projects are highly encouraged. Partnerships/collaboration between universities/colleges/other research organizations and the private sector will help to build capacity in areas of research that lead to economic growth in Atlantic Canada and will be a key determinant of the commercial success of an R&D project. Such partnerships/collaboration will also maximize the economic benefits of the resources available under the AIF. Universities, colleges and other not-for-profit research facilities normally require partnerships/collaboration with the private sector to commercialize research. The private sector could be an investor in a project, contribute to the research and commercialization effort, and/or participate on a project's steering committee. Ideally, the private sector should have a real stake in a project and its outcome(s). For its part, the private sector should also consider partnering with research organizations that could add value to their projects. Accordingly, ACOA encourages prospective proponents to seek out opportunities for meaningful partnerships/collaboration.

It should be noted that the National Research Council institutes, as well as other federal research institutions and laboratories, are important contributors to Atlantic Canada's research efforts and these organizations could be partners/collaborators in projects as well as sources of funding. However, they cannot be proponents or recipients of AIF funding.

NOTE: Proponents of proposed commercial projects seeking a contribution of \$1.0 million or less are NOT eligible for assistance under the Atlantic Innovation Fund. Such projects may be eligible for assistance under ACOA's Business Development Program. For more information on this program, please refer to ACOA's website.

2.4 Repayability

The federal repayable contribution policy is based on the premise that when a business, as a result of a contribution from the Government of Canada, earns a profit or otherwise increases in value, the business should return the contribution to the government. Accordingly, contributions to the private sector will be conditionally repayable based on the commercial success of the project.

Contributions to non-commercial organizations will be non-repayable. A private sector partner/collaborator in a non-commercial project, who stands to benefit from the non-repayable AIF contribution through commercialization of a resulting product, process or service, will be expected to pay a financial compensation, equal to or greater than the proportion of the benefits received, to the non-commercial proponent.

2.5 Level of Assistance

Contributions will be the least amount required to allow a project to proceed. The AIF may provide assistance up to 75% of total eligible costs for commercial private sector projects. For projects undertaken by not-for-profit organizations, AIF assistance will normally be up to 80% of total eligible costs. **AIF assistance per approved project will not exceed a maximum of \$3.0 million under this round.** Therefore, proponents should seek to lever financing for their projects from other (non-ACOA) sources.

2.6 Project Duration

Proposed research projects may vary in duration (from several months to a maximum of five years).

2.7 Intellectual Property

ACOA will not seek ownership of any intellectual property. Proponents **must** ensure that they have sufficient intellectual property rights in, and protection for, technology that has been developed prior to the beginning of the project and that will be required to permit the project to be carried out and permit the intellectual property arising from the project to be exploited. This would include, but not be limited to, ensuring that they have made sufficient provisions in any agreements with employees, contractors, collaborators (partners), etc.

The university, college or research institute should have an intellectual property strategy that encourages and supports the commercialization of R&D in Atlantic Canada.

2.8 Environmental Screening

ACOA has a responsibility to screen every project proposal to determine its potential environmental impact in accordance with the Canadian Environmental Assessment Act (CEAA). For proposed projects with environmental implications, a formal assessment and, in some cases, a consultation process must be completed prior to the approval of assistance. In the event that a project is identified as having a potential adverse environmental impact, mitigation measures must be included in the contribution agreement for mandatory implementation by the proponent. For more information on CEAA, visit http://www.ceaa-acee.gc.ca/013/act_e.htm.

2.9 Ethics Requirements for Projects Involving Human and/or Animal Research

Prior to the first disbursement of AIF funds to an approved project involving human and/or animal research, the proponent must provide evidence, satisfactory to ACOA, that the project has received approval from a Research Ethics Board, which is constituted and working in accordance to the *Tri-Council Policy Statement on Ethical Conduct for Research Involving Humans* and, in the case of a clinical trial, with *Health Canada's Food and Drugs Act and Food and Drug Regulations*. Research involving animals must be approved by an Animal Care Committee, which is constituted and working in accordance with the *Canadian Council on Animal Care Guide to the Care and Use of Experimental Animals*. The proponent must also

address any further ethical issues that may arise during the course of the project in the same manner and shall provide ACOA with satisfactory evidence of same.

3.0 Guidelines

3.1 Request for Letters of Intent and Project Proposals Process

The AIF operates using a Request for Letters of Intent and Project Proposals process. This process is a method of obtaining a pool of qualified projects to be considered for funding. It is not a contracting process and neither the proponent nor ACOA is legally bound as a result of the submission of a letter of intent and project proposal under this process.

3.2 Letter of Intent

Proponents must indicate their intention to submit a project proposal by providing a letter of intent. This mandatory letter will be used for planning purposes to improve the overall efficiency of the project evaluation process. Specifically, it will help the Agency to identify, at an early stage, potential expert scientific/technical reviewers; the number and type of projects in specific sectors; and the resource requirements for sector review teams and account managers. The letter should include a general description of the research proposal including the project objectives, key project team members, anticipated deliverables and challenges, applicable sector (for guidance, refer to section C-2 in the Administration and Declaration Forms in **Annex A**), estimated project costs, estimated amount to be requested from the AIF program, sources of other financing, identified key project collaborators, the commercialization potential of the research, and project governance.

In preparing a letter of intent, proponents should demonstrate progress toward meeting the project readiness requirements outlined below in section 3.6 (iii).

Project proposals received without an affiliated letter of intent will not be accepted in this round of funding.

3.3 Proposal Content Requirements

Proposals **must** include:

- Administration and Declaration forms (see **Annex A**);
- Project Proposal (see guide in **Annex B**);
- Costs and Financing Templates (see **Annex C**); and
- Results Measurement Information (see **Annex D**).

Proponents must submit a separate proposal for each stand-alone project to facilitate overall project evaluation by ACOA. A stand-alone project has a distinct scientific/technical basis for the development of a product, process or service that is technologically innovative and commercially viable. Stand-alone projects are not dependent

upon the success of other projects or activities. Where stand-alone projects from a proponent are complementary (e.g., same area of research), proponents should provide cross-references in each of their proposals to those projects.

3.4 Support for Preparation of Proposals

The AIF will not provide any financial assistance for preparation and submission of project proposals.

3.5 Evaluation Criteria

Project proposals will be assessed against essential and desirable eligibility criteria.

(i) Essential Eligibility Criteria

The following are essential criteria which **must** be met for consideration of project proposals under AIF. Each proposal must:

- a) be compatible with the AIF objectives;
- b) be scientifically and/or technically sound;
- c) demonstrate management capability to successfully undertake the project;
- d) demonstrate significant economic benefits for Atlantic Canada;
- e) demonstrate commercialization potential of project;
- f) support new or improved technologies or new applications of technologies;
- g) have adequate financing for the duration of the project;
- h) be incremental; and
- i) support one or more strategic sectors or technologies.

(ii) Desirable Criteria

In addition to essential criteria, the following desirable criteria are key considerations in the evaluation of proposals under the AIF:

- a) includes private sector participation (for institutional proposals);
- b) fills a gap in the Atlantic system of innovation;
- c) improves innovation capacity of the private sector;
- d) is pan-Atlantic in scope;
- e) builds critical mass through networks/cooperation of existing and/or additional talent (researchers);
- f) leverages funding from other public and private sector sources;
- g) attracts new firms, institutions and researchers to Atlantic Canada;
- h) builds on research excellence; and
- i) fosters national and international affiliations.

3.6 Compliance, Completeness and Project Readiness Requirements

Proponents **must** address essential and desirable criteria in sufficient detail, depth and clarity to permit a complete analysis and assessment of their project proposal. To remain part of the AIF competitive process, proposals must meet the requirements of proposal compliance, proposal completeness and project readiness.

(i) Proposal Compliance

Failure of a proponent to address at least the essential criteria in sufficient detail, depth and clarity to permit a complete analysis and assessment will render a proposal non-compliant. Proponents are advised to use the proposal content guidelines in **Annex B**.

(ii) Proposal Completeness

Incomplete proposals will not be given further consideration for funding. Proponents must include their project proposal, costs and financing templates, administration and declaration forms, and results measurement information.

(iii) Project Readiness

Project proposals that do not demonstrate project readiness will not be given further consideration. Proponents must demonstrate in their proposals that they would be in a position to conclude a Contribution Agreement and begin a project within six (6) months from notification of project approval. In assessing project readiness, ACOA will focus on the following elements:

- Project Financing – proponents must demonstrate that there is a realistic financing plan in place to undertake a project in its entirety, without interruptions due to lack of or delays in securing appropriate financing.
- Research Team – proponents must demonstrate that the research team members, identified as key to a project’s success, have been confirmed or that there is a strong likelihood that their participation will be confirmed.
- Research Plan – proponents must have a detailed work plan identifying the major technical problems to be solved in order to achieve the desired objective(s), and the proposed approach for solving such problems.
- Key Collaborators – proponents must demonstrate that partnership details have been sufficiently discussed to reasonably expect that partnership agreements could be executed within six months of project approval.
- Commercialization – proponents must identify the proposed resulting product, process or service and associated market potential.

- Project Governance – proponents must demonstrate that a project governance model has been developed which outlines team members’ roles and responsibilities, including a project management function. (ACOA strongly recommends that project management be held by someone other than the lead researcher.)

Project proposals **must** meet all of the proposal compliance, proposal completeness and project readiness requirements to be given further consideration for funding. Proponents not meeting these requirements will be advised immediately by letter. This does not prevent such proponents from submitting a revised proposal in a future round.

4.0 Evaluation Process

4.1 Detailed Evaluation Stage

Prior to review by sector teams and the AIF Advisory Board, ACOA will analyse project proposals against both essential and desirable criteria, to an appropriate degree commensurate with the size and complexity of proposed projects.

ACOA may consult with or refer any proposal to external experts (e.g., scientific, technical, marketing, commercialization) to assist with project review/evaluation. A proponent’s signature on the Declaration Form in **Annex A** will constitute consent regarding sharing of information for this purpose. Before a proposal is released to an expert for project review/evaluation, the expert will be required to sign a confidentiality agreement with ACOA.

4.2 Proponents’ Responsibilities

Pursuant to clause “f” of the Declaration Form in **Annex A**, proponents must acknowledge that they may be required, in a timely manner, to assist ACOA in evaluating project proposals by providing clarifications as requested by ACOA and by making personnel and partners available (if required) for interviews with ACOA. Proponents must further acknowledge that the performance of any or all of the following in no way guarantees that their proposals will be approved by the Minister.

4.3 Project Approval

The AIF Advisory Board reviews all AIF project proposals and provides advice on acceptance and funding to the Minister. Final decision-making authority for project approval rests with the Minister. The Minister may accept or reject any proposal. Proposals may be approved in whole or in part. In the case of similar competing proposals, ACOA would encourage proponents to collaborate or the Minister may select one proposal only. Proponents of rejected proposals may have an opportunity to revise their proposals for submission to a request for letters of intent and project proposals under a future round.

5.0 Contracting and Monitoring of Approved Projects

5.1 Contract

After the Minister has approved a project, a letter will be issued to the successful proponent offering a contribution to the project subject to the negotiation of terms and conditions acceptable to the proponent and ACOA. The legal obligation of the parties will come into force only when a proponent enters into a project-specific Contribution Agreement with ACOA under the AIF. This agreement will define the responsibilities of each party, including the investment from the Atlantic Innovation Fund, the level of support from other investors, etc. The General Conditions that would form part of the contract are available on ACOA's website at <http://www.acoa-apeca.gc.ca> (select the link to the AIF) or from the Agency upon request.

Consistent with the project readiness requirements outlined above in section 3.6 (iii), ACOA may terminate negotiations if they are not substantially concluded within six (6) months from the date of the letter referred to above in this section.

5.2 Statement of Work

A Statement of Work is not required as part of a project proposal. Proponents, whose projects are selected for AIF funding, will be required to work with ACOA in the preparation of a Statement of Work, which will form part of a Contribution Agreement. Proponents should review the Statement of Work Guide, presented in **Annex E**, prior to preparing their project proposal to ensure that a Statement of Work could easily be prepared from the information contained in their project proposal.

5.3 Reporting Requirements

Successful proponents will be required to provide quarterly and annual progress reports to ACOA. Normally, depending on the complexity of a project, a Project Review Committee will be established. This committee would be a formal multi-disciplinary monitoring committee comprised of an ACOA Account Manager(s), recognized technical expert(s), plus a representative(s) of the proponent and its key collaborator(s). At a minimum, successful proponents must meet at least once per year with ACOA officials to review the progress of their respective projects.

5.4 Success Indicators

The Government of Canada evaluates the results of the AIF. Accordingly, recipients of AIF program funding will be expected to provide ACOA with data that will contribute to the evaluation of the AIF's activities. Attached, in **Annex D**, is a list of success indicators at the

project level. Proponents must complete this annex, and attach it as an appendix to their project proposal.

6.0 Other Government Programs

Some proposed projects may be eligible under other government programs and these should be considered prior to preparing a proposal for funding under the AIF. Indeed, one of the desirable criteria is to “leverage funding from other public and private sector sources”. This includes all levels of government, the private sector, universities, associations and research facilities.

6.1 Other Federal Departments and Agencies

The Government of Canada offers other programs to promote research and development across Canada. These include, for example, the Canada Foundation for Innovation, and the Natural Sciences and Engineering Research Council. Certain commercial projects may be eligible for assistance under such initiatives as the National Research Council’s Industrial Research Assistance Program. ACOA’s Canada Business Service Centres can provide information on such programs.

7.0 General Procedures

7.1 Language

Proposals may be submitted in either of Canada’s official languages, English or French.

7.2 Submissions

a) Letter of Intent

Proponents must provide a letter of intent to submit a project proposal (refer to section 3.2). It must be delivered to the Atlantic Canada Opportunities Agency either by courier or in person to any of the designated ACOA offices listed in Annex F. **Proponents must submit a separate letter of intent for each stand-alone project. Project proposals received without an affiliated letter of intent will not be considered in this round of funding.**

ACOA will acknowledge receipt of all letters of intent, including a project proposal reference number that **must** be included in section A-1 of the Administration Form in **Annex A**. If an acknowledgement letter is not received within a reasonable period of time, a proponent should follow up with the respective ACOA official identified in section 7.4 below.

Please refer to **Annex B** for more complete details on the preparation of a letter of intent.

b) **Project Proposal**

The project proposal must be delivered to the Atlantic Canada Opportunities Agency either by courier or in person to any of the designated ACOA offices listed in **Annex F**.

ACOA will acknowledge receipt of all project proposals. If an acknowledgement letter is not received within a reasonable period of time, a proponent should follow up with the respective ACOA official identified in section 7.4 below.

Please refer to **Annex B** for more complete details on the preparation of a project proposal.

7.3 Closing Dates

- (a) A letter of intent to submit a project proposal, prepared in response to this Request for Letters of Intent and Project Proposals, must be received **by 4:00 p.m. local time on Wednesday, May 10, 2006, the closing date for letters of intent.**
- (b) A project proposal, prepared in response to this Request for Letters of Intent and Project Proposals, must be received in its entirety **by 4:00 p.m. local time on Wednesday, June 28, 2006, the closing date for project proposals. (A project proposal received without an affiliated letter of intent will not be accepted in this round.)**
- (c) Letters of intent and project proposals will not be accepted after their respective closing dates.
- (d) ACOA will return letters of intent and project proposals received after the stipulated closing dates.
- (e) Timely receipt and correct direction of a letter of intent or project proposal is the responsibility of the proponent. ACOA will not assume or have transferred to it these responsibilities.

7.4 Enquiries and Requests for Clarification

Proponents are invited to contact ACOA officials by telephone if there are any questions related to this Request for Letters of Intent and Project Proposals or for advice in preparing proposals. Contacts are:

Ms. Janice Nishikawa at 1-800-561-4030 in Fredericton, New Brunswick;

Mr. Rob McDonald at 1-800-565-1228 in Halifax, Nova Scotia;
Mr. Glen MacDonald at 1-800-705-3926 in Sydney, Nova Scotia;
Mr. Gerard Watts at 1-800-871-2596 in Charlottetown, Prince Edward Island;
Mr. Clayton Higdon at 1-800-668-1010 in St. John's, Newfoundland and Labrador; or
Mr. Gilles Paulin at 1-800-561-7862 at the AIF Secretariat in Moncton, New Brunswick.

7.5 Rights of ACOA

ACOA reserves the right to cancel and/or reissue this Request for Letters of Intent and Project Proposals at any time.