



# PRIVATE SECTOR DIRECTORATE



**INDUSTRIAL  
COOPERATION  
PROGRAM**

**(CIDA-INC)**



**Canadian International Development Agency (CIDA)**

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## ABOUT CIDA-INC

At the Canadian International Development Agency (CIDA), the Private Sector Directorate manages the Industrial Cooperation Program or CIDA-INC. CIDA-INC can help Canadian businesses by sharing some of the costs that are unique to doing business in developing or transition countries. We financially assist Canadian firms that want to establish long-term business in developing and transition countries, and we help these firms minimize the risks of pursuing business activities in these countries.

The program's goals are to:

- promote the economic and social development of host countries;
- promote and enhance the quality of Canadian investment in host countries;
- help Canadian firms make their expertise available to host countries;
- help Canadian firms improve the infrastructure in host countries; and
- help cover the cost of providing training and ensuring social development, gender equality, and a clean environment.

We have over 25 years of experience doing business with more than 3,000 Canadian companies in developing countries in Asia, Eastern Europe, Eurasia, the Americas, Africa, and the Middle East. We can provide you with the following information:

- key success factors from other projects;
- tips on doing business in the host country; and
- links to useful contacts in Canada and in host countries.

### **Canadian International Development Agency (CIDA)**

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## WHO SHOULD USE THIS GUIDE?

You should use this guide if you own a Canadian business and you're interested in working in developing or transition countries. This guide will help you determine whether you qualify for support from CIDA-INC.

If you have any questions about the information in this guide, please feel free to contact a staff member in CIDA-INC listed under "[Staff and eligible countries](#)".



## STEP 1

# Determining if your firm is eligible to participate

Please read through this section before beginning the application process. Knowing the criteria will save you time in the long run.<sup>1</sup>

### ELIGIBILITY CRITERIA<sup>2</sup>

You are eligible to apply for support under the CIDA-INC if your firm meets **all** of the following criteria:

- your firm is subject to corporate income tax;
- it has been in business in Canada for at least three years;
- your firm has had annual sales of over \$700,000 for at least two consecutive years;
- it has a proven track record in the services you are offering or in manufacturing the proposed products;
- it is financially sound—among other things, your firm must have sufficient working capital and a net worth that shows your firm is able to share the costs of the proposed activity and to take on its share of the funding required to implement the project;
- your firm is prepared to make a commitment to the long-term development of the project;
- you can show the relevance of your proposed international project in the context of your firm's corporate business plan;
- you have already established some contacts with a partner in the host country;
- you have found a potential source of funding; and
- you are prepared to invest in the developmental aspects of the project (training, social/gender, and environment).

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1 If you are thinking of applying to the program, you should be aware that projects you undertake in developing countries often involve many challenges and require more time and money than similar types of projects in Canada. For this reason, your firm must already have achieved a certain level of business development and activity.

2 Even if you meet all the above eligibility criteria, we reserve the right to reject your application for financial assistance if you did not obtain satisfactory results in previous projects that we funded, or if you did not outline a satisfactory strategy for your international activities.



## SOME ORGANIZATIONS AND INDIVIDUALS ARE NOT ELIGIBLE

Some organizations and individuals are not eligible to submit an application. They include:

- federal and provincial government departments;
- not-for-profit organizations;
- public educational institutions;
- research institutes; and
- individual consultants.

However, these organizations and individuals can be part of your project team, as long as your firm has ultimate responsibility for the project.

## SOME PROJECTS ARE NOT ELIGIBLE

Projects that are not eligible include the following:

- product and service demonstrations, including product testing and marketing activities;
- activities limited to selling or exporting;
- portfolio investment activities;
- establishment of business agency services, such as sales representatives;
- preliminary marketing activities to identify the project;
- speculative activities, such as mining exploration and real estate development;
- general management plans or studies not directly associated with a future project of the applicant, such as a master plan or a sectoral resource-management plan;
- projects that might have adverse economic consequences for Canada; and
- nuclear technology projects.

For more details on the types of projects that are not eligible, contact a staff member of PSD. Contact names and numbers are listed under [“Staff and eligible countries”](#).

## ELIGIBLE COUNTRIES

Consult the eligible countries list under [“Staff and eligible countries”](#).





## STEP 2

# Finding out what kind of assistance is available

CIDA-INC provides financial support under two different mechanisms:

- investment, and
- professional services

Each of these mechanisms allows us to provide assistance at two phases of a project's implementation: at the **study phase**, to determine a project's viability or feasibility; and at the **project implementation phase**, to assist in training, technology transfer, or related environmental or social activities.

### INVESTMENT MECHANISM

Under the **investment** mechanism, we support Canadian firms that produce goods and services, and wish to invest in developing/transition countries. This business agreement must:

- show the Canadian firm taking the risk and an equity position;
- involve the Canadian firm investing and transferring technology; and
- ensure that goods and services are produced locally.

The agreement can take one of the following forms:

- a joint venture with equity; or
- a wholly-owned foreign subsidiary

In addition, CIDA-INC may also consider other types of investment, on a case-by-case basis.

### Phases of support provided

Under the investment mechanism, we can provide financial support for the following phases:

- conducting a **viability study** to determine whether the proposed investment is technically feasible and economically viable; and
- providing **start-up support** to implement and maintain the proposed investment, and to increase the developmental benefits for the host country.



## *Viability study*

A viability study is an in-depth analysis of all factors that will influence your decision about whether or not to invest in the proposed business venture.

### **Required conditions for the viability study**

- You must already have met with a potential partner in the host country, if applicable.
- You must have already conducted a preliminary analysis that shows the proposed investment has a good likelihood of implementation, and that a more detailed study is necessary.

### **How much does CIDA contribute?**

CIDA may contribute up to 80 percent of the total eligible costs for a viability study under the investment mechanism.

### **Content of the viability study**

The viability study should usually include the following elements:

- a detailed market study;
- an assessment of the technical feasibility;
- the environmental assessment of the project and an environmental management plan;
- an analysis of the corporate social responsibility dimensions of the project;
- a management and technical training plan; and
- a legal and financial framework in the host country, a shareholder agreement, and a business plan for the new firm.

## *Start-up support*

Start-up support is designed to help Canadian firms transfer the technology that the investment project requires to ensure the project's sustainability, such as implementing an employee training program.

You can apply CIDA's contribution to costs associated with start-up components such as training, environmental, social, and gender-equality management plans.



### **How much does CIDA contribute?**

CIDA may contribute up to 80 percent of the total eligible costs for start-up support under the investment mechanism. The CIDA contribution cannot exceed 25 percent of your firm's total investment.<sup>3</sup>

### **Basic required condition**

Your firm and the local partner must have signed, or be about to sign, a business agreement, if it is an investment type other than a wholly-owned foreign subsidiary.

### **Content**

Start-up support can include such deliverables as:

- implementing plans developed in the viability study or its equivalent, such as training, environmental management, integration of women, or social development.

### **How supporting investment phases can be successful**

You can read about [success stories](#) featuring Canadian companies who have enjoyed financial success internationally, thanks in part to CIDA funding.

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3 An "investment" includes capital investments, and can include certain project development costs incurred during the viability study, as well as certain administrative or implementation costs incurred after the study and for three years after launching the project. Intangible assets will be considered part of an "investment" only where they are reflected in audited financial statements and are: identifiable, controlled by the enterprise, generate expected economic benefits, and are reliably measurable.



## PROFESSIONAL SERVICES MECHANISM

Under the **professional services** mechanism, we support Canadian consulting firms that want to:

- provide developing and transition countries with professional advice on national or regional priority projects that are funded by either the host-country government or international funding agencies other than CIDA; and
- secure a commercial contract to participate in implementing the project and transfer technology to the host country client.

### Specific eligibility criteria

Your firm has to comply with the general criteria described in Step 1 of this guide. The following specific criteria must also be met to apply for funding under the professional services mechanism:

- the project must meet the host country's economic and social needs;
- your firm must confirm the availability of, or access to, downstream financing for the project;
- your firm must have the expertise needed to participate in both the preliminary study and the project's implementation;
- any study you are planning to conduct must have a good chance of leading to a financially and technically viable project;
- no other Canadian firm can be in competition to conduct the study in question;
- the study must focus on a specific investment project—it cannot be general in scope; and
- you must be able to show that your client and the financial institutions likely to fund the project, concur with you on the need to study the project.

### Phases of support provided

Under the professional services mechanism, we provide financial support for the following phases:

- conducting a **feasibility study** to determine whether the project is feasible; and
- providing **implementation support** to ensure the project is sustainable and to increase the project benefits to the host country.



## *Feasibility study*

Once you have identified reasonable sources of potential funding, you should conduct a feasibility study to analyze the relevant factors affecting the project in the developing country. A study with positive results should lead to the funding sources and the involved governments making a commitment to implement the project. CIDA's contribution to the feasibility study is based on the scope of the project and the anticipated benefits for the host country.

### **Required conditions**

- Your firm must conduct the feasibility study before an international tender is called, or before sole-source agreements have been signed.
- Your firm must show that the client, the host-country government, and the financial community are interested in the study and are seriously considering implementing the project.
- Your firm has to have seriously discussed the feasibility study and the project with the client firm, and must submit documents detailing these discussions.
- The total value of the international contract to be awarded to your firm must be at least \$3 million.

### **How much does CIDA contribute?**

CIDA may contribute up to 80 percent of the total eligible costs for feasibility studies under the professional services mechanism.

### **Content**

The feasibility study should include the following elements:

- an environmental assessment of the project and an environmental management plan;
- an assessment of the social environment and a social integration plan; and a gender analysis and implementation plan;
- a legal and financial framework plan;
- a technical study;
- a training-needs study and a management and technical training plan; and
- a detailed financial and economic analysis;



## *Implementation support*

CIDA's support at implementation is designed to help Canadian firms increase the benefits for the host country of the project, and helps cover some of the costs of implementing specific components.

### **Required conditions**

- Your application for assistance must be for a complementary activity (e.g. training, environmental, social, and gender-equality management plans) which is in addition to, rather than part of, an international tender.
- You must clearly establish the financial, human, and technical contribution of each project participant.

### **How much does CIDA contribute?**

CIDA may contribute up to 80 percent of the total eligible costs for implementation support under the professional services mechanism. The contribution cannot exceed three percent of the total value of the international contract awarded to your firm.

### **Content**

Implementation support can include such activities as implementing the various action plans developed in the feasibility study or its equivalent.

### **How supporting professional services can be successful**

You can read about success stories featuring Canadian companies who have enjoyed financial success internationally, thanks in part to CIDA funding.

## MECHANISMS AT A GLANCE

Investment		
<p><b>Applicants:</b> Canadian firms producing goods and services</p> <p><b>Purpose:</b> To invest and to transfer technology within a long-term partnership in a developing or transition country</p>		
Phase	Objective	Content
Viability study	Signature of a long-term cooperation agreement, if the viability study is conclusive	<ul style="list-style-type: none"> <li>• Market analysis</li> <li>• Technical feasibility</li> <li>• Corporate social responsibility plan (social and gender dimensions and community development)</li> <li>• Environmental assessment and environmental management plan</li> <li>• Management and technical training plan</li> <li>• Legal and financial framework; partnership agreement; business plan</li> </ul>
Start-up support	Implementation of a long-term partnership	<ul style="list-style-type: none"> <li>• Technology transfer</li> <li>• Implementation of action plans developed in the detailed study or equivalent</li> </ul>

Professional Services		
<p><b>Applicants:</b> Canadian consulting firms</p> <p><b>Purpose:</b> To help a country plan and implement projects that provide goods and services to the local population in the developing or transition country</p>		
Phase	Objective	Content
Feasibility study	Commitment of funding sources and governments to implement the project, and approval by all parties involved	<ul style="list-style-type: none"> <li>• Environmental assessment and environmental management plan</li> <li>• Social integration and gender-equality plans</li> <li>• Technical feasibility</li> <li>• Detailed project-cost analysis</li> <li>• Management and technical training plan</li> <li>• Legal and financial framework</li> </ul>
Implementation support	Participation of Canadian firms in implementing a complementary developmental component	<ul style="list-style-type: none"> <li>• Technology transfer</li> <li>• Implementation of action plans developed in the detailed study or equivalent</li> </ul>



## **STEP 3**

### **Completing your application**

#### **DISCUSSING YOUR IDEAS WITH A CIDA REPRESENTATIVE**

If your firm is eligible to participate and you think you have a good idea for a project, please have a preliminary discussion with the appropriate staff member of **PSD**.

During this discussion, you will be able to:

- obtain valuable feedback from the Program Manager;
- confirm in principle that CIDA will consider your proposal; and,
- determine the specific information your firm should include in the formal application package.

#### **EACH PHASE REQUIRES AN APPLICATION**

Each of the two mechanisms in CIDA-INC—investment and professional services—offers specific types of assistance for every phase of a project. For each phase, you have to submit a separate application. Keep in mind that, before you can apply for funding for a second phase, you have to demonstrate that you have achieved the anticipated results for the first phase.

#### **WHAT YOUR APPLICATION SHOULD CONTAIN**

Each application should contain information about:

- the applicant Canadian firm;
- the project contemplated in the host country; and
- the purpose for which financial assistance is requested.





## STEP 4

### Evaluating your application

At CIDA-INC, we favour projects that:

- indicate specific, measurable benefits and development impacts for the host country;
- offer an acceptable level of risk in terms of access to funding, the local partner's capacities, the project's potential for success, and the country's political situation; and
- have a sound technical approach evaluated in terms of your experience, the proposed team, and the work methods.

Note that *audited* financial statements will be required to process your application. In some circumstances, *review engagement* statements may be acceptable. You are advised to discuss this aspect with the appropriate staff member of PSD.

### WE MUST RECEIVE A COMPLETE PROPOSAL

We will begin evaluating your application as soon as we receive all the required documents from you. Once we receive a complete package, our review will be completed in about 12 weeks.

An interdepartmental committee will also provide comments on your application. The committee is made up of representatives from Foreign Affairs Canada, International Trade Canada, the Canadian embassy in the host country, Export Development Canada, Industry Canada, as well as CIDA's technical, environmental, and social specialists and regional representatives.

### ONCE YOUR APPLICATION IS APPROVED

If we approve your application, we will issue you a contribution agreement. This agreement specifies the terms and conditions for CIDA's contribution, such as:

- the deliverables;
- the eligible costs and the budget;
- the payment schedule; and
- the type of reports you must file with CIDA.



## NEED MORE INFORMATION?

Our guidelines provide more details on:

- [Allowable Costs](#)
- [Revenue Sharing Policy](#)

If, after reading this guide, you require additional information, please contact an appropriate staff member of PSD, or you can reach us at the following contact numbers:

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