



Canada Foundation for Innovation
Fondation canadienne pour l'innovation

Policy and program guide

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1.1 Mandate and objectives

The Canada Foundation for Innovation (CFI) is an independent corporation created by the Government of Canada in 1997 to fund research infrastructure. The CFI's mandate is to enhance the capacity of Canadian universities, colleges, research hospitals and non-profit research institutions to carry out world-class research and technology development that benefits Canadians.

CFI funding enables institutions to set their own research priorities in response to areas of importance to Canada. This allows researchers to compete internationally and helps solidify Canada's position in the global knowledge-based economy. The CFI is thus well positioned to support the Government of Canada's science and technology strategy, *Mobilizing science and technology to Canada's advantage*.

The CFI's national objectives are to enhance the capacity of institutions to:

- support economic growth and job creation, as well as health and environmental quality through innovation;
- carry out important world-class scientific research and technology development;
- expand research and job opportunities by providing support through research infrastructure for the development of highly qualified personnel;
- promote productive networks and collaboration among Canadian universities, colleges, research hospitals, non-profit research institutions and the private sector.

The CFI helps Canadian institutions attract and retain the world's top research talent. The CFI also promotes the optimal use of research infrastructure within and among Canadian institutions which creates the necessary conditions for sustainable, long-term economic growth. The innovative research that results from great minds and solid infrastructure will benefit society, economy and environment.

CFI funding is awarded through a thorough merit-based review process that involves researchers, research administrators and private sector administrators. These volunteers review proposals, typically in committees, and make funding recommendations to the CFI.

1.2 Definitions

Innovation

Process that begins with the creation of knowledge in research and continues through its applications, to benefit Canadian society.

Research

Experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundation of phenomena and observable facts or to discover new means of applying existing knowledge.

Research infrastructure

Equipment, scientific collections, computer hardware and/or software, information databases and communications linkages used or to be used primarily for carrying out research. This includes housing and installations essential for their use and servicing.

Research training

Training of highly qualified personnel — including technicians, research associates, undergraduate students, graduate students and post-doctoral fellows — through research.

Technology development

Systematic work, drawing on research and/or practical experience, that is directed to producing new materials, products or devices, installing new processes, systems or services, or substantially improving those already produced or installed.

2. FUNDING ARCHITECTURE

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The CFI's funding architecture is designed to deliver on the CFI's mandate by meeting the current needs of the research community, its partners and stakeholders.

At its core, the CFI funding architecture involves a three-pronged program delivery system that includes: open competitions for innovative infrastructure projects (primarily through Leading Edge Fund/New Initiatives Fund competitions); a pre-determined allocation-based program that gives universities the flexibility and rapid turnaround time to recruit and retain leading researchers (Leaders Opportunity Fund); and a program that covers a portion of operating and maintenance costs to ensure optimal use of CFI-funded infrastructure (Infrastructure Operating Fund).

In addition to its three core programs, the CFI makes strategic investments through the Major Science Initiatives Program, the College-Industry Innovation Fund, the Automotive Partnership Canada Fund and the Exceptional Opportunities Fund.

2.1 Leading Edge Fund/New Initiatives Fund

In support of the Government of Canada's science and technology strategy, *Mobilizing science and technology to Canada's advantage*, the CFI will launch a Leading Edge Fund/New Initiatives Fund (LEF/NIF) competition by December 2011. Supporting innovative and transformative infrastructure projects leads to scientific breakthroughs and produces social, economic, environmental and health benefits to Canada. Open to all disciplines, LEF/NIF competitions enhance Canada's capacity for leading-edge research and technology development.

LEF projects sustain and further enhance the most advanced research and technology development efforts already supported by past CFI investments. LEF projects build on existing areas of research priority where institutions have a competitive advantage and a proven track record in enhancing Canada's science and technology capacity.

NIF projects build Canada's capacity in new, promising areas of research and technology development. They improve the country's competitiveness and international leadership in science and technology. These job-creating projects lead to important scientific breakthroughs and produce a range of benefits to Canada.

The CFI will invest \$155 million under the LEF/NIF competition to support research infrastructure projects. The primary focus will be on ensuring that CFI-funded infrastructure remains at the leading edge.

Once available, further information will be posted under “Funds” in the “Programs” section of the CFI website (<http://www.innovation.ca/en/OurFunds>).

2.2 Leaders Opportunity Fund

The Leaders Opportunity Fund (LOF) is designed to help universities attract and retain the very best of today’s and tomorrow’s researchers at a time of intense international competition. To this end, the LOF offers universities the opportunity to:

- acquire infrastructure for their leading research faculty to undertake cutting-edge research;
- create competitive packages of research support in the form of infrastructure and a portion of the operating and maintenance costs from the CFI, coupled with direct research costs from partner organizations.

Eligibility to apply

The LOF is an allocation-based fund whereby the CFI predetermines the maximum amount of funding available for each eligible university. Universities with a minimum annual average of \$300,000 in sponsored research income (excluding CFI awards) as reported by the Canadian Association of University Business Offices (CAUBO), are eligible to receive a LOF allocation. These allocations may be reviewed periodically as new funds are made available to the CFI.

In November 2010, the CFI invested an additional \$140 million in the LOF. For universities having received more than 0.2 percent of the total sponsored research income as reported by CAUBO, the additional LOF allocation is proportional to the average amount of sponsored research income over the 2006-07 to 2008-09 period. For universities having received less than 0.2 percent of the total sponsored research income, the CFI has created a Small Institution Fund of \$7 million to replace institutional allocations.

An eligible university may put forward an infrastructure proposal for either a current faculty member with a full-time academic appointment or a candidate the university is in the process of recruiting to a full-time academic position. A university is expected to submit LOF proposals to attract or retain faculty in the priority areas identified in its strategic research plan. A research hospital or a research institute may only apply through the eligible university to which it is affiliated.

The LOF is intended to serve the infrastructure needs of individual faculty, or small groups of up to three faculty members when there is a demonstrated need to share infrastructure. The LOF is not intended to serve the infrastructure needs of larger groups, centres, departments or institutions.

Candidates must be recognized leaders in their field of research or show promise of becoming research leaders. They must be engaged in, or embarking on, an innovative

research program for which the infrastructure is essential and which will provide an enriched research training environment.

Candidates who have previously been supported through the LOF, New Opportunities Fund, Canada Research Chairs Infrastructure Fund or Career Award are eligible for additional funding. However, candidates must justify the value added of another award.

LOF funding mechanism

The LOF has three streams. The nature of the proposal will depend upon which stream is chosen and the amount being requested.

Stream 1: Research infrastructure

1.1 Total eligible costs under \$1 million

1.2 Total eligible costs between \$1 million and \$2 million

Stream 2: Research infrastructure associated with a Canada Research Chair (total eligible costs under \$1 million)

Stream 3: Research infrastructure from the CFI and research support from the Tri-Council agencies

Application deadlines

Table 2.1 – LOF application deadlines

Stream	Application deadline
Stream 1: under \$1 million	February 15, June 15 and October 15, of every year
Stream 1: \$1 million to \$2 million	Notice of intent: December 15, of every year Proposal: February 15, of every year
Stream 2	Canada Research Chairs application deadlines: twice a year (www.chairs.gc.ca)
Stream 3	Federal research funding agencies application deadlines CIHR: www.cihr-irsc.gc.ca NSERC: www.nserc-crsng.gc.ca SSHRC: www.sshrc.ca

The complete program description is available under “Funds” in the “Programs” section of the CFI website (<http://www.innovation.ca/en/OurFunds>).

2.3 Infrastructure Operating Fund

The Infrastructure Operating Fund (IOF) helps cover a portion of the operating and maintenance costs to ensure optimal use of CFI-funded infrastructure. It is nonetheless the institution's responsibility to provide sufficient funds for the operation and maintenance of CFI-funded infrastructure.

An institution's IOF allocation is based on the CFI contributions for eligible projects. All CFI projects approved after July 1, 2001, are eligible to receive IOF, with the exception of projects funded under the Canada Research Chairs Infrastructure Fund and the international funds. All eligible projects generate an IOF allocation of 30 percent of the maximum CFI amount approved at award finalization. Institutions can review their allocation details in the "Institutions: Financial Access" section on the CFI website (<http://www.innovation.ca/en/CFIOnline>).

Each institution is responsible for deciding how their funds will be divided among projects eligible to receive IOF. Institutions can distribute their IOF allocation based on actual operating and maintenance needs, as opposed to allocating the exact amount to the project that generated it. This offers institutions maximum flexibility to support projects with different needs and scope, while ensuring accountability.

2.4 Major Science Initiatives Program

Overview

In support of the Government of Canada's science and technology strategy, *Mobilizing science and technology to Canada's advantage*, the CFI will contribute to the operating and maintenance (O & M) costs of CFI-funded large scale research facilities. In addition, the CFI will provide governance and management oversight based on best practices.

Often referred to as "Big Science," a major science initiative (MSI) addresses a set of leading-edge scientific problems or questions of such significance, scope and complexity that it requires unusually large-scale facilities and equipment, substantial human resources, and complex operating and maintenance activities. As such, MSIs are typically too large to be funded exclusively by any one organization and have a life cycle extending over many years.

Objectives

In order to ensure that CFI-funded MSI facilities remain at the leading-edge and enable researchers to undertake world-class research and technology development that lead to social, economic and environmental benefits to Canada, the CFI will:

- contribute to stable and predictable funding of O & M costs;
- promote the adoption of best practices in governance and management, including long-term strategic and operational planning.

Through the MSI program, the CFI will provide O & M funding beyond that currently offered through the Infrastructure Operating Fund (IOF). Funding decisions will be

based on periodic merit-based review of scientific excellence, research outcomes, governance and management. The CFI anticipates funding a limited number of unique national facilities where it has made a one-time contribution of at least \$25 million in capital funding.

Available funding

The \$185 million that has been allocated to the MSI program will cover a portion of the total eligible O & M costs of an MSI from April 1, 2012 to March 31, 2017. The total O & M funding received from the CFI (including IOF and the O & M portion of an International Joint Ventures award) should not exceed 40 percent of the total eligible O & M costs.

The CFI contribution is not intended to replace current O & M funding received from other sources. The MSI program is different from other CFI programs in that other funders (Tri-Council, provinces and private sector) are already providing O & M support to MSI facilities. It is expected that these funding partners will remain involved. The CFI encourages institutions to interact with the current and new funding partners at an early stage in the planning and development of the proposal.

Timeline

Table 2.2 – MSI program timeline

Activity	Date
<i>Statement of qualification</i> deadline	February 4, 2011
Eligibility decisions	March 2011
Proposal deadline	September 2011
Expert committee meetings	November 2011
International Multidisciplinary Assessment Committee meeting	January 2012
Board decisions	March 2012

The complete program description is available under “Funds” in the “Programs” section of the CFI website (<http://www.innovation.ca/en/OurFunds>).

2.5 College-Industry Innovation Fund

Context

Colleges¹ have taken advantage of their strong linkages with the private sector, mostly with small and medium-sized enterprises at the local, regional and national level, to play an increasingly important role in supporting Canadian business innovation². Because colleges develop and test new products, help businesses adopt innovative processes and adapt technologies to gain new competitive advantages, they are well positioned to address some of the key challenges identified in Canada's science and technology strategy.

Objectives

The College-Industry Innovation Fund seeks to enhance the capacity of colleges to support business innovation in Canada by providing them with state-of-the-art, industry-relevant research infrastructure to foster partnerships with the private sector in a specific area of strategic priority to the institution.

Proposals should:

- stimulate competitive college-industry applied research and technology development partnerships that lead to business innovation by:
 - encouraging interactions between the college and its industrial partners;
 - enabling the college to respond to specific technological challenges of their industrial partners;
 - allowing the college to undertake large-scale collaborative projects with industrial partners.
- enhance applied research and technology development capacity at the college in an area of institutional strategic priority;
- provide highly qualified personnel with opportunities to participate and gain know-how in applied research and technology transfer activities through direct hands-on experience with state-of-the-art instrumentation;
- generate regional and national socio-economic benefits through partnerships with the private sector and other relevant stakeholders.

¹ The term college refers to a community college, institute of technology or post-secondary college (e.g. CEGEP) that has the primary mandate and ability to grant diplomas or "diplôme d'études collégiales (DEC)," in accordance with provincial or territorial standards.

² Business innovation is broadly defined as the creation, adoption or adaptation of knowledge and technology to develop or improve a product, process or service, with the goal of improving the productivity and competitiveness of a company or a sector.

Funding streams

The CFI offers two competition streams under the College-Industry Innovation Fund.

Stream 1: Research infrastructure

The CFI accepts infrastructure requests for enhancing existing applied research and technology development capacity in colleges. Colleges with an established capacity are encouraged to apply through this stream. For example, those who have received a Five-Year College and Community Innovation (CCI) Innovation Enhancement (IE) grant³ or research and development funding from provincial, industrial or other sources are encouraged to apply through this stream. The CFI plans to run two competitions under stream 1.

Stream 2: Research infrastructure associated with a Five-Year CCI-IE grant application

The CFI accepts research infrastructure requests associated with a Five-Year Innovation Enhancement application submitted to the Natural Sciences and Engineering Research Council (NSERC). The CFI partners with NSERC for their 8th and 9th CCI-IE grant competitions. This joint initiative allows colleges to apply for a comprehensive funding package supporting both research costs (through a CCI-IE grant) and research infrastructure (through CFI's College-Industry Innovation Fund – stream 2).

Competition timeline

Table 2.3 – College-Industry Innovation Fund timeline

	Letter of intent	Proposal	Decisions
Stream 1: Research infrastructure			
Competition 1	June 10, 2011	September 30, 2011	March 2012
Competition 2	June 8, 2012	September 28, 2012	March 2013
Stream 2: Research infrastructure associated with a Five-Year CCI-IE grant application			
CCI-IE grants competition 8	June 3, 2011	October 28, 2011	March 2012
CCI-IE grants competition 9	November 25, 2011	April 20, 2012	Fall 2012

³ The College and Community Innovation Program is managed by NSERC in collaboration with the Canadian Institutes of Health Research (CIHR) and Social Sciences and Humanities Research Council of Canada (SSHRC).

Available funding

A total of \$25 million is available under the College-Industry Innovation Fund. Up to \$20 million is available for stream 1, with the remaining funds available under stream 2. The CFI will fund a maximum of 40 percent of the total eligible costs of the infrastructure project.

The complete program description is available under “Funds” in the “Programs” section of the CFI website (<http://www.innovation.ca/en/OurFunds>).

2.6 Automotive Partnership Canada Fund

The CFI, the Natural Sciences and Engineering Research Council (NSERC), the Social Sciences and Humanities Research Council (SSHRC), the National Research Council and the Canada Excellence Research Chairs program have created Automotive Partnership Canada (APC), an initiative that will provide \$145 million in research funding over five years to support significant, collaborative R & D activities for the benefit of the Canadian automotive industry.

APC’s mission is to support R & D that will help the Canadian automotive sector reach a greater level of innovation. Its emphasis is on transformative, integrated projects or programs that give Canadian industry and academia the resources required to further their automotive R & D ambitions. Projects must be industry-driven and align with one of the following strategic research themes: improving the automobile’s environmental performance and impact, developing the cognitive car or advancing the next generation of manufacturing.

The CFI has committed up to \$15 million to APC. Requests for research infrastructure funding from the CFI will be considered only when the research infrastructure is demonstrated to be an essential part of a larger, integrated project involving research activities supported by other APC partner agencies. Institutions should confirm their eligibility with NSERC and/or SSHRC. The CFI will fund a maximum of 40 percent of the total eligible costs of the infrastructure project. The remainder must be provided by the institution(s) and/or eligible funding partners.

Proposals will be assessed on the quality of research, the enhancement of the capacity for innovation, the benefits to Canada, as well as on their relevance to and participation by industry. Proposals should clearly identify how the industrial partner(s) is in a position to exploit successful research results and how the research will benefit the Canadian automotive sector within a reasonable time frame. The CFI will jointly review proposals with NSERC and/or SSHRC. The review process will be commensurate with the size and complexity of the project. Institutions may submit proposals anytime until 2014 or until the funds are exhausted. For more information, consult the APC website at www.apc-pac.ca.

2.7 Exceptional Opportunities Fund

While most infrastructure projects require significant time to develop from conceptualization to implementation, there are rare instances where an exceptional research opportunity could be missed if it had to follow regular national competition processes. The CFI created the Exceptional Opportunities Fund to assist institutions and their partners in seizing such unique opportunities.

To qualify for funding, a project must take advantage of an exceptional and time-sensitive opportunity and partnership — such as the potential loss of research funding from international sources or the private sector — that justifies it being considered outside the CFI's regular pan-Canadian competitive review process. The project must include the timely coordination and financial support of other relevant agencies for the funding of research, infrastructure and operations. Infrastructure must also be an indispensable element of the project. Projects that have already been reviewed, in whole or in part, by the CFI are not eligible.

Since the CFI expects to consider very few projects under this fund, institutions should first approach the CFI to discuss eligibility. The application process has two steps:

1. The institution submits a notice of intent that addresses the exceptional opportunity, the significance of the partnership and the urgency for funding outside the CFI's normal processes. A multidisciplinary committee will review the notice of intent and recommend whether the CFI Board should invite a proposal.
2. The institution submits a proposal upon invitation. The review process will be tailored to the nature and complexity of the proposal.

The CFI will fund a maximum of 40 percent of the total eligible costs of the infrastructure project. The remainder must be provided by the institution(s) and/or eligible funding partners.

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3.1 Eligibility guidelines

Eligible institutions are permitted to apply for, receive and administer funding from the CFI.

An eligible institution is defined as:

- a university, college or research hospital that is situated in Canada and has demonstrated its capacity to support and conduct research;
- a non-profit institution that is not an agency of federal, provincial or territorial governments or for-profit organization, has its activities primarily carried out in Canada, and has demonstrated its capacity to support and conduct research.

Every institution wishing to apply for CFI funding and/or receive and administer CFI funding must request confirmation of eligibility from the CFI. Proposals for funding will only be accepted from an institution once its eligibility has been confirmed. Detailed eligibility conditions are described in the following sections.

3.1.1 Universities, colleges and research hospitals

The CFI may approve a university, college or research hospital as an eligible institution if it demonstrates all of the following:

- established research and training mission;
- capacity to support and conduct research;
- full qualification to carry out independent research and proven track records of researchers;
- provision of sufficient time, facilities and services that enable researchers to conduct their work;
- no institutional constraints on the publication of research results;
- willingness and ability to administer CFI funding in accordance with the CFI's requirements.

The institution must also include the following information to confirm its eligibility:

- official statement of policy regarding the role of research and training at the institution;
- CVs of researchers;
- brief descriptions of a representative sample of the research conducted at the institution;
- list of publications authored by the institution's researchers over the last three years;
- list of grants and contracts awarded to the institution and/or the institution's researchers over the last three years.

3.1.2 Non-profit research institutions

The CFI may approve a non-profit research institution as an eligible institution if it demonstrates all of the following:

- non-profit status for income tax purposes;
- established research and training mission;
- capacity to support and conduct research;
- full qualification to carry out independent research, proven track records and full-time appointment of researchers;
- provision of sufficient time, basic facilities and services that enable researchers to conduct their work;
- no institutional constraints on the publication of research results;
- willingness and ability to administer CFI funding in accordance with the CFI's requirements.

The institution must also include the following information to confirm its eligibility:

- statutes, incorporation documents and bylaws;
- list of the members of the Board of Directors, including the current occupation of each member;
- detailed outline of the organization's research training activities, including the education level of trained individuals (e.g. master's student, post-doctoral fellow, etc.);
- institution's publication policy;
- CVs of the researchers employed by, or appointed to, the non-profit research institution (CVs of researchers with a full-time appointment in another institution are not acceptable);
- brief descriptions of a representative sample of research conducted at the institution;
- list of publications authored by the institution's researchers over the last three years;

- institution's operating and research budgets, including annual research and research training components, for the last three years.

When a non-profit institution requests status as an eligible institution, the CFI must review the institution's statutes to ensure that it is not an agency of the federal, provincial or territorial governments, or a for-profit organization. In cases where the legal status of an institution is unclear, the CFI will seek legal advice in determining the institution's eligibility.

3.2 Exceptions

An institution that is affiliated, federated or closely associated with another eligible institution will not be considered eligible unless it receives its operating budget directly from the provincial or territorial government and has its own Board of Directors.

If the institution does not meet these criteria, it must apply for CFI funding through the eligible institution with which it is affiliated, federated or closely associated. The eligible institution will then receive and administer funding.

3.3 Exclusions

The following organizations will not be considered eligible and cannot apply for, receive or administer CFI funding:

- For-profit organizations and agencies of for-profit entities
- Federal departments, departmental corporations, Crown corporations or wholly owned subsidiaries of Crown corporations
- Provincial or territorial departments, agencies or Crown corporations (except for universities, colleges and research hospitals)
- Non-profit corporations that have been established by any of the above

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The CFI usually provides funding to a maximum of 40 percent of the total eligible costs of the infrastructure projects it supports. The remainder must be provided by the institution(s) and/or eligible funding partners. An eligible recipient is defined as the eligible institution — alone or as a member of a group (the majority of which are eligible institutions) — that receives and administers CFI funding as part of a proposal for an infrastructure project.

4.1 Eligible infrastructure projects

An eligible infrastructure project involves the modernization, acquisition, development or leasing of research infrastructure. The eligible infrastructure represents a new capital asset and provides new and/or improved research capability, including research tools and/or research facilities.

The CFI does not expect to receive separate proposals for each item of infrastructure. Rather, each proposal should include all the necessary and eligible infrastructure items required to successfully carry out the project.

4.2 Infrastructure ownership

The eligible recipient will operate and use the research infrastructure, and will assume responsibility for insuring all CFI-funded research infrastructure, including powered vehicles. It will also exercise de facto control over and hold a majority interest in the

research infrastructure for a period of five years from the date of acquisition and installation of the research infrastructure, or for a period the CFI deems appropriate.

With pre-approval from the CFI, the eligible recipient may transfer de facto control and majority interest in the research infrastructure to another eligible institution or group (the majority of which are eligible institutions) during the five-year period.

4.3 Intellectual property ownership

The CFI does not keep or claim any ownership of, or exploitation rights to any intellectual property arising from CFI-funded infrastructure projects. The CFI expects the recipient institution to determine these rights in accordance with its institutional policies.

4.4 Location of infrastructure

The infrastructure will normally be located at an eligible institution(s), but may be located elsewhere if the institution can demonstrate that the alternate location is required and benefits the funded project. In such cases, the eligible institution must still exercise de facto control over and hold a majority interest in the CFI-funded infrastructure. The infrastructure must normally be located within Canada.

4.5 Eligible costs for infrastructure projects

Eligible costs are defined as costs of modernizing, acquiring, developing or leasing research infrastructure. Institutions must report the full cost of each item. The taxes net of credits received may be included. Taxes must not be calculated on an in-kind portion.

Infrastructure used for additional purposes other than research is eligible as long as it is primarily used for research and the total cost is pro-rated to include only the research portion of the infrastructure.

If the estimated proportion of time that the infrastructure is available for research is used to establish the research portion (i.e. the time available for research use divided by the total available time), the following factors should be considered:

- for calculation purposes, the total available time may correspond with the normal operating period. For example, if a particular piece of equipment is only used on weekdays, non-research use on weekends does not need to be considered;
- if use of the infrastructure is expected to vary over time, a weighted average over the required five-year period of de facto control should be calculated.

At the application and award finalization stages, the expected cost at the anticipated acquisition date should be reported (i.e. consider expected price fluctuations).

Examples of eligible and non-eligible costs are provided below. Additional details of costs relating to personnel, construction or renovation, databases and digital libraries are provided in the following sections. Eligible costs associated with a specific competition are detailed in the relevant program description under “Funds” in the “Programs” section of the CFI website (<http://www.innovation.ca/en/OurFunds>). If a

particular item is not clearly defined as eligible or ineligible, the CFI will consider the request on a case-by-case basis.

Eligible costs

- Research equipment and components
- Leasing of equipment when as cost effective as purchasing
- Shipping, transportation and installation of research infrastructure (including brokerage fees, excise taxes and duties)
- Warranty and/or service contract purchased at the same time as the research infrastructure. The initial warranty period plus any extended warranty/service contract period must not exceed five years.
- Software licences. The initial licensing period plus any upgrade(s) must not exceed five years.
- Laboratory furniture
- Communications infrastructure essential for the research activities described in the proposal
- Travel to a manufacturer, dealer or supplier to select research infrastructure
- Initial training for the main operator(s) of the research infrastructure. It is expected that the main operator(s) will train other users. Alternatively, an initial group training session may be provided by the vendor at the institution.
- Professional, technical and managerial personnel, consultants and contractors directly involved in the design, engineering, manufacturing, installation, construction or renovation of the infrastructure
- Construction or renovation of space essential for housing and effectively using the infrastructure
- Acquisition of a database or the time-limited design and development of a database to the point that it is ready for exploitation by a designated research community
- Costs associated with a digital library initiative that builds on the CFI-funded Canadian National Site Licensing Project

Non-eligible costs

- Purchase or lease of real property
- Infrastructure used for teaching and/or clinical care
- Office furniture and supplies
- Internal fees for the use of infrastructure owned by the institution (e.g. lease of server space)

- Operating costs related to the general maintenance and overhead of the research infrastructure, and of the building or other facilities in which the research infrastructure is situated
- High-speed network access to the regional (Optical Regional Advanced Network) and national (CANet) backbones
- Supplies and consumables
- Trainee stipends (undergraduates, graduates and post-doctoral fellows) and researcher salaries
- Research-related costs (e.g. primary data collection, recruitment initiatives, publication fees, etc.)
- Conference travel
- Administrative costs not specifically listed as eligible costs

4.5.1 Personnel

The costs of retaining professional, technical and managerial personnel, consultants and contractors directly involved in the design, engineering, manufacturing, installation, construction or renovation of the infrastructure are eligible.

If an institution retains the services of an external provider, the full cost of that provider is considered eligible, assuming it is related to eligible activities. Alternatively, some institutions may have professionals, technicians, managers and consultants on staff to perform eligible activities.

Normally, each institution has its own established practices that dictate how costs associated with internal services are charged. Although internal practices vary, they usually consist of one or more of the following:

1. The actual salary cost of the individual plus fringe benefits, multiplied by the actual time.
2. An internal rate reflecting an average salary cost plus associated fringe benefits, multiplied by the actual time.
3. An internal rate reflecting an average salary cost plus associated fringe benefits plus overhead component, multiplied by the actual time.⁴
4. An approved internal fee for service, which may include an overhead component.⁴
5. In the case of architectural and/or engineering and/or project management costs related to construction or renovation projects, a fixed percentage of total construction or renovation costs. The percentage may include an overhead component.⁴

⁴ The service departments following this practice usually operate on a full cost recovery basis.

The CFI always accepts the first two practices. If an institution does not recuperate more than the full costs of a department associated with providing the services through the use of an internal rate, fee or fixed percentage, and if the costs of a department that are recovered from the CFI are not claimed for reimbursement from another source, the CFI will accept the remaining practices if:

- it is the normal practice of the institution for the employee providing the service or performing the work related to the eligible activity. This means that the practice used to report expenditures for a CFI-funded project must be consistent with the way expenditures are reported for similar services associated with activities that are not related to a CFI-funded project;
- the internal rate, fee or fixed percentage of construction or renovation cost used is the same as that for all other internal clients;
- the rate, fee or fixed percentage used is less or equal to fair market value.

If one of these conditions is not met, then the first two practices must be used to report expenditures for a CFI-funded project.

4.5.2 Construction and renovation

Infrastructure projects may involve the construction of a new building or the development of new space in an existing building (e.g. new floors, reconfiguration of existing space, etc.) only when new space is essential to house and use the eligible infrastructure. Thus, instalment(s) for the equipment to be located in the constructed or renovated space will only be paid once the space is ready to house the equipment. Where there is an option to either renovate an existing building or construct a new building, the most cost-effective option must be chosen.

Eligible costs

- Direct construction or renovation costs, soft costs (e.g. site development and planning, architectural and design services, professional fees, permits and insurance) and contingency costs (amount budgeted for unforeseen expenses; not to exceed 10 percent of the construction costs) for:
 - space to house the infrastructure (e.g. laboratories, animal facilities, computer rooms and greenhouses);
 - space to use the infrastructure or conduct research (e.g. workstations, storage areas, technicians' offices and interview rooms);
 - additional space to house and use other eligible infrastructure (i.e. not part of the current proposal) that is essential for the use of the requested infrastructure. The primary justification for any constructed or renovated space must be the housing and use of the requested infrastructure;
 - essential (i.e. as required by building codes) common elements, such as custodial areas, circulation areas, stairways, elevator shafts, mechanical and utility areas and space occupied by structural features (e.g. fire walls).

- Costs related to the essential modification of the space immediately adjacent to the CFI-eligible constructed or renovated space that are a direct result of the construction or renovation of the eligible space

Expected price fluctuations from the time of the application to the start of construction should be included in direct and soft costs (i.e. not part of contingency costs).

Non-eligible costs

- Direct construction or renovation costs, soft costs and contingency costs for:
 - space for non-research use (e.g. administration, teaching and clinical services);
 - space to house non-eligible equipment;
 - office space for faculty, administrative staff and students;
 - space for meeting or conference rooms.
- Costs to relocate existing tenants
- Landscaping costs
- Art collections
- Administrative costs

Requirements at the application stage

Infrastructure projects that include construction or renovation must be developed well beyond the conceptual stage when proposals are submitted. The CFI expects institutions to have defined the needs for the building, explored and decided upon the most feasible option, and determined reliable estimates of the construction or renovation costs (e.g. estimates by a quantity surveyor or contractor, use of industry standards, or recent experience with similar construction or renovation).

The CFI expects institutions to start the construction or renovation component of a funded project within 18 months of award approval. Within this time frame, institutions must have finalized contracts for construction or renovation and begun the construction or renovation work. While the CFI recognizes that some projects may involve large and complex construction or renovation components, institutions are expected to have completed planning and development work for such projects at the application stage. When a project involves multiple sites, the construction or renovation on every site should start within 18 months of award approval.

For all construction or renovation projects, institutions must provide:

- a complete description of the entire new space, including common elements (e.g. corridors, washrooms, etc.). The description should include the location(s), size and nature (wet lab, dry lab, office, greenhouse, etc.) of the new space;
- a detailed breakdown of the overall cost of the construction or renovation project, categorized by cost component (i.e. direct costs, soft costs and contingency costs);

- a timeline identifying key dates for the various stages of the proposed construction or renovation;
- floor plans of the proposed new area(s), showing the location of the infrastructure and the scale of the plans (when construction or renovation involves multiple rooms).

4.5.3 Databases

A research database is a systematic collection of information that is designed and structured for access and use as a research tool or resource. It may be housed in one central location or distributed across a network. CFI funding will focus on either the acquisition of a database or the time-limited design and development of a database to the point that it is ready for use by a designated research community.

Eligible costs

- Computers, communications hardware and software
- Purchase or lease of existing datasets. The initial access period plus any update must not exceed five years.
- Technical or professional work required for the time-limited design and development of a database to the point that it is ready for use by a designated research community, including:
 - data cleaning (i.e. verification, editing), coding, format conversion, data entry and data transfer;
 - design, development, beta testing, piloting, commissioning and integration of the database(s);
 - merging and organizing existing data that are not already in accessible reference units that can be used efficiently and effectively.
- Development of user guides
- Construction or renovation of a facility to house and use the database

Non-eligible costs

- Research costs to produce a dataset or database, including:
 - primary data collection;
 - questionnaire development;
 - survey protocol design;
 - development of sampling methodologies;
 - fieldwork;
 - conduct of surveys and interviews.
- Non-technical personnel costs (e.g. privacy officers, security auditors, security personnel)

- Routine update of a database
- Fees for accessing a database for research use
- Research activities using the database

4.5.4 Digital libraries

In 1999, the CFI awarded \$20 million to the Canadian National Site Licensing Project, which was intended to provide Canadian universities with access to electronic publications in diverse research areas, including social sciences and humanities. Any new digital library project is expected to build upon the original initiative.

Eligible costs

- Initial acquisition of new forms of content (e.g. linked and structured databases, national site licences)
- Creation or enhancement of an operational information collection (excluding conventional acquisitions) in a specific research application area (e.g. health, environment, etc.)
- Acquisition and customization of tools for supporting regional or national networked content (e.g. hardware, communications, security and applications software)
- Acquisition and customization of tools to enhance value for the user (e.g. intelligent search, analysis and representation agents)

Non-eligible costs

- Construction or renovation of conventional libraries
- Upgrade of facilities for accessing conventional library collections
- Costs to maintain library collections (e.g. digitizing or converting existing, conventional collections to electronic format)
- Conventional collections

4.6 Eligible costs for the Infrastructure Operating Fund

Under the Infrastructure Operating Fund (IOF), the costs of operating and maintaining CFI-funded infrastructure are eligible. Unlike the majority of CFI's programs, no partner funding is required.

An eligible operating and maintenance cost for the IOF must meet the following conditions:

- the infrastructure item to which it relates must have been funded by the CFI (i.e. it appears on the [Itemized list](#) and/or the final financial report);
- the CFI-funded infrastructure project to which it relates must have been approved after July 1, 2001. However, projects funded under the Canada Research Chairs Infrastructure Fund and the international funds are not eligible for IOF;

- the CFI-funded infrastructure project to which it relates must have passed the stage of award finalization. An *Award agreement* is thus in place for the project;
- the operating and maintenance activities are needed to ensure the infrastructure can be used to carry out the proposed research;
- the infrastructure must still be used for research purposes. There is no maximum number of years for which IOF can be claimed, as long as the infrastructure is still being used for research purposes during the period claimed.

Only the proportion of operating and maintenance costs associated with research is eligible.

Eligible costs

- Salaries (including benefits) of highly qualified personnel (technicians or professionals) directly involved in the operation and maintenance of the CFI-funded infrastructure. The full salary of the highly qualified personnel may be eligible if the infrastructure cannot be operated without their assistance.
- Training for the main operator(s) of the research infrastructure, not included in the infrastructure award. It is expected that the main operator(s) will train other users. Alternatively, a group training session may be provided by the vendor at the institution.
- Extended warranties and/or service contracts not included in the infrastructure award
- Extensions to warranty coverage and software licences
- Maintenance and repairs
- Replacement parts
- Replacement of a CFI-funded infrastructure item needing repair, only if the replacement is more cost effective than the repair (the replacement item must have similar functionality)
- Services (e.g. electricity, security, cleaning) that directly support the CFI-funded equipment or CFI-funded constructed or renovated space (only the portion attributable to the CFI-funded infrastructure is eligible)
- Supplies and consumables needed to operate the research infrastructure (not to exceed 10 percent of the cumulative total IOF claimed by the institution)

Non-eligible costs

- Cost of equipment, installation and construction or renovation deemed eligible under an infrastructure award
- Upgrades related to the infrastructure
- Extended warranties and/or service contracts included in the infrastructure award
- Telephone, Internet and cable or satellite television services that are not necessary to ensure the infrastructure can be used for research

- Insurance
- Costs not directly related to the CFI-funded infrastructure (e.g. maintenance contract for equipment not acquired through a CFI-funded infrastructure project that is eligible to receive IOF, services related to space for which the CFI has not funded the construction or renovation, etc.)
- Trainee stipends (undergraduates, graduates and post-doctoral fellows) and researcher salaries
- Administrative, secretarial or clerical personnel not directly related to the operation and maintenance of the infrastructure (e.g. research services office, library and finance services)
- Any cost to conduct research activities
- Costs attributed to the dissemination of information such as promotion, publications or conferences
- Expenditures reimbursed from another source

4.7 Eligible partner contributions

The definition of eligible costs also applies to funding provided by eligible partners. Only those contributions to the eligible costs of a project will be accepted as eligible partner contributions.

Eligible partners (Canadian or foreign)

- Institutional funds, trust funds or foundations
- Departments and agencies of the federal government
- Departments and agencies of provincial, territorial and municipal governments
- Firms and corporations
- Non-profit organizations
- Individuals

Non-eligible partners

- Canadian Institutes of Health Research (CIHR)
- Natural Sciences and Engineering Research Council (NSERC)
- Social Sciences and Humanities Research Council (SSHRC)
- Tri-Council programs (e.g. Networks of Centres of Excellence, Canada Research Chairs, Indirect Costs Program, College and Community Innovation Program)

The CFI will, however, allow the cost of eligible item(s) to be covered in part by these non-eligible partners provided that this portion is not used to leverage CFI funds. The portion of an eligible item's cost for which the CFI funding will be calculated (usually a maximum of 40 percent) will be the total cost of eligible item(s) less the funding received from the Tri-Council agency or program.

For example:

Full cost of eligible item	\$200,000
NSERC contribution to the purchase of item	(\$40,000)
Portion of cost for which CFI funding will be calculated	<u>\$160,000</u>
Maximum CFI funding (40%)	(\$64,000)
Eligible partner contributions	<u><u>\$96,000</u></u>

A partner contribution that has already been used in full or in part to match funds for another project funded by CIHR, NSERC, SSHRC or any Tri-Council program will not be recognized as an eligible partner contribution for a CFI-funded project.

All partner contributions must be secured within nine months following a CFI decision. Institutions must provide a persuasive plan for securing the funds within this time frame at the application stage. A funding request to a provincial program constitutes a persuasive plan, but an application to an agency that reviews and decides on funding independently of the CFI's decisions is not.

The source of partner contributions is not judged as a review criterion. Nevertheless, the presence of a specific source of funding may demonstrate commitment to the project, interest of potential users of the infrastructure, interest of beneficiaries of research results, or interest of potential employers in the highly qualified personnel.

In addition, partners may contribute to projects for purposes outside those included in the definition of eligible infrastructure. These contributions should be described in the proposal to further highlight the interest and commitment to the project, but they will not be counted as part of the infrastructure funding when the CFI applies its cost-sharing formula.

4.8 Eligible in-kind contributions

In-kind contributions are defined as eligible non-monetary resources that external eligible partners provide for eligible projects. The CFI considers all contributions made by the recipient institution, or by participating institutions in the case of multi-institutional projects, to be cash contributions.

The CFI will recognize eligible infrastructure items involving in-kind contributions at fair value. In-kind contributions must be eligible contributions for the acquisition and development of infrastructure, and may include the value, in whole or in part, of capital items (e.g. equipment and facilities) that eligible external partners donate to an eligible institution. The value, in whole or in part, of certain non-capital eligible items that are needed to bring the infrastructure into service, such as professional services and training, may also be included as in-kind contributions. In-kind contributions to the operating costs of research, however, will not be accepted.

4.9 Eligibility dates

Institutions are responsible for ensuring that cash and in-kind contributions from partners have been made, as well as expenditures incurred, after the eligibility date set for each fund. Expenditures are considered incurred when goods are received, services have been rendered or work has been performed.

Table 4.1 – Eligibility dates

Fund	Decision date	Eligibility date
Leaders Opportunity Fund	March, June and November each year	Six months prior to application
Major Science Initiatives Program	March 2012	April 1, 2012
College-Industry Innovation Fund	March 2013 Fall 2012 March 2012	April 1, 2011
Automotive Partnership Canada Fund	March, June and November each year, until funds are exhausted	Six months prior to application
Leading Edge Fund/ New Initiatives Fund 2009	June 2009	January 1, 2007
Leading Edge Fund/ New Initiatives Fund 2006	November 2006	January 1, 2004
Innovation Fund (including Regional/National Facilities)	February 2004	January 1, 2002
	January 2002	July 1, 2000
	July 2000	January 1, 1999
	June 1999 March 1999 October 1998	July 1, 1997
University Research Development Fund	October 1998- June 2001	July 1, 1997
College Research Development Fund	July 2000	January 1, 1999
	June 1999	July 1, 1997

Fund	Decision date	Eligibility date
Research Hospital Fund 2007 – Large-Scale Institutional Endeavours	June 2008	February 19, 2003
Research Hospital Fund 2007 – Clinical Research Initiatives	March 2008	February 19, 2003
Research Hospital Fund 2004	October 2004	January 1, 2002
International Joint Venture Project 2005	November 2006	March 1, 2007
International Joint Ventures Fund/International Access Fund	June 2002	July 3, 2001
Ongoing New Opportunities Fund	September 1998-October 2005	Six months prior to the candidate taking up the faculty appointment
New Opportunities Fund	August 1998	July 1, 1995
Canada Research Chairs Infrastructure Fund	December 2000-February 2006	Six months prior to the candidate taking up the Chair position
Career Awards (NSERC Steacie Fellowship)	April 2005 April 2004 June 2003 June 2002	Award announcement date (March 2002-2005)
Career Awards (CIHR Michael Smith Prize)	April 2005	Award announcement date (November 24, 2004)
Career Awards (CIHR Distinguished Investigator Award)	October 2003 October 2002	Award announcement date (March 16, 2004 and November 14, 2002)

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5.1 Before submitting a proposal

5.1.1 *Institutional agreement*

Before submitting proposals to the CFI, institutions must sign the *Institutional agreement*. This agreement defines the conditions under which institutions may use CFI funding.

In the *Institutional agreement*, the President of the institution designates one or two authorized signatories, an account administrator and a liaison to act on his or her behalf.

- The authorized signatory is authorized to sign the *Strategic research plan summary*, proposals, *Award condition* documents, *Award agreements*, final financial reports and IOF annual reports.
- The account administrator has custody of the CFI funds and is accountable for the institutional CFI financial accounts, related records and supporting documentation. The account administrator is authorized to submit *Itemized lists*, change requests, financial reports and IOF annual reports.
- The liaison interacts with the CFI on a day-to-day basis. The liaison is authorized to submit proposals, *Itemized lists*, change requests, project progress reports and institutional reports.

Any changes to these designates should be communicated to the CFI immediately in writing by the President. The letter must include the signatures of the new designates. Alternatively, institutions may forward the revised *Institutional agreement* to the CFI. The agreement is available on the CFI website (<http://www.innovation.ca/en/OurFunds>).

5.1.2 Strategic research plan

The CFI requires each eligible institution to submit a summary of its strategic research plan. This plan sets priorities based on the institution's vision for the future. Institutions are encouraged to build on their distinct advantages and to set priorities in areas that integrate ideas and knowledge from many disciplines and sectors. When completing the *Strategic research plan summary* (maximum of five pages), an institution should:

- outline the major objectives of the strategic research plan;
- outline the priority areas of research and research training;
- focus on those areas for which it intends to request support from the CFI;
- describe past and planned institutional support to priority areas;
- describe planned inter-institutional and inter-sectoral collaborations;
- describe how it will measure success in meeting its objectives;
- describe the planning and approval process (including the involvement of affiliated entities).

The CFI provides the *Strategic research plan summaries* to the review committees. The CFI thus expects institutions to update the summary any time they revise the strategic research plan.

5.1.3 Special requirements for certain types of infrastructure projects

Institutions must ensure that researchers follow existing guidelines and adhere to the requirements for their research facility. In signing the *Institutional agreement*, institutions agree to conform to these guidelines.

Research involving human subjects

Institutions must follow the ethical guidelines set out in the *Tri-Council policy statement – Ethical conduct for research involving humans* (www.pre.ethics.gc.ca/eng/policy-politique/initiatives/tcps2-eptc2/Default).

Research involving clinical trials

Institutions must comply with Health Canada's drugs and health products regulations policies and guidelines (www.hc-sc.gc.ca/dhp-mps/prodpharma/applic-demande/guide-ld/clini/index_e.html).

Research involving databases containing personal information

Institutions must ensure that researchers adhere to all ethical and legal requirements relating to privacy, confidentiality and security of the database information. Refer to CIHR guidelines on privacy and confidentiality (www.cihr-irsc.gc.ca/e/29373.html).

Research involving animals

Institutions must adhere to the guidelines of the Canadian Council on Animal Care (CCAC). Institutions must also maintain local animal care committees to assess and

control animal experimentation, and obtain certification from the local animal care committee stating that the proposed facility complies with the principles outlined in the CCAC guide

(http://www.ccac.ca/en/CCAC_Programs/Guidelines_Policies/GUIDES/ENGLISH/toc_v1.htm).

Research involving biohazards

Institutions must adhere to the standards outlined in the Public Health Agency of Canada's *Laboratory biosafety guidelines* (www.phac-aspc.gc.ca/publicat/lbg-ldmbl-04).

Research involving radioactive materials

Institutions must comply with all Canadian Nuclear Safety Commission regulations, recommended procedures and safety precautions (www.nuclearsafety.gc.ca/eng/lawsregs/index.cfm).

Research involving possible adverse impacts on the environment

Institutions must comply with all provincial, territorial and federal government regulations pertaining to environmental assessment. The federal regulations are outlined in the *Canadian environmental assessment act* (www.ceaa-acee.gc.ca/013/index_e.htm).

Research involving facilities in the Yukon, the Northwest Territories and Nunavut

All research facilities in the territories must be licensed. The following websites provide more information.

- Yukon: www.tc.gov.yk.ca/scientists_explorers.html
- Northwest Territories: www.nwtresearch.com
- Nunavut: www.nri.nu.ca

5.2 Submitting a proposal

Forms and instructions for applying for funds are available on the CFI website in the "CFI online" section (<http://www.innovation.ca/en/CFIOnline>). A repository of application forms and reports, as well as a secured area for submitting proposals are available. Proposals must be completed by researchers and submitted electronically by institutions using the online forms. For reference purposes, PDF versions of these forms are available for printing.

For projects that involve two or more eligible institutions sharing CFI funding, the proposal must be submitted by one applicant institution on behalf of the group. Any other eligible institution (including affiliated entities) that will receive funding must be identified in the proposal and must have signed the *Institutional agreement*. This requirement also applies when funding will be transferred entirely to another institution (e.g. an affiliated entity).

5.3 Review criteria

All requests for CFI funding are subject to formal independent merit-based review. For competition-based funds (e.g. LEF/NIF), the review process will determine the degree to which competing requests satisfy the CFI criteria. For the allocation-based fund (LOF), the review process will determine the degree to which a request satisfies the criteria relative to CFI standards of excellence.

The CFI evaluates all proposals using the following three key criteria that reflect its mandate:

1. Quality of research
 - 1.1 Quality of research
 - 1.2 Calibre of researchers
 - 1.3 Need for infrastructure
2. Enhancement of capacity for innovation
 - 2.1 Institutional commitment
 - 2.2 Management plan
 - 2.3 Operating and maintenance plan
 - 2.4 Training of highly qualified personnel
 - 2.5 Collaboration
3. Benefits to Canada

To be funded, a proposal must satisfy all three key criteria to a degree appropriate for the size and complexity of the infrastructure project. It is incumbent upon the applicant to demonstrate in the proposal how the project satisfies the requirements outlined under each criterion.

5.4 Review process

CFI funding is awarded through a thorough merit-based review process that involves researchers, research administrators and private sector administrators. These volunteers review proposals, typically in committees, and make funding recommendations to the CFI.

The review process is always independent and rigorous, and focuses on the degree to which a request satisfies the review criteria. As the CFI strives to thoroughly assess all proposals without imposing an undue burden on the research community, the review process varies according to the fund under which the proposal is submitted, the size of the requested investment and the complexity of the proposal.

All final decisions are made by the CFI Board of Directors. Institutions receive the written reviews and committee reports for each proposal.

5.4.1 Governing principles for reviewers

Reviewers are expected to maintain the highest standards of ethics in fulfilling their role. They are appointed as individuals — not as advocates or representatives of their discipline or of any organization.

All reviewers must adhere to CFI's *Statement on ethics, conflict of interest and confidentiality*. The CFI expects members of the research community not to contact reviewers for information on committee deliberations. Reviewers are instructed not to discuss anything related to the review process or specific proposals with other members of the research community. They will only receive additional information or representations relating to proposals from the CFI directly, and must refer all inquiries or other material directed to them personally to the CFI for response.

5.4.2 Collaboration with the provinces and the federal research funding agencies

To enhance the coordination of the review process, the CFI will share information with the provinces to avoid duplication of work. The CFI will also offer the provinces an opportunity to submit their views on projects for which they are being asked for funding.

The CFI regularly explores ways of jointly reviewing proposals with the federal research funding agencies, particularly when projects need significant research funding directly related to an infrastructure project.

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The information presented in sections 6.1 to 6.9 applies to infrastructure projects. Guidelines pertaining to the Infrastructure Operating Fund are included in [section 6.10](#).

6.1 Making the best use of CFI funds

The CFI operates on the principle that its funds must be used effectively and economically. To maximize the purchasing power of its investment and ensure a fair and transparent process, the CFI requires that all purchases follow usual institutional tendering and purchasing policies and procedures. At minimum, these must comply with the requirements set forth in annex 502.4 of the [Agreement on internal trade](#).

Items involving in-kind contributions must be assessed at fair market value (see [section 6.5](#)). An overestimation inflates the total cost of a project. This is against CFI policy and unfair to all institutions because it decreases the amount available for funding other meritorious projects.

6.1.1 Acceptance of cash back or other benefits from a supplier

When purchasing CFI-funded infrastructure, suppliers may suggest that instead of a special discount (considered by the CFI as an in-kind contribution), the equivalent in cash or other benefits (including additional items) be given to the institution.

The CFI does not endorse the procurement of infrastructure that would be linked to a promise of cash back or other benefits not related to a CFI-funded project, but which would be advantageous to the institution in some other way. If this occurs, the cost of the infrastructure purchased from the supplier must be reported to the CFI net of the cash back or value of the benefit received from the supplier (i.e. fair market value less cash back or value of benefit).

However, if the cash back or other benefits are advantageous to the CFI-funded project, the CFI will accept that the infrastructure purchased from the supplier be reported to the CFI at fair market value (as defined in [section 6.5.1](#)).

A description of reporting scenarios relating to acceptance of cash back and other benefits offered by a supplier, and related examples can be found under “Frequently asked questions” in the “Finance” section of the CFI website (<http://www.innovation.ca/en/node/100>).

6.1.2 Changes to contributions

The CFI will not normally increase its contribution to a project. There will not be any increases due to fluctuations in exchange rates, the price of commodities or inflation. The CFI will only consider adjusting its contribution to a project in very exceptional situations, as described below:

- the CFI made an administrative error (e.g. miscalculation, erroneous removal of items in cases of partial funding);
- the project was funded under a program that operates with institutional envelopes (e.g. Leaders Opportunity Fund) and compelling justification has been provided;

- a highly complex project is facing exceptional and unforeseeable circumstances that could put it at severe risk. In this case, the project must meet the following criteria:
 1. It is unique and complex (e.g. unique technology, national or international scope).
 2. It is confronted with an exceptional situation that could not reasonably have been predicted at the application stage, despite due diligence.
 3. It is confronted with a funding shortfall that jeopardizes its success, timeliness and relevance.
 4. It is confronted with unexpected cost increases representing between 20 and 35 percent of the total approved cost of the project. These cost increases must not be the result of a change in the nature of the project and its research objectives, which would require a reassessment of the project in the context of a competition.
 5. It is within one year after award finalization and has incurred less than 30 percent of the total costs.
 6. It provides evidence of a thorough investigation of alternative approaches showing that it cannot reduce its scope.
 7. It can demonstrate its partners' collective interest in change and willingness to assist in the increased costs, with CFI providing up to 40 percent of the increase, and the partners, 60 percent or more.

The CFI expects few requests and reserves the right to review this approach for unique and highly complex projects based on its past experience.

6.2 Award finalization

6.2.1 Conditions

Where applicable, institutions must respond to any specific conditions raised in the CFI funding decision, and document how the conditions will be, or have been, addressed. Responses to conditions must be submitted in writing by the President or the authorized signatory and be approved by the CFI before any funds will be released.

6.2.2 Award finalization documents

In order for the CFI to determine the final amount and instalment schedule for each approved project, eligible recipients must provide the CFI with:

- the [*Itemized list and summary of secured contributions*](#);
- the [Award conditions](#) document;
- if applicable, an inter-institutional agreement, a memorandum of understanding or other relevant agreements.

The *Itemized list and summary of secured contributions* must be submitted electronically using online forms available in the “CFI online” section of the CFI website

(<http://www.innovation.ca/en/OurFunds>). PDF versions of the forms are available for reference purposes. Institutions are also required to submit a signed copy of the *Award conditions* document for each project.

6.2.3 Award finalization deadline

Institutions must provide to the CFI the award finalization documents within nine months of award approval. The CFI may grant an extension if a reasonable explanation is provided.

In exceptional circumstances, such as complex and longer duration projects, the CFI may agree to finalize the award in stages. For these projects:

- the CFI will set a maximum CFI amount and total project costs;
- the CFI and the institution will agree on a schedule to finalize the budgeting details for each phase of the project.

Institutions should contact the CFI to discuss this alternative for a specific project.

6.2.4 Construction or renovation deadline

The CFI expects institutions to start the construction or renovation component of a funded project within 18 months of award approval. Within this time frame, institutions must have finalized contracts for construction or renovation, and begun the construction or renovation work. While the CFI recognizes that some projects may include large and complex construction or renovation components, institutions are expected to have completed planning and development work for such projects at the application stage. When a project involves construction or renovation on multiple sites, the construction or renovation on every site should start within 18 months of award approval.

Should an institution not be able to reach the building phase of the project within that time frame, it must provide the CFI with an explanation for this delay. If a compelling justification is provided, the CFI may consider an extension.

6.2.5 Itemized list

In the *Itemized list*, institutions must provide updated cost estimates and a timeline for the acquisition of the infrastructure, along with any changes to the original proposed infrastructure.

When submitting a proposal, institutions are required to ensure that the costs included for each budget item approximate the fair market value. At award finalization, the CFI expects institutions to update these cost estimates, as required, to ensure they reflect the expected purchase price as accurately as possible. Institutions must keep on file supporting documentation for updated cost estimates and provide them upon request. Supporting documentation may include, for example, bids resulting from a competitive process, recent educational price lists, quotes or price information requests.

At minimum, institutions are expected to obtain updated cost estimates if:

- there is a change in the nature of the proposed infrastructure;

- the expected cost of the item is greater than \$100,000⁵;
- the institution suspects the estimated cost stated in the proposal has changed significantly.

A formal competitive bid process, as per usual institutional tendering and purchasing policies and procedures, must take place prior to the purchase of each item. This requirement should be clearly communicated at the onset. Institutions should not make any purchase commitments to suppliers when soliciting pricing information at the proposal and award finalization stages, ensuring that a formal competitive bid process can be carried out prior to the actual purchase. Institutional tendering and purchasing policies and procedures must comply at a minimum with the requirements set forth in annex 502.4 of the [Agreement on internal trade](#). For items involving in-kind contributions, institutions are also expected to follow their usual policies and procedures, which must meet the guidelines outlined in [section 6.5](#).

The full estimated cost of all eligible items must be presented in the *Itemized list*, even if it exceeds the cost reported in the proposal to the CFI. Reporting of the partial estimated cost of an eligible item is not permitted. In addition, the cost of an item cannot be shared between projects.

It is important to note that the CFI funds specific items of an infrastructure project that have been peer-reviewed by experts. As such, a CFI contribution is limited to the specific infrastructure items identified in the proposal. Therefore, new items that were not included in the proposal may not be added to the *Itemized list*. In exceptional cases where there is compelling justification, the CFI may consider changes to this list. The CFI may seek the advice of expert reviewers for requested changes. Modifications to proposed vendor or model (with similar functionalities) are acceptable and do not require CFI approval.

The CFI anticipates that some cost estimates may differ from those in the proposal. However, if the revised costs of warranties or service contracts are lower than originally stated, the CFI's contribution will be reduced.

Institutions must notify the CFI if changes have been made to the construction and renovation information provided in the proposal (e.g. changes in floor plans, size and nature of the space, etc.), even if the changes result in little or no impact on the total construction or renovation cost. Revised floor plans and associated information must be forwarded to the CFI along with the *Itemized list*. If the CFI is not notified of any changes, the information provided in the proposal will form the basis for the *Award agreement*.

6.2.6 Multi-institutional projects

For projects that involve two or more eligible institutions sharing CFI funding, including instances when the funding is transferred entirely to another institution (e.g. an affiliated

⁵ If there are two (or more) identical items, or if there are two (or more) items that will be bought together as a system, the sum of all items should be used for purposes of the threshold.

entity), the applicant institution may choose to become the recipient institution for the award with responsibility for receiving and administering the funds or it may request in writing that this responsibility be transferred to another participating institution. In the latter case, the other participating institution will then become the recipient institution for the award and must submit the award finalization documents.

The recipient institution is responsible for:

- submitting to the CFI a signed inter-institutional agreement. At minimum, the agreement should state:
 - the institution that will act as the administrative centre for the project;
 - the roles and responsibilities of each institution for the infrastructure project;
 - the long-term operating and maintenance plan for the infrastructure;
 - the fund-sharing agreement between institutions (including any infrastructure operating funds);
 - the current plan for access to the infrastructure.
- ensuring that all participating institutions are knowledgeable of CFI's guidelines with respect to the administration of CFI awards, as well as the required supporting documentation;
- receiving funds and making payments to other participating institutions as per the inter-institutional agreement;
- ensuring that distribution of funds is only made to institutions that have been ruled as eligible by the CFI;
- ensuring that only institutions that have been ruled as eligible by the CFI will exercise de facto control over and hold a majority interest in the CFI-funded infrastructure;
- preparing consolidated financial reports and project progress reports;
- liaising with the CFI for change requests and notifications, and addressing other issues, as required;
- coordinating audit work in the event that the project is audited (e.g. obtaining transaction details, supporting documentation, resolving issues, etc.);
- having adequate oversight processes and controls to ensure proper management of CFI funds at participating institutions in the event that the inter-institutional agreement does not transfer the responsibility for proper management of CFI funds to participating institutions.

The recipient institution will be the institution ultimately accountable for the award, and thus may want to consider including clauses in the inter-institutional agreement to mitigate risk and provide recourse.

6.3 Award agreement and instalment schedule

6.3.1 Award agreement

For each approved project, the CFI prepares an *Award agreement* with the recipient institution. The institution is required to sign the agreement, thereby accepting the terms and conditions of the funding.

The *Award agreement* indicates the agreed share of eligible costs and maximum CFI amount. It also contains the instalment schedule and financial reporting requirements which vary depending on the size and complexity of the project, as well as any additional conditions of funding.

6.3.2 Release of funding

The CFI releases funding to the recipient institution once all finalization documents have been received, satisfactorily reviewed and any specific conditions have been addressed.

The CFI sends funds only to eligible institutions. For multi-institutional projects, the recipient institution is responsible for receiving and distributing the funds to other participating institutions according to the terms of the inter-institutional agreement.

When funding for construction or renovation is requested, instalment(s) for the equipment to be located in the constructed or renovated space will only be paid once this space is ready to house the equipment.

The CFI makes periodic electronic deposits to a pre-arranged bank account or will issue payments by cheque on an exceptional basis. The CFI provides to the account administrator and the liaison a list of projects for which a payment is made.

6.3.3 Instalment schedule

For awards where the CFI contributes less than \$400,000, and where the project is to be completed before the following March 31, the CFI amount will normally be paid in one instalment less the holdback amount. Otherwise, the CFI will make instalments over two or more fiscal years (April 1 to March 31), in accordance with the timing of forecasted disbursements for the project.

For awards where the CFI contributes more than \$400,000, the initial instalment represents the agreed share of the eligible costs that the institution has incurred (including in-kind contributions). The second and subsequent instalments will be made on a quarterly basis (January 15, April 15, July 15 and October 15), in accordance with the timing of forecasted disbursements for the project. In any given fiscal year, the CFI contribution will not exceed the agreed share of the cumulative total eligible costs to the end of that year.

Instalments are based on the forecasted disbursements provided by the institution upon award finalization and may be revised following the CFI's review of the forecast information submitted by the institution in the financial report. The CFI will withhold all

payments to an institution when it does not comply with reporting requirements for all projects.

6.3.4 Holdback amounts

The CFI holds back a portion of the funding for each project. This amount is usually 10 percent of each instalment. The percentage of the holdback amount for large, very complex projects of longer duration may be negotiated on a case-by-case basis. The minimum holdback amount for any project is \$10,000.

The purpose of the holdback amount is to ensure that the CFI's contribution in any given period remains as close as possible to the agreed share of eligible costs. The holdback amount for a given period, after adjustments to reflect actual expenditures, will normally be released within three months of submission of the financial report.

The amount of the holdback released every period for each project is based on the review of actual and forecasted expenditures presented in the financial report to ensure that:

- instalments match, as closely as possible, the expected disbursements;
- there is satisfactory progress in the acquisition and development of the infrastructure.

6.3.5 Final instalment

The final instalment for the holdback is made after the project is completed, and once the final financial report has been received and satisfactorily reviewed.

The amount of the final instalment is calculated to ensure that the CFI's contribution does not exceed the agreed share of actual eligible costs or the maximum CFI amount, whichever is lower. When the project is completed, if total actual eligible costs are less than originally anticipated, the CFI's contribution will be limited to the agreed share of the actual total eligible costs of the project.

6.4 Account administration

6.4.1 Tracking of expenditures and contributions, and financial records

The recipient institutions and other eligible institutions participating in a multi-institutional project are responsible for the administration of CFI contributions and for tracking project expenditures, as well as partner contributions. They must ensure that the expenditures and partner contributions comply with CFI regulations and policies as outlined in this guide, specified in the *Institutional agreement* and imposed as a condition of funding in the *Award agreement*.

They must also ensure that cash and in-kind contributions from partners have been received and expenditures have been incurred after the date of eligibility set for each fund, as outlined in [section 4.9](#).

Institutions must maintain a verifiable audit trail for all transactions reported in a CFI-funded project, including in-kind contributions. They must also maintain adequate financial records and separate project accounts for each CFI-funded project.

The financial records must identify the various funding sources and the full actual cost of all eligible items (i.e. items presented in the *Itemized list* and/or the final financial report) in a CFI-funded project, even if the cost of these items exceeds the estimated cost reported upon award finalization. The CFI does not permit the reporting of the partial cost of an eligible item.

Institutions must not report to the CFI nor provide financial records for items which do not constitute eligible items, even if they are related to the project.

Cash expenditures and contributions related to eligible items are normally expected to be tracked in separate accounts of the general ledger accounting system. Eligible in-kind contributions can either be tracked as part of this system or in other ways, such as in an Excel spreadsheet.

Costs must be assigned to appropriate project accounts on a regular basis, at a minimum prior to the filing of the financial report. Financial records must reconcile to the financial report submitted to the CFI. Administration and accounting procedures for each project must conform to institutional standards, practices and policies.

The account administrator is responsible for ensuring that the CFI is not charged more than the agreed share of the full actual cost of eligible items. The maximum CFI amount cannot be exceeded for any project.

Institutions must keep all financial records and supporting documentation for the project (see [section 6.4.3](#)) for at least three years following the submission of the final financial report. Institutions must keep on file all documentation for audit purposes and provide it upon request. Institutions are advised to contact the CFI early in the process if they foresee a problem in complying with this guideline. Different requirements apply for the Infrastructure Operating Fund (see [section 6.10.6](#)).

6.4.2 CFI-funded construction or renovation that is part of a larger undertaking

Cost allocation method

When the CFI funds a portion of a larger construction or renovation undertaking, the estimated costs for the CFI-funded space must reflect, as accurately as possible, the actual cost of this space. Costs for common elements and soft costs must be pro-rated to the CFI-funded portion of the undertaking. It is the responsibility of institutions to develop an appropriate cost allocation method in such instances. A framework for the evaluation of cost allocation methods as well as examples of detailed and simplified cost allocation methods are available under “Frequently asked questions” in the “Finance” section of the CFI website (<http://www.innovation.ca/en/node/100>). The CFI will allow an institution to use a simplified cost allocation method only if the average cost of the CFI-funded space is representative of, or higher than, the average cost of the overall undertaking.

Financial reporting

Once the construction or renovation contract has been awarded, the institution is in a better position to calculate and report the expected cost of the CFI-funded space using an established cost allocation method for the project. At this point, preliminary estimates can be replaced by firm estimates of costs to completion.

In the interim financial reports, institutions are expected to report both the actual cost at the reporting date and the expected cost at completion:

Expected cost at completion: The CFI expects institutions to produce an updated analysis of the estimated construction or renovation cost every time there are significant changes. However, if there are only minor changes, institutions are permitted to only update the analysis at the end of the project.

Actual cost at reporting date: The actual construction or renovation costs reported in the interim financial report must be based on the percentage of completion of the entire undertaking at the reporting date, multiplied by the expected cost at completion. However, if an institution can demonstrate that the percentage of completion of the CFI-funded space is different than that of the entire undertaking, then the more representative percentage may be used. Equally acceptable to the CFI is the use of the percentage of billing to date to the most recent estimated cost at completion for the entire undertaking.

Once the construction or renovation is complete, institutions must update the cost analysis using the final actual costs and report this amount in the final financial report.

6.4.3 Supporting documentation

Institutions must be prepared to provide supporting documentation for expenditures and contributions related to each eligible item reported in a CFI-funded project. Institutions must keep on file the original documentation for audit purposes and provide it upon request. Where an imaging program is in place at the institution, the CFI will accept electronic images if all of the following conditions are met:

- senior management has authorized the use of electronic images as part of the institution's normal course of business;
- the institution has established and documented systems and procedures for the imaging program, and these have been approved by senior management;
- the images are of good quality and are legible and readable when displayed on a computer screen and reproduced on paper;
- the institution has adequate electronic record-keeping policies, procedures, and practices to ensure the reliability, integrity and authenticity of the electronic records and the records management system. Institutions should refer to the latest national standards of Canada, as outlined in the publications entitled *Electronic records as documentary evidence (CAN/CGSB-72.34-2005)* and *Microfilm and electronic images as documentary evidence (CAN/CGSB-72.11-93 – amended in April 2000)*.

Institutions must keep on file the supporting documentation listed in the following pages.

Expenditures

- Purchase requisition
- Request for bids. An example of a request for quotation with relevant information can be found under “Frequently asked questions” in the “Finance” section of the CFI website (<http://www.innovation.ca/en/node/100>). Please note that this is an example only. Other templates may also be acceptable.
- All bids received following a competitive bid process
- Documentation justifying an exception if a competitive bid process was not undertaken. The exception must be permitted under the institution’s purchasing policy.
- Summary form documenting bids received, evaluation and rationale for selection of the successful supplier or service provider
- Purchase order or contract
- Receiving document or statement of work
- For travel costs, boarding passes (if available) or other evidence supporting that travel has taken place
- Invoice
- Proof of payment (i.e. cancelled cheque)

- For personnel costs, supporting documentation for time spent and nature of activities performed as follows:

Table 6.1 – Time spent and nature of activities

Practice	Supporting documentation
<p>Actual salary + benefits, multiplied by the actual amount of time spent</p> <p style="text-align: center;">OR</p> <p>Internal rate reflective of average salary + benefits, multiplied by the actual amount of time spent</p> <p style="text-align: center;">OR</p> <p>Internal rate reflective of average salary + benefits + overhead component, multiplied by the actual amount of time spent</p>	<p>Time records signed by the individual and approved by the supervisor supporting the amount of time and activities performed (e.g. timesheets)</p> <p>At a minimum, these should be obtained prior to the filing of a financial report (usually annually). A single time record covering the entire period since the last filing is acceptable, as are time records completed on a more frequent basis. The CFI also accepts a confirmation of this information from another person (e.g. project leader or department head) if he or she is knowledgeable of the time spent and activities performed. A sample template can be found in the “CFI online” section of the CFI website (http://www.innovation.ca/en/OurFunds).</p>
<p>Fee for service</p>	<p>Description of services rendered or work performed</p>
<p>Fixed percentage of construction or renovation costs for architectural and/or engineering and/or project management costs</p>	<p>Description of services rendered or work performed</p>

Note: If the department is issuing an invoice for services rendered, the invoice may serve as acceptable documentation as long as it properly details the amount of time spent (if applicable) and provides a description of the services rendered or work performed.

- For personnel costs, supporting documentation for the rate, fee or fixed percentage as follows:

Table 6.2 – Rate, fee or fixed percentage

Practice	Supporting documentation
Actual salary + benefits, multiplied by the actual amount of time spent	Supporting evidence for the individual's salary rate and fringe benefit charged (letter of hire or change in salary rate, payroll records, etc.)
Internal rate reflective of average salary + benefits, multiplied by the actual amount of time spent	<p>Description of the method used by the institution to establish the rate</p> <p>Evidence to support that the internal rate used is the same as the one charged to other internal clients (e.g. approved rate by central administration, internal rate made public to the internal community, evidence of same rate charged to other internal clients not related to a CFI-funded project, etc.)</p>
<p>Internal rate reflective of average salary + benefits + overhead component, multiplied by the actual amount of time spent</p> <p style="text-align: center;">OR</p> <p>Fee for service</p> <p style="text-align: center;">OR</p> <p>Fixed percentage of construction or renovation costs for architectural and/or engineering and/or project management costs</p>	<p>Description of the normal practice of the institution and confirmation that the practice used to report expenditures in the CFI-funded project is consistent with the normal practice of the institution for other internal clients not related to a CFI-funded project</p> <p>Description of the method used by the institution to establish the rate, fee or fixed percentage</p> <p>Evidence to support that the internal rate, fee or fixed percentage used is the same as the one charged to other internal clients (e.g. approved rates by central administration, internal rates made public to the internal community, evidence of same rates charged to other internal clients not related to a CFI-funded project, etc.)</p> <p>Evidence to support that the rate, fee or fixed percentage used is less or equal to fair market value (e.g. industry benchmarks published by Hanscomb Ltd or RS Means for the appropriate region and time period, invoices for similar services paid by the institution to external providers in the same time period, etc.)</p>

- For construction or renovation, scaled floor plans showing location of the area funded by the CFI, size, description and nature of all such areas (wet lab, dry lab, office, greenhouse, etc.), including non-usable space or common elements (e.g. corridors, washrooms, etc.). The distinction between usable and non-usable space must be clear.

- For construction or renovation for which the CFI component is part of a larger undertaking:
 - description of the costing approach used and analysis leading to the determination of the eligible costs reported to the CFI in the *Itemized list* and financial reports. Institutions may look under “Frequently asked questions” in the “Finance” section of the CFI website (<http://www.innovation.ca/en/node/100>) for examples of acceptable cost allocation methods;
 - confirmation from the architect of:
 - the actual gross and net floor areas for the entire undertaking;
 - the actual net area of the CFI-funded space, with reference to attached floor plans.

Contributions

- Agreement or letter confirming the amount contributed and conditions of funding (if any)
- Proof of receipt (i.e. deposit slip stamped by the bank)

Other

- For New Opportunities Fund or Canada Research Chairs Infrastructure Fund awards, supporting evidence for date of appointment
- Supporting evidence for the research portion of the infrastructure if other than 100 percent
- Supporting evidence of key controls in place (i.e. evidence of approval of purchase requisition, purchase order, receipt of goods or services, payment, review of significant changes and request for prior approval, reconciliation of financial records and financial reports, etc.)

Additional requirements apply to the Infrastructure Operating Fund (see [section 6.10.6](#)). For items involving in-kind contributions, see [section 6.5](#) as additional documentation requirements may apply.

6.4.4 Foreign currency transactions

Foreign currency transactions must be reported in the financial reports in Canadian dollars in accordance with usual institutional policies and procedures (e.g. using the market exchange rate in effect at the time the expenditure is recorded in the account, at the invoice date or at the payment date). However, using the market exchange rate in effect at the time of the commitment (i.e. purchase order date) is not acceptable.

If an institution enters into a foreign exchange contract to protect itself against fluctuations in the foreign exchange rate for a specific transaction and this is approved by the institution’s treasury department, the CFI will accept that the contract rate be used in these instances to report the transaction. However, there must be a direct relationship between the foreign exchange contract and the transaction (i.e. same amount, same date of settlement of the contract and expected payment to the supplier

or service provider). The institution must document this relationship at the onset of the contract.

6.5 Items involving in-kind contributions

The CFI will recognize eligible infrastructure items involving in-kind contributions at fair value. The CFI reserves the right to make the final determination of eligibility and value for items involving in-kind contributions, to disallow expenditures and reduce the CFI award. To avoid a situation where these items may later be deemed ineligible or incorrectly valued, institutions are encouraged to contact the CFI early in the process if they foresee problems in complying with the guidelines.

6.5.1 Definitions

Fair market value (eligible cost)

The agreed-upon price in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length who are fully informed and not compelled to transact. The fair market value is the price an institution would be expected to pay in such circumstances, after normal and educational discounts, but prior to any special CFI discount offered towards a CFI-funded project.

Normal discount

The discount a vendor would normally offer to an institution, taking into consideration factors such as the institution's current volume of transactions and location. Discounts for early settlement or for settlement in cash are considered normal discounts.

Educational discount

The discount offered to an institution due to its educational status.

Net selling price

The cash consideration paid or payable by an institution.

Special CFI discount (eligible in-kind contribution)

Any discount beyond the normal and educational discounts offered to an institution, which is specifically offered as a contribution toward a CFI-funded project. The special CFI discount is equal to the fair market value of the item less the net selling price.

6.5.2 Categories of items involving in-kind contributions

The CFI has divided individual items involving in-kind contributions into two categories.

- Category 1 items
 - Individual items where the in-kind contribution is less than \$100,000
 - Individual items where the in-kind contribution is between \$100,000 and \$500,000 and represents 10 percent or less of the total eligible project costs

- Category 2 items
 - Individual items where the in-kind contribution is between \$100,000 and \$500,000 and represents more than 10 percent of the total eligible project costs
 - All individual items where the in-kind contribution is greater than \$500,000

The same valuation principles apply to both categories, but the documentation requirements increase for category 2 items. The threshold between the categories takes into consideration the level of risk associated with the valuation of the items involving significant in-kind contributions, while acknowledging the cost and effort required to provide the additional documentation.

When a purchase includes several items, the following guidelines should be used in the definition of the categories:

- if there are two (or more) identical items, the sum of all items should be used;
- if there are two (or more) different items and the items could be bought separately, the items should be considered individually;
- if there are two (or more) different items and the items are bought together as a system, the sum of all items should be used.

6.5.3 Valuation of items involving in-kind contributions and documentation requirements

The valuation method depends on the nature of the item, while the documentation required depends on the amount of the related in-kind contribution. In some cases, the fair market value of the item is known. In other cases, the value must be assessed using commonly accepted methods. In all cases, a description of the valuation method used or expected to be used must be provided to the CFI at award finalization.

It is the responsibility of institutions to ensure that the reported fair market value is reasonable. Institutions must keep on file all supporting documentation for audit purposes and provide it upon request.

Table 6.3 describes how items involving in-kind contributions should be valued and the minimum documentation requirements. If an item is not specifically referenced in the table, please contact the CFI.

Table 6.3 – In-kind contributions valuation and documentation

Scenario	Acceptable valuation practice	Documentation
Equipment, warranties, components, software licences and upgrades		
<p>Item is regularly sold to other customers (i.e. not one-of-a-kind) and more than one supplier is willing to provide it</p> <p style="text-align: center;">OR</p> <p>Item is not regularly sold to other customers (i.e. one-of-a-kind) and more than one supplier is willing to provide it</p>	<p>Fair market value of the item upon transfer of ownership to the institution</p>	<p>Category 1: Written confirmation from the supplier of the list price, the normal and educational discounts (if any), the special CFI discount and the net selling price</p> <p>Category 2: Comparison of the fair market value stated in all bids received (minimum of two bids*) as a result of a formal competitive bid process including a public bid notice to support the reasonableness of the fair market value reported by the institution to the CFI (refer to section 6.5.6)</p> <p style="text-align: center;">OR</p> <p>In the event that such a process is not possible at the outset:</p> <p>Third-party appraisal of fair market value of the item upon transfer of ownership to the institution (see section 6.5.7)</p> <p style="text-align: right;">* If sole source, please see below.</p>

Scenario	Acceptable valuation practice	Documentation
<p>Item is regularly sold to other customers (i.e. not one-of-a-kind) and only one supplier is willing to provide it</p>	<p>Fair market value of the item upon transfer of ownership to the institution</p>	<p>Category 1: Written confirmation from the supplier of the list price, the normal and educational discounts (if any), the special CFI discount and the net selling price</p> <p>Category 2: Single bid received as a result of a formal competitive bid process including a public bid notice</p> <p style="text-align: center;">OR</p> <p>If such a process is not possible from the outset or if the item involves an in-kind contribution in excess of \$500,000:</p> <p>Third-party appraisal of fair market value of the item upon transfer of ownership to the institution (see section 6.5.7)</p> <p>Note: For category 2 items, sole source status must be confirmed via a competitive bid process including a public bid notice, whenever feasible (see section 6.5.4).</p>

Scenario	Acceptable valuation practice	Documentation
<p>Item is not regularly sold to other customers (i.e. one-of-a-kind) and only one supplier is willing to provide it</p>	<p>Supplier's incremental manufacturing cost (excluding general R & D costs)</p> <p style="text-align: center;">OR</p> <p>Fair market value of the item upon transfer of ownership to the institution</p>	<p>Category 1: Written confirmation from the supplier of the incremental manufacturing cost, excluding general R & D costs. The confirmation should detail the cost of materials, number of hours and time value, as well as overhead rate applied.</p> <p style="text-align: center;">OR</p> <p>Single bid received as a result of a formal competitive bid process including a public bid notice</p> <p>Category 2: Single bid received as a result of a formal competitive bid process including a public bid notice</p> <p style="text-align: center;">OR</p> <p>If such a process is not possible from the outset or if the item involves an in-kind contribution in excess of \$500,000:</p> <p>Third-party appraisal of fair market value of the item upon transfer of ownership to the institution (see section 6.5.7)</p> <p>Note: For category 2 items, sole source status must be confirmed via a competitive bid process including a public bid notice, whenever feasible (see section 6.5.4).</p>

Scenario	Acceptable valuation practice	Documentation
<p>Used item from contributor who is not in the business of selling the item</p> <p>Note: If used item is donated by supplier who is in the business of selling the item, the above guidelines apply.</p>	<p>Initial cost of the item less maximum capital cost allowance prescribed by the <i>Income tax act</i></p> <p style="text-align: center;">OR</p> <p>Fair market value of the item upon transfer of ownership to the institution</p>	<p>Category 1: Written confirmation from the contributor supporting the age and initial cost of the item (to allow the institution to calculate the maximum capital cost allowance and the current value of the item)</p> <p>Category 2: Written confirmation from the contributor supporting the age and initial cost of the item (to allow the institution to calculate the maximum capital cost allowance and the current value of the item)</p> <p style="text-align: center;">OR</p> <p>If the item involves an in-kind contribution in excess of \$500,000:</p> <p>Third-party appraisal of fair market value of the item upon transfer of ownership to the institution (see section 6.5.7)</p>
<p>Long-term loan or lease</p>	<p>Cost of rental equivalent to most favoured customers (excluding financing charges)</p>	<p>Category 1: Written confirmation from supplier of rental equivalent to most favoured customer</p> <p>Category 2: Third-party appraisal of fair market value of the loan or lease (see section 6.5.7)</p>

Scenario	Acceptable valuation practice	Documentation
External professional services		
<p>Similar services provided to fee-paying clients</p>	<p>Fair market value of the services (actual rates or fees charged for similar services provided to fee-paying clients)</p> <p>Note: Commercial rates are not acceptable if they differ from rates actually charged to fee-paying clients.</p>	<p>Categories 1 and 2: Written confirmation from the service provider stating that the rates quoted or the value assigned to the donated service represent fair market value consistent with actual rates or fees charged to fee-paying clients for similar services</p> <p>Written confirmation from the service provider supporting the number of hours of service donated</p> <p>Category 2: Confirm with the CFI on a case-by-case basis whether additional documentation is required.</p>
Datasets		
<p>Sold to third parties</p>	<p>Price of dataset charged to a third party plus incremental costs to customize</p>	<p>Categories 1 and 2: Written confirmation from the supplier or contributor supporting the value of the dataset (or comparable dataset) as charged to a third party</p> <p>Category 2: Confirm with the CFI on a case-by-case basis whether additional documentation is required.</p>
<p>Not otherwise sold to third parties</p>	<p>Incremental cost to customize</p>	<p>Categories 1 and 2: Written confirmation from the supplier supporting incremental costs to customize (e.g. hourly rate and number of hours)</p> <p>Category 2: Confirm with the CFI on a case-by-case basis whether additional documentation is required.</p>

Scenario	Acceptable valuation practice	Documentation
Travel		
Travel costs incurred by a supplier that are donated to a particular project	Travel costs (economy class) incurred by the supplier	Written confirmation from the supplier of the amount paid and donated to the project

6.5.4 Special requirements and procedures with respect to the valuation of items involving in-kind contributions

Institutions are expected to follow usual institutional policies and procedures for the valuation of items involving in-kind contributions, which must meet the CFI guidelines.

It should be noted that for category 2 items, the CFI requires that institutions follow a formal competitive bid process including a public bid notice. Even if the purchase is thought to be from a sole source, institutions must confirm this status through a public bid notice.

However, if an institution decides to make a sole source purchase because it would be impossible to buy from other sources, it is not acceptable to carry out a competitive bid process simply to substantiate the fair market value since this would be a violation of the laws of competitive bidding. In such instances, the institution must keep on file the attestation from the head of purchasing or supply management departments with the reasons why a competitive bid process could not be undertaken.

Contributions by external partners that are treated as charitable donations for income tax purposes will typically be subject to usual institutional policies and procedures and to the Canada Revenue Agency's policies and procedures. The CFI will accept values deemed acceptable by the Canada Revenue Agency.

6.5.5 Confirmations from suppliers

Examples of acceptable written confirmations from suppliers include a quotation, competitive bid document, invoice or a letter from the supplier indicating the list price of the item, the normal and educational discounts (if any), the special CFI discount and the net selling price. The confirmation must be signed by an authorized agent, director or employee of the supplier.

It is acceptable to use the information from a quotation or competitive bid document if the period of time between the quote and the date of transfer of ownership to the institution is relatively short (i.e. less than 12 months), and if the net selling price has not changed. In other instances, the CFI expects the institution to obtain a new confirmation from the successful supplier of the fair market value of the item upon transfer of ownership to the institution since this may have changed significantly.

An example of a request for quotation that includes relevant information to be obtained can be found under “Frequently asked questions” in the “Finance” section of the CFI website (<http://www.innovation.ca/en/node/100>). Other templates may also be acceptable.

6.5.6 Comparison of the fair market value for category 2 items

The CFI does not prescribe how purchasing decisions should be made. Institutions are free to choose the successful supplier based on their established decision criteria.

However, as part of certain documentation requirements for category 2 items, institutions may be required to perform a comparison of the fair market value as stated in all bids received as a result of a formal competitive bid process including a public bid notice.

The purpose of this review is to ensure that the reported fair market value is reasonable. To achieve this, institutions should compare the fair market values stated in all bid documents received to conclude on a reasonable fair market value that is reported as an eligible cost. It is important to note that this value may differ from the value stated by the successful supplier.

In reaching a conclusion, the lowest fair market value stated in the various bids received must not necessarily be used if the specifications of the item of the chosen supplier differ from those of other bidders. In these instances, the assessment of the fair market value presents some challenges, and the CFI expects institutions to determine if the higher value is justified and reasonable, and make any necessary adjustments to this value. Institutions must keep on file a supporting analysis. The analysis should highlight the differences between the item purchased and those offered by other suppliers, and should properly justify why a higher fair market value is warranted. Institutions must keep on file all documentation for audit purposes.

Institutions are responsible for performing adequate assessments of the reasonableness of the reported fair market value. This value is the one that must be used in the calculation of the eligible in-kind contribution (see [section 6.5.8](#)).

The expertise of purchasing or supply management departments, as well as departments that are responsible for the assessment of the valuation of gifts in kind at institutions should be sought to perform these analyses. Institutions must keep on file attestations from the department head. If an institution is uncertain whether its analysis is appropriate, it should contact the CFI to avoid situations where the item may later be deemed incorrectly valued.

Examples of acceptable analyses can be found under “Frequently asked questions” in the “Finance” section of the CFI website (<http://www.innovation.ca/en/node/100>).

6.5.7 Appraisals

For category 2 items, there may be a requirement for a third-party appraisal of the value of the item if no alternative valuation method is available (see [section 6.5.3](#)). Appraisals are not required at the proposal stage. They may only be required after a project has

been approved by the CFI. In general, the CFI advises that appraisals be done close to the date of transfer of ownership to the institution.

Institutions are required to contact the CFI if they believe an appraisal is needed. The CFI will coordinate all appraisals related to category 2 items, select the appraisers who will perform the evaluation and pay for the appraisal if it concludes that an alternative valuation method was not available. If it is found that an alternative method existed — such as a comparison of the fair market value stated in bids received as a result of a formal competitive bid process including a public bid notice — then the institution will have to pay for the appraisal.

6.5.8 Reporting of items involving in-kind contributions

Items involving in-kind contributions must be assessed and reported as eligible costs at fair market value.

Associated sources of funding for items will usually consist of cash and an in-kind contribution. It is important to note that only a special CFI discount in excess of the normal and educational discounts constitutes an eligible in-kind contribution. The special CFI discount (eligible in-kind contribution) is equal to the fair market value of the item less the net selling price.

For example:

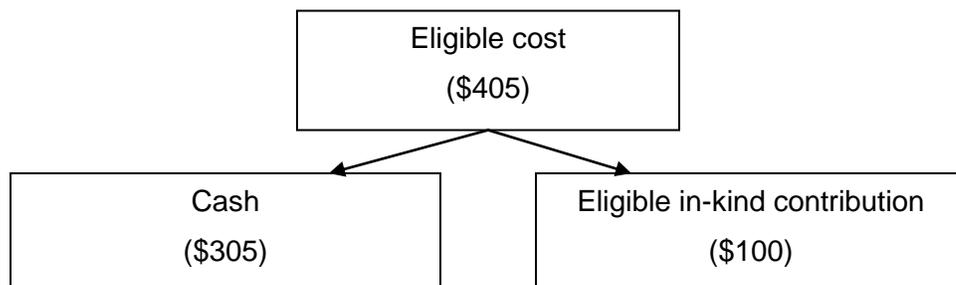
List price	\$500
Normal discount	(\$20)
Educational discount	(\$80)
Fair market value (eligible cost) ⁶	<u>\$400</u>
Net selling price (cash consideration) ⁷	(\$300)
Special CFI discount (eligible in-kind contribution)	<u><u>\$100</u></u>

Taxes associated with the cash portion of an item involving an in-kind contribution, net of any rebate received, can be included in the eligible cost reported to the CFI. Taxes must not be calculated and reported for the portion of the item considered an in-kind contribution. Therefore, in the above example, if we assume that taxes of \$5 were paid on this purchase (net of rebate received), then the institution should report the following to the CFI:

⁶ In some cases, the fair market value of the item may not be known and the value must be assessed using commonly accepted methods. Institutions should refer to [section 6.5.3](#) for a complete list of acceptable valuation practices.

⁷ Nil in the case of wholly donated items.

Figure 6.1 – Taxes and in-kind contribution



6.6 Changes to infrastructure projects once the *Award agreement* is in place

6.6.1 Use of CFI funds and significant changes

Institutions must use CFI funds to develop specific infrastructure projects and to cover the specific eligible costs laid out in the *Itemized list*. The CFI may consider and approve changes to the projects.

Institutions must immediately notify the CFI if any of the following changes occur or are anticipated. CFI approval may be required depending on the nature and scope of the proposed changes.

Changes requiring notification

- The institution is unable to complete a project.
- There will be a change in project leader.
- There will be a change in status of any of the candidates of a Leaders Opportunity Fund, New Opportunities Fund or Canada Research Chairs Infrastructure Fund project.
- There will be a significant delay in the acquisition of the infrastructure (see [section 6.6.2](#)).

Changes requiring prior approval

- There will be a significant change to the infrastructure (see [section 6.6.3](#)).
- There will be a significant change to the nature or amount of constructed or renovated space (see [section 6.6.4](#)).
- There will be a significant delay in the project completion (see [section 6.6.5](#)).
- There will be a change in location of a major infrastructure item.

All notifications and requests for changes should include an explanation for the change, demonstrating how it is essential to the approved project and describing the impact of

the change on the project. The CFI may ask for additional information depending on the status of the project and the nature of the requested change. For projects with an *Itemized list* that was created before November 5, 2006, institutions must submit change requests by email. For projects with an *Itemized list* that was created after November 5, 2006, institutions must submit change requests through the Amendment module in the “Institutions: Financial Access” section of the CFI website (<http://www.innovation.ca/en/CFIOnline>). Notes in an interim financial report do not constitute a change request.

6.6.2 Significant delays in the acquisition of the infrastructure

It is important that institutions and the CFI properly monitor the progress of each project. The CFI also needs to ensure that instalment schedules for each project are appropriately established, based on current forecasts. For any given project, institutions must notify the CFI on a timely basis of significant delays in the acquisition of the infrastructure and the impact of these delays.

The progress of each project is best assessed by comparing the timeline provided to the CFI upon award finalization for the acquisition and disbursements with the updated timeline.

There is a significant delay in the acquisition of the infrastructure when forecasted disbursements from one fiscal year to the next deviate from the forecasted disbursements in the *Itemized list* by more than 20 percent of the total eligible costs for the project or \$500,000 (whichever amount is lower). Institutions are not required to report variances of less than \$100,000.

Institutions must have effective processes and mechanisms in place to monitor the progress of projects and inform the CFI on a timely basis of significant potential or expected delays. Institutions are expected to tailor the extent of their monitoring activities to the risk of the project (e.g. quarterly monitoring for higher risk projects, monitoring on an annual basis for lower risk projects).

The notification of a significant delay should include detailed information regarding the nature of the delay and impact on the project, the total actual costs to date, as well as an updated forecast of future disbursements for the remainder of the project in order for CFI instalments to be appropriately revised.

6.6.3 Significant changes to the infrastructure

Institutions must request prior approval if they wish to make a significant change to the infrastructure as presented in the *Itemized list* and if this significantly changes the cost of an item. Modifications to a proposed vendor or model (with similar functionalities) are acceptable and do not require prior approval.

Significant changes to the infrastructure include:

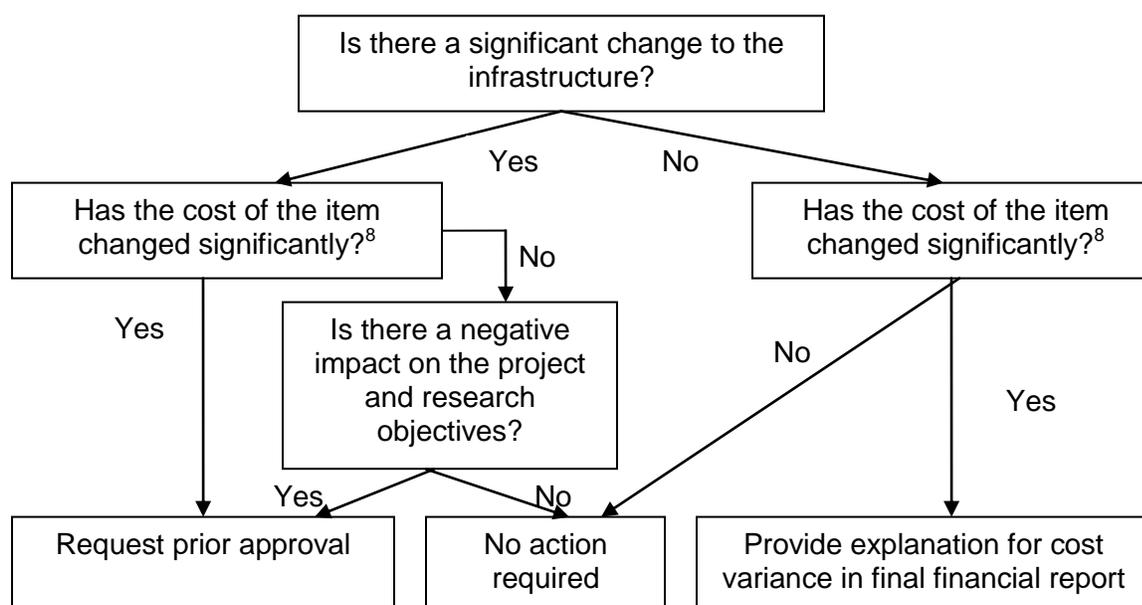
- the purchase of an infrastructure item with significantly different functionalities than that on the *Itemized list*. The CFI considers that there is a significant enhancement or loss of functionality when the changes in the proposed infrastructure result in a significant benefit or detriment to the research project or to the institution. Such a benefit or detriment may be due to, for example:
 - a significant increase or decrease in the infrastructure output capacity;
 - a significant improvement or deterioration in the infrastructure output quality;
 - a significant increase or decrease in the infrastructure's life expectancy.
- the non-purchase of infrastructure item(s) included in the *Itemized list*, including decreases in the quantity of an item;
- the exceptional purchase of infrastructure item(s) not included in the *Itemized list*, including increases in the quantity of an item.

The CFI considers that the cost of an item changes significantly when the difference between the actual cost of an item and the updated estimated cost presented in the *Itemized list* is greater than five percent of the total eligible costs of the project or \$50,000 (whichever is lower). Determination of the need for CFI approval should be made per item — not on cumulative changes to the project.

Although these thresholds establish minimum requirements, institutions should use their judgment. Institutions must obtain prior approval for any change having a negative impact on a project and its research objectives, regardless of cost implications.

For instances where there is no significant change to the infrastructure but where the cost of the item has changed significantly (e.g. exchange rate fluctuation, price change after award finalization, minor changes in functionality, etc.), institutions are not required to request prior approval. Institutions must nonetheless provide an explanation for the cost variance in their final financial report.

Figure 6.2 – Significant change decision tree



The CFI reserves the right to question any change at any time and make the final determination of eligibility, whether or not CFI approval is required.

Note: In this section, an “item” refers to an individual line on the *Itemized list*. If the line item as presented in the *Itemized list* includes several units or consists of one system with several components, the total as presented on the *Itemized list* for that line item must be used.

6.6.4 Significant changes to the nature or amount of constructed or renovated space

Institutions must request prior approval if they wish to make significant changes to the nature or amount of constructed or renovated space, as presented in the proposal or the *Itemized list*. Approval must be obtained even if the changes would result in little or no impact on the total construction or renovation cost.

⁸ Difference between the actual cost of an item and the updated estimated cost presented in the *Itemized list* is greater than five percent of the total eligible costs of the project (or \$50,000, whichever is lower).

The CFI considers a change to be significant if:

- the increase or decrease in the total amount of constructed or renovated space is more than 10 percent;

OR

- the amount of space for which there has been a change in nature (e.g. change of dry lab to wet lab) is more than 10 percent of the total amount of constructed or renovated space.

For all proposals submitted after November 1, 2002, institutions must request prior approval to transfer funds in excess of five percent of the total eligible cost of the project or \$50,000 (whichever amount is lower) to cover increases in construction costs after award finalization.

For instances where there is no significant change to the nature or amount of constructed or renovated space but where the cost of the construction or renovation has changed significantly (e.g. price change, minor changes in nature of space, etc.), institutions must provide an explanation for the significant cost variance in the final financial report. The CFI considers that there is a significant cost variance when the difference between the actual cost of the construction or renovation and the updated estimated cost in the *Itemized list* is greater than five percent of the total eligible costs of the project (or \$50,000, whichever is lower). Institutions are not required to request prior approval.

6.6.5 Significant delays in the project completion

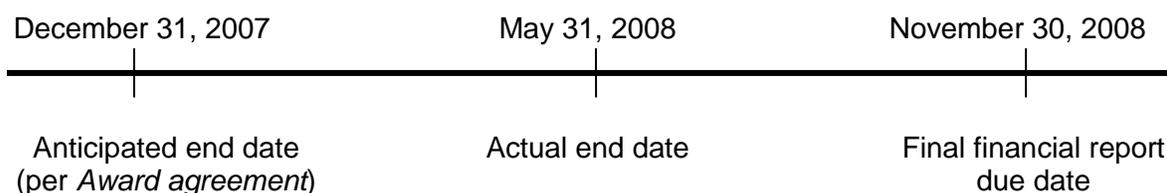
The actual end date of a project is the date at which the infrastructure has been acquired or developed and is operational, and all expenditures have been incurred (i.e. goods received, services rendered or work performed).

Institutions must provide the anticipated end date in the *Itemized list*. Institutions can incur expenditures after the anticipated end date without requesting prior approval as long as the actual end date falls within six months of the anticipated end date.

However, institutions must request prior approval if they will not be able to acquire or develop the infrastructure within six months of the anticipated end date. Any further revisions to the end date require prior approval.

The end date is not the date of submission of the final financial report. Institutions have six months to submit the final financial report after the actual end date.

Figure 6.3 – End date



6.6.6 Decrease in cost of warranties or service contracts

For all proposals submitted after November 1, 2002, if the revised costs of warranties or service contracts are lower than the finalized amounts, the CFI's contribution will be reduced by an amount equivalent to the agreed share of the cost reduction.

6.6.7 Differences in total actual eligible costs

When a project is completed, if the total actual eligible costs are lower than the costs estimated in the *Award agreement* and if other funding partners contribute their agreed share, institutions may acquire other eligible infrastructure directly related and essential to the project.

However, institutions must request prior approval for the purchase of any new item not included in the *Itemized list* (including increases in the quantity of an item) for which the actual cost is greater than five percent of the total eligible costs of the project or \$50,000 (whichever is lower).

If the total actual eligible costs are lower than the costs estimated in the *Award agreement*, the CFI's contribution will be limited to the agreed share of the actual total eligible costs of the project. If the decrease in the total actual eligible costs is due to a decrease in the total in-kind contributions for the project, and the agreed share per the *Award agreement* is less than 40 percent, the CFI may consider increasing the agreed share up to a maximum of 40 percent. Institutions may request the agreed share increase in the final financial report.

If the total actual eligible costs are higher than the total costs anticipated in the *Award agreement* once all infrastructure items have been acquired, the institution is responsible for excess expenditures.

Institutions must indicate in the financial reports the various funding sources and the full actual cost of all eligible items, even if the cost of these items exceeds the cost reported at award finalization. The CFI does not permit the reporting of the partial cost of an eligible item.

6.6.8 Project termination

An institution must promptly advise the CFI if it is unable, for any reason, to complete a project or if it is unable to comply with award conditions. Termination procedures will be established on a case-by-case basis.

6.7 Financial reporting

6.7.1 Submission deadlines

Institutions are required to submit an interim financial report by June 15 each year (cumulative results as at March 31 of the same year) for all ongoing projects that received CFI funds prior to April 1 of that year. An interim financial report does not need to be submitted by June 15 if an institution plans to submit a final financial report by September 30 that year. In some instances, the CFI may request that quarterly or biannual financial reports be submitted for certain projects.

For projects with a CFI contribution of \$200,000 or less, the CFI may permit institutions to submit a financial report every two years. Institutions must request exemptions from the annual submission of financial reports once a year prior to June 15. Exemptions apply only to annual financial reports. The CFI reserves the right to deny exemption requests if important issues were noted in previous monitoring or auditing activities, or if questions or concerns have been raised about the implementation of a specific project.

The final financial report must be submitted within six months of the actual end date of the project (see [section 6.6.5](#)).

All financial reports must be submitted electronically, and institutions must also send a signed copy of final financial reports to the CFI. These must be signed by the account administrator and the President or authorized signatory.

Forms and instructions for financial reports are available in the “CFI online” section of the CFI website (<http://www.innovation.ca/en/OurFunds>). PDF versions are available for reference purposes.

6.7.2 Content of financial report

The financial report includes information on:

- actual and forecasted eligible costs (for ongoing projects);
- actual and forecasted contributions to eligible costs from eligible partners, including assurance that funds have been received and spent (or will be received during the forecast period);
- indication of any actual or forecasted significant changes (see [section 6.6](#)) not previously approved by the CFI. If so, indication of the expected time frame in which a request for approval will be submitted;

- and for final financial reports only:
 - share of total eligible costs of any other participating institutions;
 - explanation for significant cost variances.

In the financial reports, institutions must disclose their various funding sources and the full actual cost of all eligible items, even if the cost of these items exceeds the estimated cost reported upon award finalization. The CFI does not permit reporting of the partial cost of an eligible item.

6.7.3 Request for final instalment

To request the final instalment for a given project, institutions must submit a final financial report. The report must state the final total eligible costs and contributions, and include certification that:

- the information provided in the financial report is accurate;
- the resources are available for the operation of the infrastructure;
- the administration of the funding is in accordance with the *Policy and program guide*, the *Institutional agreement* and the *Award agreement*;
- the project is now complete (i.e. all the infrastructure has been acquired or developed and is operational, and all costs have been incurred).

Institutions must ensure that the CFI's contribution does not exceed the agreed share of eligible costs, or the maximum CFI amount, whichever is lower.

6.8 Operation and maintenance of CFI-funded infrastructure

It is the institutions' responsibility to provide sufficient funds for the operation and maintenance of CFI-funded infrastructure. To meet this obligation, institutions must have an internal plan for the provision and administration of operating and maintenance support. The plan should be made available to all relevant stakeholders.

Because the Infrastructure Operating Fund helps institutions with a portion of the operating and maintenance costs of CFI-funded infrastructure, its use should be an integral part of the operating and maintenance plan.

Institutions must keep on file the operating and maintenance plan and provide it upon request.

6.9 Monitoring and auditing activities

The CFI conducts periodic monitoring visits and contribution audits of projects to ensure that institutions comply with the guidelines and manage the funds properly.

The CFI reserves the right to make the final determination of eligible costs and fair market value, to disallow expenditures and reduce the CFI award. To avoid a situation where costs may later be deemed ineligible or incorrectly valued, institutions are

advised to contact the CFI early in the process if they foresee problems in complying with the guidelines for a given project.

6.9.1 Monitoring visits

The CFI conducts monitoring visits at recipient institutions to assess the adequacy and effectiveness of policies, processes and controls that are in place for the management of funded projects. This helps ensure that funds are being used for their intended purposes and in accordance with terms and conditions of *Award agreements*, as well as CFI policies and guidelines.

The objectives of the monitoring visits are to:

- obtain an understanding of key policies, processes and controls in place at the institution and assess their adequacy;
- review a sample of expenditures and contributions to confirm the existence and effectiveness of key processes and controls. The CFI also reviews whether the expenditures and contributions were made in accordance with the terms and conditions of the applicable *Award agreements* and if the institution has respected CFI policies and guidelines;
- disseminate information on CFI policies, guidelines and expectations for financial accountability and integrity.

During each monitoring visit, the CFI will audit a sample of the institution's Infrastructure Operating Fund expenditures.

If a recipient institution has transferred funds to another institution (i.e. an affiliated research hospital or another eligible institution participating in a project), the CFI may monitor the project account at the location where the funds are spent.

6.9.2 Contribution audits

The CFI conducts audits to ensure that the funding received by an institution for a given project has been used in accordance with agreed upon terms and conditions of the *Award agreement*, and with applicable policies and guidelines. The CFI reserves the right to audit any CFI-funded project, even when the final instalment for the holdback has been paid.

A risk-based audit approach is used for the selection of projects to be audited. Various risk factors are considered, such as the value of the CFI contribution and of the in-kind contributions, the complexity of the project, and the CFI's experience with both the project and institution (including findings from monitoring visits). All projects with a CFI contribution exceeding \$10 million are automatically subject to an audit.

The risk of a project will determine the scope, timeline, nature and extent of the audit activities. The CFI reviews project risk and assesses the need for audits periodically. Institutions will be notified when a project is selected for an audit.

Audit costs are not eligible costs and cannot be reported as such in a CFI-funded project. Within certain guidelines, the CFI will pay for the audit costs out of its

administrative budget. However, if an institution has not prepared the required documentation by the dates set by the auditors nor cooperated with the auditors by providing them with the required information on a timely basis, the CFI may request that the additional costs incurred be paid by the institution.

6.10 Release of infrastructure operating funds

6.10.1 Infrastructure Operating Fund *Award agreement*

The CFI will prepare an Infrastructure Operating Fund (IOF) *Award agreement* between an institution and the CFI at the time of the first IOF request. This agreement will highlight how the institution's IOF allocation will be determined, the reporting requirements, and the general terms and conditions of the funding. The institution must sign the agreement and return it to the CFI.

6.10.2 Requesting the release of IOF

Institutions are responsible for deciding how IOF funds are to be divided among projects eligible to receive IOF. Institutions have the flexibility to distribute their IOF allocation based on actual operating and maintenance needs as opposed to allocating the exact amount to the project that generated it. Institutions are therefore encouraged to carefully review and determine how they can make optimal use of the funding.

The account administrator must submit the release of IOF online by June 15 as part of the IOF annual report. Only one institutional request per year may be submitted. Cumulative requests cannot exceed the available allocation at any given time. A copy of these documents, signed by the account administrator and the President or authorized signatory, must also be sent to the CFI. Once validated and approved, the annual request becomes an integral part of the IOF *Award agreement*.

In the case of a multi-institutional project, the inter-institutional agreement should state how the IOF will be shared among the institutions. The recipient institution must submit the annual request on behalf of all institutions, and is responsible for distributing the IOF in accordance with the terms of the inter-institutional agreement.

In addition, the CFI will allow a participating institution to use its own IOF allocation to pay for operating and maintenance expenses it has incurred for a multi-institutional project if the operating and maintenance expenditures are not reported by the recipient institution.

Expenditures reported under the IOF must be subject to usual institutional tendering and purchasing policies and procedures.

6.10.3 Reporting of actual expenditures

The CFI wishes to keep the administration of this fund as simple as possible, minimizing the documentation and reporting requirements, while still ensuring accountability. In addition, actual operating and maintenance expenditures often exceed the IOF allocation. As such, the CFI will only require that an institution demonstrate in the IOF

annual report that it had sufficient eligible IOF expenditures (not claimed for reimbursement from another source) for the amount of funding requested. Institutions are encouraged to focus their efforts on higher value items, thus reducing the number of items and associated supporting documentation required.

The IOF annual report must be completed online and submitted electronically by the account administrator by June 15. A copy of this document, signed by the account administrator and the President or authorized signatory, must also be sent to the CFI.

Institutions should include in their IOF annual report expenditures incurred for the previous April 1 to March 31 period, including outstanding commitments, which are allowed only in cases where the expenditure has been incurred (i.e. work performed, goods received or services rendered) but the invoice was not paid in the period ending March 31. Institutions must ensure that expenditures reported have not been claimed for reimbursement from another source. If claimed from another source, they are not eligible under the IOF.

For multi-institutional projects, the recipient institution must report the actual expenditures on behalf of all participating institutions based on the terms of the inter-institutional agreement. If a participating institution has used its own IOF allocation for additional operating and maintenance expenses it has incurred, the institution must report them in its own IOF annual report.

6.10.4 Requesting additional funding

The CFI will pay for actual operating and maintenance expenditures that were not initially forecasted and requested if:

- these expenditures are reported at the end of the year in the IOF annual report for the period in which they were incurred; and
- such an amount is still available in the institutional allocation.

If total actual cumulative expenditures at the reporting date exceed the cumulative payments made by the CFI at that time, the CFI will issue a payment for the difference after receiving and reviewing the IOF annual report.

The CFI will not pay for expenditures previously incurred that were not reported in the IOF annual report related to the year the expenditures were incurred.

6.10.5 Payment schedule

The CFI pays 100 percent of expenditures reported under the IOF, up to the available allocation. There is no holdback amount. Payment schedules are based on forecasted expenditures provided in the IOF annual report and take into consideration any CFI excess payment or shortfall for the preceding fiscal year. These documents must be submitted to the CFI by June 15.

The CFI will make instalment(s) as follows:

Table 6.4 – Payment schedules

Annual request	Timing
Less than \$400,000	July (100%)
Between \$400,000 and \$1,000,000	July (50%) January (50%)
Greater than \$1,000,000	July (50%) October (25%) January (25%)

If there is an excess CFI payment in the previous fiscal year, the CFI will reduce the July instalment by this amount. If there is a shortfall, the CFI will increase the July instalment accordingly.

6.10.6 Supporting documentation

Institutions must be prepared to provide full supporting documentation for all actual expenditures reported in their IOF annual report.

Supporting documentation

- Source documents (refer to [section 6.4.3](#))
- For salaries of highly qualified personnel (technicians or professionals) directly involved in the operation and maintenance of the CFI-funded infrastructure:
 - Description of the operation and maintenance activities performed, and certification that the infrastructure cannot be operated without the assistance of the highly qualified personnel. This certification must be obtained annually and signed by the employee and approved by the supervisor. The CFI will also accept a certification of this information from another person (e.g. project leader or department head) if this person is knowledgeable of the activities performed by the employee.
 - Supporting evidence for the individual’s salary rate and fringe benefits (e.g. letter of hire or change in salary rate, payroll records, etc.)
- When reporting the cost of electricity related to CFI-funded equipment, institutions can choose to use a detailed method or a simple method for calculating these costs:
 - **Detailed method:** Institutions must establish an appropriate method to calculate the actual electricity costs and must keep on file supporting documentation.
 - **Simple method:** Institutions need not calculate the actual electricity costs but must use the provincial rate prescribed by the CFI (rates are updated annually). This rate should be multiplied by the electrical consumption of the equipment. Institutions must keep on file supporting documentation.

- When reporting facilities charges related to CFI-funded constructed or renovated space, institutions can choose to use a detailed method or a simple method for calculating these costs:
 - **Detailed method:** Institutions must establish an appropriate method to calculate the actual facilities costs and must keep on file supporting documentation.
 - **Simple method:** Institutions need not calculate the actual facilities costs but must use the provincial rate prescribed by the CFI for the type of space (rates are updated annually). This rate should be multiplied by the amount of CFI-funded constructed or renovated space. Institutions must keep on file supporting documentation.
- Identification of the CFI-funded infrastructure project(s) for which eligible operating and maintenance costs are claimed. The expenditure must be directly related to an infrastructure project eligible to receive IOF.
- Confirmation obtained by the institution from the project leader(s) (at a minimum annually) that the infrastructure is still used for research purposes. Institutions must keep on file these confirmations and provide them upon request. In the IOF annual reports, institutions must certify that they obtained these confirmations.

The following can be found in the “CFI online” section of the CFI website (<http://www.innovation.ca/en/OurFunds>):

- Sample templates for reporting salaries, the cost of electricity related to CFI-funded equipment and facilities charges related to CFI-funded constructed or renovated space
- Annual rate table for the cost of electricity (simple method)
- Annual rate table for facilities charges (simple method)

Institutions must keep on file all documentation for audit purposes for a minimum of five years following the submission of the IOF annual report and provide it upon request.

6.10.7 Monitoring and auditing activities for the IOF

The CFI reserves the right to audit actual expenditures reported in the institutions’ IOF annual reports. The CFI monitors the management of IOF awards during its regular financial monitoring visits and audits at institutions. When requested, institutions must provide access to the supporting documentation and other information related to the award, including funds transferred to other eligible institutions.

If a recipient institution has transferred funds to another institution (e.g. an affiliated research hospital or another participating institution), the CFI may monitor the award account at the location where the funds were spent.

The CFI reserves the right to make the final determination of eligible costs under the IOF, to disallow expenditures and recover funds that have been paid out to institutions. To avoid situations where costs may later be deemed ineligible, institutions are advised to contact the CFI if they foresee problems in complying with IOF guidelines.

7. EVALUATION AND OUTCOME ASSESSMENT

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The CFI is committed to the principle of public accountability. It places great importance on communicating the impacts of its research infrastructure investments and demonstrating how these impacts help meet the CFI national objectives.

The CFI's national objectives are to enhance the capacity of institutions to:

- support economic growth and job creation, as well as health and environmental quality through innovation;
- carry out important world-class scientific research and technology development;
- expand research and job opportunities by providing support through research infrastructure for the development of highly qualified personnel;
- promote productive networks and collaboration among Canadian universities, colleges, research hospitals, non-profit research institutions and the private sector.

The Evaluation and Outcome Assessment team recognizes and fulfills this commitment by gathering, analyzing and reporting accurate, consistent and timely information that demonstrates the relevance, effectiveness and results of its investments to the CFI Board of Directors, the Government of Canada, the Canadian public and other key stakeholders. This information is vital for the CFI to plan its future directions and strategies, and to ensure it delivers programs that focus on Canada's needs as it competes in the global, knowledge-based economy.

Drawing on its current performance, evaluation, risk and audit framework, the CFI collects and analyzes information using the overall performance evaluation and value-for-money audit, outcome measurement studies, project progress reports, institutional reports, evaluations of the CFI's programs and special studies. Evaluation-related documents are posted on the CFI website (<http://www.innovation.ca/en/AboutUs/Evaluation>).

7.1 Overall performance evaluation and value-for-money audit

As part of its funding agreement with the Government of Canada, the CFI is required to carry out an overall performance evaluation and value-for-money audit (OPEA) at least every five years. The evaluation measures the CFI's overall performance in achieving its objectives. The audit examines the CFI's processes and practices to ensure that the funds it receives are used with due regard to economy, efficiency and effectiveness. Institutions inform the OPEA through interviews, surveys or focus groups, as required.

In March 2010, the CFI completed its first OPEA. An independent third party conducted the study, and an international panel of seven experts in global research and research funding reviewed the findings and produced an independent report.

7.2 Outcome measurement study

The outcome measurement study (OMS) is designed to assess the degree to which the CFI's investment in research infrastructure is a critical contributing factor in the realization of five outcomes: strategic research planning, research capacity, highly qualified personnel, research productivity and innovation. It helps demonstrate to the CFI Board of Directors, the Government of Canada, the Canadian public, and other key stakeholders the extent to which the CFI is achieving its national objectives. The OMS also provides information for evaluation and planning purposes.

The OMS is conducted in partnership with participating institutions and is different from a typical merit-review process. No funding is contingent on the findings, nor are the findings used to rank research activities or institutions. The methodology involves an in-depth questionnaire — incorporating both quantitative and qualitative data — which is completed by the institution and then validated by a visiting international expert panel. The panel's report is the key output of the exercise.

The scope of the OMS is unique in that it looks across an institution and a specific theme rather than examining an individual project or program. Selected institutions are notified several months in advance of the visit. Recognizing that institutions may need to invest additional resources in data collection and other activities to support the OMS exercise, the CFI will make a one-time contribution of \$10,000 to institutions once the OMS expert panel report is completed.

7.3 Project progress reports and institutional reports

The CFI is publicly accountable for its investments in research infrastructure, and it must therefore demonstrate the outcomes and impacts of its activities. To this end, institutions are required to submit project progress reports and institutional reports.

Both reports provide valuable information that is used to inform annual CFI reporting and relevant to planning, communications, policy, evaluation and outcome assessment.

7.3.1 Project progress reports

Project progress reports help demonstrate the results of investments in research infrastructure at Canadian institutions by looking at a number of indicators: the attraction and retention of researchers; training of highly qualified personnel; research productivity; partnerships and collaborations; and social and economic benefits. The reports also provide information on issues such as the implementation status of the infrastructure projects, operation and maintenance, and the useful life of the infrastructure.

Institutions must complete and submit project progress report forms electronically for every project by June 30 each year for five years following award finalization. The CFI will return institution-specific project data to the liaison in an Excel worksheet by mid-July of each year.

7.3.2 Institutional reports

Institutional reports address the overall impact of CFI investments on the institution's ability to implement and achieve the objectives of its strategic research plan. The "Communication activities" section of the report gathers information on media and public outreach initiatives designed to convey the achievement of these strategic objectives. It is also used to identify opportunities for the CFI to collaborate with and support institutions in their efforts to showcase the importance and benefits of the research to various audiences and stakeholders.

Institutional reports are due by July 31 in each year that an institution is required to submit one or more project progress reports.

7.4 Evaluations and special studies

Retrospective evaluations of individual programs and special studies are performed on a priority basis. Through these activities, the CFI ascertains the degree to which its national objectives are being achieved and examines issues such as relevance, efficiency, effectiveness, performance, impact and sustainability. Institutions may be asked to provide information for these studies through interviews, surveys or focus groups.

8. COMMUNICATING RESEARCH IMPACTS

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As an independent corporation created by the Government of Canada, the CFI places paramount importance on demonstrating to Canadians the impacts and outcomes of its investments. And as recipients of CFI funding, institutions have an essential role to play in highlighting the impacts, outcomes and benefits of research, through communications activities such as:

- news releases, news conferences and other media relations initiatives;
- print and online publications;
- social media;
- special events (groundbreakings, openings, milestone celebrations, conferences and other public outreach activities);
- presentations;
- correspondence;
- advertising.

In the context of these activities, the CFI also requests that institutions acknowledge the financial support of the CFI.

8.1 Opportunities for collaboration

The CFI takes great interest in communications activities related to funded projects. It welcomes opportunities to partner with institutions to plan and execute initiatives that showcase, in a significant way, the impacts of research and how they benefit Canadians.

One key initiative created by the CFI is its online magazine, **InnovationCanada.ca**, which showcases excellence in Canadian research. With hundreds of thousands of annual visits from all sectors of the population, both in Canada and abroad, it is also used by media as a source for cutting-edge science information and story ideas. Institutions can reach this audience directly by submitting compelling success stories or story ideas to the CFI. For more information and contacts, visit <http://www.innovation.ca/en/Researchinaction>.

The CFI views its ongoing partnership with communications staff at institutions as critical to conveying the benefits and impacts of research to Canadians. Whether institutions wish to collaborate on InnovationCanada.ca or have their own creative

research communications idea, the CFI welcomes opportunities to help support, plan and execute activities.

8.2 Funding announcements

The CFI makes national funding announcements after each of its three annual Board of Directors meetings. In most cases, announcements are organized in collaboration with a recipient institution, which provides institutions, their researchers and partners — along with government representatives, the media and the CFI — opportunities to highlight the research in their communities.

8.3 Submitting communication updates to the CFI

As part of filing their annual institutional reports (see [section 7.3.2](#)), institutions must provide the CFI with information on the communication activities undertaken in the previous year, along with activities planned for the coming year that are designed to showcase the impacts and outcomes of CFI investments. Institutions are asked to provide information on media activity, publications (print and online) and special events. This information assists the CFI in identifying national trends in research communications, as well as opportunities for collaboration on communications initiatives with institutions.

ANNEX 1 – SUMMARY OF REFERENCED HYPERLINKS

The CFI corporate website: www.innovation.ca

Programs: <http://www.innovation.ca/en/OurFunds>

Funds: <http://www.innovation.ca/en/OurFunds>

Finance: <http://www.innovation.ca/en/OurFunds>

Frequently asked questions: <http://www.innovation.ca/en/node/100>

- Cash back or other types of benefits – Reporting scenarios and examples
- Request for quotation
- Examples of fair market value comparison analyses
- Framework for the evaluation of cost allocation methods
- Example of a detailed cost allocation method (Hanscomb Limited)
- Simplified cost allocation method

Evaluation: <http://www.innovation.ca/en/AboutUs/Evaluation>

CFI online: <http://www.innovation.ca/en/CFIOnline>

Reference forms: <http://www.innovation.ca/en/OurFunds>

Online magazine: <http://www.innovation.ca/en/Researchinaction>

External websites

Canada Research Chairs: www.chairs.gc.ca

Canadian Institutes of Health Research: www.cihr-irsc.gc.ca

Natural Sciences and Engineering Research Council of Canada: www.nserc-crsng.gc.ca

Social Sciences and Humanities Research Council of Canada: www.sshrc.ca

Automotive Partnership Canada: www.apc-pac.ca

Reference documents from external websites

Tri-Council policy statement – Ethical conduct for research involving humans:
www.pre.ethics.gc.ca/eng/policy-politique/initiatives/tcps2-eptc2/Default

Health Canada's drugs and health products regulations:
www.hc-sc.gc.ca/dhp-mps/prodpharma/applic-demande/guide-ld/clini/index_e.html

Ethical and legal requirements relating to privacy, confidentiality and security of information: www.cihr-irsc.gc.ca/e/29373.html

Canadian Council on Animal Care guidelines:
www.ccac.ca/en/CCAC_Programs/Guidelines_Policies/GUIDES/ENGLISH/toc_v1.htm

Public Health Agency of Canada's *Laboratory biosafety guidelines*:
www.phac-aspc.gc.ca/publicat/lbg-ldmbl-04

Canadian Nuclear Safety Commission regulations:
www.nuclearsafety.gc.ca/eng/lawsregs/index.cfm

Canadian environmental assessment act: www.ceaa-acee.gc.ca/013/index_e.htm

Licences for facilities in the Yukon, the Northwest Territories and Nunavut

- Yukon: www.tc.gov.yk.ca/scientists_explorers.html
- Northwest Territories: www.nwtresearch.com
- Nunavut: www.nri.nu.ca

Agreement on internal trade: www.ait-aci.ca/index_en/intro.htm