

Strategic Supply Challenge Project Financial Guide

Key Information on Supercluster
COVID-19 Project Finances

OVERVIEW

ADVANCED MANUFACTURING

Canada's Advanced Manufacturing Supercluster is led by Next Generation Manufacturing Canada (NGen), an industry-focused, not-for-profit corporation dedicated to positioning Canada as a world leader in advanced manufacturing capabilities.

COVID-19 RESPONSE

NGen will allocate up to \$15 million to co-invest in projects that focus on strengthening Canadian manufacturing and supply chain capabilities, build stronger more resilient companies for the supply of products that are strategically important for Canada, and target a long-term global competitive advantage.

Projects will be selected for funding according to critical needs identified by the Government of Canada and the ability of manufacturers to produce products that are safe for both patients and health care workers.

NGen will prioritize funding for projects that can have a demonstrated impact by March 2021 and will co-invest up to 50% of eligible costs.

Projects may range in size. NGen will reimburse 50% of eligible project costs up to a maximum of \$2 million of NGen funding per project (on \$4m of total project costs). Funding requests over this will be accepted however any NGen funding over \$2 million (over \$4m of total project costs) will be subject to the NGen Admin Fee of 2.5%.

Use this finance guide in conjunction with the Strategic Supply Workbook. Found at the bottom of the following [webpage](#).

GENERAL RULES

To receive Supercluster funding, project applicants must meet NGen's evaluation criteria and be approved by NGen's independent project selection process.

Approved projects will be funded for that portion of their project expenses that are eligible under the federal government's conditions for Supercluster funding.

All recipients of Supercluster funding will be required to enter into a contractual agreement with NGen defining the terms and conditions by which funding will be provided, and be required to comply with the terms of the funding agreement.

No individual partner may receive more than 70% of NGen funding.

Projects may receive complementary funding from other government agencies.

Supercluster funds cannot be used to fund costs already covered by funding from other government sources.

The total amount of government funding cannot exceed 100% of eligible project costs.

Submission of a claim form, copies of invoices >\$500 and timesheets (for labour charges) will be required to support eligible project costs.

Once the claim and the supporting documentation has been received by NGen, it will normally be processed within 15 days, unless it is necessary for NGen to seek further information to support the claim.

Claims are to be submitted to NGen as per the schedule in the Master Project Agreement.

NGen is under no obligation to pay more than 85% of the funding to the Recipients until it has received and approved all outstanding claims with supporting information, and the project reporting and monitoring obligations as set out in the Master Project Agreement have been met.

Supercluster funding is subject to availability of funds being approved annually by Parliament.

WHO IS ELIGIBLE FOR FUNDING?

Recipients of Supercluster funding must be either:

- for-profit organizations, or
- not-for-profit organizations that facilitate and fund research and development, and whose funding is received primarily from private-sector organizations.

Ineligible organizations include:

- not-for-profit organizations
- post-secondary institutions
- federal Crown corporations
- government departments or agencies

What costs are eligible for NGen funding?

Funded Eligible Costs are project expenses that are eligible for funding from Supercluster funds as outlined in [Section 2.3](#) of the ISI Program Guide.

Costs must be incurred by companies in Canada.

Eligible project costs must be **reasonable and directly relate** to project execution and achievement of the project objectives.

What kind of project costs are ineligible for funding?

The following costs are ineligible for Supercluster funding (“Unfunded Eligible”) but count towards the value of the project:

- Payments to federal entities, such as the NRC.
- Infrastructure costs (such as designing, acquiring, constructing, improving, or expanding the infrastructure serving the Project; and the improved and unimproved real property, buildings, and structural components of buildings and personal property. This includes any labour, travel, equipment and sub-contract costs related to infrastructure development).
- Costs related to construction, purchase of a building or land where leasehold improvements that remain with the building, which are typically made by the owner and include modifications to interior spaces to the operating needs of the tenant for example, changes made to ceilings, flooring, and inner walls. Alterations to the exterior of a building or modifications that benefit other tenants in the building are not considered leasehold improvements. Examples of non-leasehold improvements include elevator upgrades, roof construction, and the paving of walkways. This includes any labour, travel, equipment and sub-contract costs related to leasehold improvements.
- Any eligible costs incurred before the approval of the project by NGen; projects will be notified when they are in the eligible funding zone.

WHAT KINDS OF COSTS QUALIFY AS ELIGIBLE FUNDED COSTS?

Eligible costs must be reasonable and relate directly to the eligible activities of the project. If in doubt about the eligibility of a cost, please contact NGen for clarification that will protect you from spending on activities that may later be deemed ineligible.

Only costs that are incurred and paid for in cash are eligible for funding. In-kind costs are non-cash paid costs in the form of goods and services, which are **not** eligible for reimbursement.

All amounts submitted for funding **must be net of applicable HST/GST/PST/QST**.

SALARIES & WAGES

Eligible costs are those incurred as the portion of gross wages or salaries for personnel who are base in Canada and working directly on the project.

This includes CPP, EI and EHT but **must exclude** any discretionary benefits (i.e. health & dental, retirement) or bonuses.

All salaries & wages are considered paid in cash. **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.**

The costs of routine administration and operations, including the costs of administering project activities may be eligible if there is a direct linkage to project activities. Labor costs relating to production, selling, marketing or advertising are ineligible.

A general concept of reasonableness shall apply to salaries claimed. Per hour labour costs should be commensurate with the project activities being performed.

SUB-CONTRACT & CONSULTANCY

Costs are covered for any work essential to the success of the project and where the expertise does not exist among the partners. The work must be performed in Canada.

Partners cannot also sub-contract labour services to the project.

These costs must be accounted at Fair Market Value and must be reasonable and in line with industry norms and practices

WHAT KINDS OF COSTS QUALIFY AS ELIGIBLE FUNDED COSTS?

TRAVEL COSTS

All travel expenses must be in accordance with the National Joint Council Travel Directive to be eligible for reimbursement.

Only reasonable costs incurred exclusively for advancing the project will be accepted as an eligible expense.

Alcohol is an ineligible expense.

EQUIPMENT, FACILITIES & SUPPLIES AND CAPITAL

Supercluster funding covers the purchase of new equipment, rental, direct operation and maintenance costs.

The use of existing equipment is not eligible for funding, however the **direct costs** incurred in the operation of the equipment may be eligible for funding.

Examples of eligible direct costs include:

- Labour costs to run the equipment
- Materials consumed by the equipment
- Electricity costs to run the equipment
- Separately metered utility costs

Documentation must be provided to substantiate direct costs incurred in the use of existing equipment.

To be eligible for reimbursement under the Supercluster program, **capital** expenditures must be:

- Vital to the success of the project
- Not otherwise available as a shared resource

Capital expenditures on a single asset over \$1 million must be pre-approved by NGen.

USER FEES

Service fees and subscription/license fees directly related to the project are eligible expenses.

WHAT KINDS OF COSTS QUALIFY AS ELIGIBLE FUNDED COSTS?

MATERIALS & SUPPLIES

Materials directly consumed by the project.

Materials supplied by subsidiaries or associated companies should exclude the profit element of the value placed on that material (i.e. these are to be valued at cost).

The use of existing materials and supplies on hand **may be** considered for funding but must be approved in advance by NGen.

ROOM OR FACILITY RENTALS

The cost of rented space for the project may be eligible.

DISSEMINATION COSTS

Publication costs of project results are eligible. Costs relating to production, selling, marketing or advertising costs are ineligible.

OTHER ELIGIBLE DIRECT COSTS

Other direct costs which can be specifically identified and measured as being incurred on behalf of project activities are eligible.

PATENT COSTS

Reasonable costs relating to the patent protection of intellectual property that are directly linked to the project:

For example:

- patent drafting, filing, prosecution costs
- patent office fees
- prior art searching

Patent costs will be eligible for funding under the Supercluster program, provided:

- only SME's will be able to claim patent costs
- a cap of \$50,000 eligible patent cost per SME for projects \$4M and under
- a cap of \$150,000 eligible patent cost per SME for projects over \$4M
- there is a direct and supportable linkage to the project

WHAT KINDS OF COSTS QUALIFY AS ELIGIBLE FUNDED COSTS?

FOREIGN COSTS

Supercluster funding is intended to support initiatives incurring inside Canada. Costs incurred outside Canada may be eligible, only on an exceptional basis, with advance approval by NGen.

Advance approval is not required for:

- equipment, materials or supplies purchased from suppliers outside of Canada and shipped to Canada;
- costs related to obtaining IP rights in foreign countries subject to the patent cost rules outlined in the prior section.

INELIGIBLE COSTS: THESE WILL NOT BE FUNDED

- Capital, infrastructure or equipment costs unrelated to project objectives.
- Expenses relating to the construction, purchase of a building or land (except as set out in the section on unfunded eligible costs).
- Fines and penalties.
- Provisions for contingencies.
- Losses on investments, other projects, contracts, bad debts or expenses for the collection charges.
- Federal and provincial income taxes, harmonized sales tax (HST), goods and services taxes (GST), provincial sales taxes (PST/QST), excess profit taxes or surtaxes and/or special expenses in connection with those taxes.
- Customs and Duties.
- Expenses and depreciation of buildings or rooms that are not in use during the project.
- Amortization of unrealized appreciation of assets.
- Depreciation of assets paid for by NGen.
- Honoraria, gifts, donations, entertainment expenses, and alcoholic beverages.
- Dues and other memberships other than regular trade and professional associations.
- Extraordinary or abnormal fees for professional advice unless the NGen's approval is obtained prior to incurring the cost.
- Premiums for life insurance where proceeds accrue to the recipient.
- Discretionary severance and separation packages.
- Costs for which the recipient is eligible for a rebate from federal, provincial, territorial or municipal government sources.
- Salaries of the Members of the Board of Directors.
- Legal, accounting and consulting fees in connection with litigation or financial reorganization.
- Activities where benefits accrue to a single firm or organization.
- Projects where, in the opinion of the Minister, there is no buy-in from Members.



NGen is founded on the principle that the transformation to advanced manufacturing will enrich the lives of Canadians, delivering better products and good jobs while generating the economic growth essential to a better future.



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This guide is meant to provide project participants with additional assistance in understanding the framework of the Innovation Supercluster Program. In case of any discrepancy or inconsistency between this Guide and the Innovation Supercluster Initiative Program Guide (which can be found [here](#)), the Innovation Supercluster Initiative Program Guide shall prevail.