

# Living Laboratories Initiative: Collaborative Program

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APPLICANT GUIDE



Agriculture and  
Agri-Food Canada

Agriculture et  
Agroalimentaire Canada

Canada

Living Laboratories Initiative: Collaborative Program Applicant Guide

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## Purpose of this guide

This guide will:

1. Help you determine if you may be eligible for funding from Agriculture and Agri-Food Canada (AAFC) under the Living Laboratories Initiative: Collaborative Program (LLICP).
2. Provide you with directions and explanations to assist you in completing the project application form.

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## **1.0 Living Laboratories Initiative**

AAFC's Living Laboratories Initiative is an integrated approach to agricultural innovation that brings farmers, scientists and other partners together to conduct science in agricultural landscapes across rural communities, and to co-develop, test, monitor and implement new mitigation technologies, beneficial management practices (BMPs) and processes that will improve the sustainability of the sector. Within the Living Laboratory Initiative, there is an external collaborative program entitled, Living Laboratories Initiative: Collaborative Program (LLICP), and an internal component led by AAFC's Science and Technology Branch (STB) called Collaborative Federal Research Projects.

STB's Collaborative Federal Research Projects for the Living Laboratories Initiative will be combined with the work of partners under the LLICP. The living laboratories will be linked through a nation-wide network that will be administered by AAFC. This AAFC-led national coordination role will allow for better allocation of resources, allow for integration of ideas, as well as for increased knowledge dissemination so that innovative solutions to address persistent agri-environmental issues are developed and adopted more quickly.

### **1.1 About Living Laboratories Initiative: Collaborative Program**

The LLICP is a five-year (2018-19 to 2022-23) program with total contribution funding up to \$10 million. Funding is available for eligible applicants to coordinate a group of partners (e.g., agriculture producers or producer groups, Indigenous groups, not-for-profit organizations, governmental institutions, universities/colleges, and for-profit organizations) to work with them in concert to improve the sustainability of farming practices in a specific agricultural ecosystem. These projects are expected to range in duration between two and four years depending on the commencement date of the LLICP project and in which selective ecosystem it takes place. This collection of partners and project activities will be considered as a living laboratory.

#### **Program Objective**

The objective of AAFC's LLICP is to enable distinct living laboratories to improve adoption, agro-ecosystem resilience and allow for sustainable production practices for the sector.

In a living laboratory, your work will focus on the co-development, evaluation, demonstration, and adoption of mitigation technologies and BMPs to address persistent environmental issues and threats to productivity associated with climate change.

Your living laboratory will bring together a complement of partners including the necessary scientific (natural, social and economic) and technical expertise to address various critical agri-environmental issues impacting the sector (e.g., phosphorous runoff, methane emissions from livestock, nutrient loading, water quality, and soil erosion) in sensitive landscapes across Canada. Research experiments, prototype trials, demonstration of co-developed BMPs, etc. will be carried out in a field, farm or at a watershed scale at different locations throughout the living laboratory. New agricultural practices developed through the LLICP will serve the landscape in which they were developed. These results will also be shared within comparable agroecosystems at the national level through AAFC's Science and Technology Branch.

## **Application Process**

The LLICP will accept applications from eligible organizations to work in target geographic areas in Canada. In order to be eligible, each applicant **will be required** to interact directly with AAFC's Science and Technology Branch (STB) in all stages of the application development including: project concept, science methodology, and consortium/collaboration development in advance of any application submission. To do so, lead applicants are required to communicate with the AAFC Living Laboratories Division at [aafc.livinglaboratories-laboratoiresvivants.aac@canada.ca](mailto:aafc.livinglaboratories-laboratoiresvivants.aac@canada.ca) to express their interest in the Program, at which point they will be put in direct communication with STB's Living Laboratories lead scientists and/or professionals.

Applicants will then be required to complete a pre-screening summary and email this document to AAFC at [aafc.llicp-ilvpc.aac@canada.ca](mailto:aafc.llicp-ilvpc.aac@canada.ca) for review before June 28, 2019. AAFC will review your pre-screening summary to determine if your project is eligible and a fit for funding under the Collaborative Program objectives. Upon review, AAFC will contact applicants to inform them of their eligibility and invite these applicants to continue through to the next stage of the LLICP program. Eligible applicants will then be forwarded a complete application package for the LLICP. The due date for the full application submission for the LLICP is December 13, 2019.

**Note:** A funding decision will be based on an assessment of the full LLICP application package.

LLICP is a discretionary program for which AAFC keeps all rights to select eligible projects that best complement AAFC's Collaborative Federal Research Projects and fulfil the Living Laboratories Initiative objectives.

## **1.2 Eligible Applicants**

The following organization types, established or operating within the target areas (Section 1.4), are eligible under this program:

- Not-for-profit organizations;

- Indigenous groups;
- Academic institutions; and,
- Agriculture producer(s) and/or producer groups.

**Note:** Eligible applicants must be legal entities capable of entering into legally binding agreements.

Any of the eligible applicants, may also act/operate as initial recipients and further disburse funds.

Initial recipients (third party deliverers) are defined as those who submit applications to AAFC for consideration of program funding, but who, in turn provide that program funding (or services) to others (i.e. ultimate recipients).

Initial recipients will have full independence in the selection of ultimate Recipients, and will not be acting as an agent of the Crown. The activities and costs of all ultimate Recipients will need to be clearly defined in the application.

Ultimate recipients are defined as those who receive contribution funding approval and allocation directly from initial recipients.

## **1.3 Funding and Cost-Sharing**

### **Available Funding**

The maximum AAFC contribution for a project will not exceed \$600,000 per year until March 2023.

### **Cost sharing**

Eligible project costs will be shared between AAFC and the applicant as follows: a maximum of 75 percent from AAFC and a minimum of 25 percent from the applicant.

However, to foster action and as appropriate, AAFC may consider providing up to 100 percent government funding for projects.

Where proposed projects are assessed to be equally effective in advancing program objectives, preference will be given to projects where a recipient makes a larger financial contribution to the total eligible project costs.

You must clearly indicate all sources of funding for the project, including your contribution and other partners' sources of funding. These may include:

- other federal government departments;

- provincial/territorial governments;
- municipal governments;
- industry and/or partners, such as:
  - industry associations and networks;
  - businesses;
  - academia; and,
  - Indigenous groups.

Your portion of the cost-share can be a combination of both cash and in-kind contributions. In-kind contributions can only account for a maximum of 10 percent of total eligible project costs under the contribution agreement (CA).

### **What is a cash contribution?**

A cash contribution is an expense requiring a cash outlay, by either your organization or by a participant/contributor (such as a partner or other government), during the term of the CA. Specifically, a cash contribution is an expenditure for an eligible project cost incurred and paid for by your organization, or another project participant. AAFC will only reimburse cash contributions for eligible project costs that are incurred and paid for by your organization. A cash contribution made by another project participant should be reported as part of your sources of funding, and must be an eligible project cost.

### **What is an in-kind contribution?**

In-kind contributions refers to the fair market value attributed for goods and the fair value attributed for services that are contributed to this project and require no outlay of cash during the term of the CA by the applicant or a contributor. These contributions must be eligible costs. They will not be reimbursed by AAFC.

### **Eligible costs**

All costs claimed under the program must fall within the program cost categories and respect all limitations.

Costs incurred prior to the date on which the application is deemed complete and after the project completion date (as established by the program) will not be eligible for reimbursement. Any costs incurred after the proposal is deemed complete, but prior to the signing of a CA by both parties, will be incurred solely at the applicant's risk without any obligation of reimbursement by the program.

Eligible costs under the program are the incremental, relevant, reasonable and essential expenses required to carry out the eligible activities to which they relate as specifically set out in the CA.

Eligible costs will include:

- Administration costs (flat rate of eight (8) percent of the AAFC contribution);
- Salaries and benefits;
- Contracted services (e.g., land use);
- Travel (pre-approval required for all travel);
- Capital assets (any capital assets purchased will not become an asset of Canada at the end of a project); and,
- Other direct project costs such as: consumable materials, marketing costs, and costs related to the dissemination of project results.

Costs for travel to/or hosting of conferences and workshops and related hospitality or similar events will not be reimbursed under the LLICP.

## 1.4 Living Laboratory Locations and Priorities

The LLICP project will be managed by an eligible applicant who will ensure the local management of partners to address priority environmental issues within the landscape (e.g., organize/host/facilitate co-development meetings; local site management and leadership; extension activities; communications; integration of funding; local management of complementary science activities).

The living laboratories network will commence through the LLICP and AAFC's Living Laboratories Science Development Program. There is an expectation that the LLICP projects will also be associated and connected to other AAFC research projects which will be aligned to achieve the objectives and desired outcomes of the Living Laboratories Initiative. AAFC has identified the following Canadian regions that will be prioritized for LLICP:

2020 – 2021 – Quebec and Ontario  
2021 – 2022 – British Columbia

Within these regions, the LLICP will focus on specific vulnerable landscapes that are subject to: climate change, water quality degradation, water quantity challenges, poor soil health, and loss of natural habitats and biodiversity. These areas could include, but are not limited to, landscapes near or within the Lake Saint-Pierre Basin in Quebec or the Lake Erie Basin in Ontario.

Specific living laboratory geographical boundaries will need to be defined in the project proposal. **The applicant will achieve this by interacting directly with AAFC's Science and Technology Branch throughout the development of the application.** Please refer to Section 1.1 of this guide for further information on how to achieve this interaction with STB.



Projects will focus on the following priority areas:

- Greenhouse gas reduction and mitigation through BMPs aimed at:
  - improving efficiency of nutrient utilization and recycling;
  - reducing enteric methane emissions; and
  - increasing carbon sequestration in soils.
- Adaptation to climate change, including the development of BMPs, aimed at:
  - increasing the resilience of production in the face of climate change (e.g., landscape approaches to minimizing the impact of extreme weather events such as droughts and floods); and
  - minimizing the impact that extreme weather conditions and events will have on an agriculture environment (e.g., extreme weather events that drive soil erosion and increased water contamination, storm water management).
- Environmental Performance aimed at:
  - reducing water contamination (e.g., nutrients, pesticides and emergent contaminants);
  - improving soil and water conservation; and
  - maximizing habitat capacity and biodiversity on agricultural landscapes.

Projects that incorporate more than one priority area will be given greater consideration.

## **1.5 Eligible activities**

Eligible activities may include:

- Scientific research: conducting targeted applied natural and/or socio-economic science; research and/or development activities;
- Research demonstration: research that demonstrates and evaluates new BMPs and processes at the local level;
- Pilot initiatives: activities that pilot, test solutions and/or explore/adapt technologies to maintain the sector's ability to adapt and remain sustainable while remaining competitive; support user-driven co-development processes including activities aimed at planning, conceptualizing, prototyping and designing the final systems to be adopted by agricultural producers; and
- Extension and awareness: developing, adapting and applying methodology aimed at improving agricultural landscapes resilience that was developed or tested as part of the Living Laboratories; supporting knowledge transfer and the development of on-farm practices related to climate change, soil and water conservation and habitat and biodiversity conservation.

Eligible projects must be carried out within Canada.

Initial recipients will ensure that all project funds are distributed towards project activities that align with the eligible activities outlined in this section, including any sub-projects of a given project.

## **1.6 Application Deadlines**

Pre-Screening Applications for the Quebec Region and Ontario Region projects will be accepted up until June 28, 2019. The application process intake date for the BC region will be April-May 2020. Further information will be posted on the LLICP website at a later date.

## **2.0 Expected Results**

Each LLICP project will be required to report on performance indicators. These indicators will be included as part of a CA.

Key performance indicators will be used to measure the relevance and effectiveness of programming, and to support progress monitoring and contribute to the information provided in the mandatory reporting by AAFC Program Management and Evaluation, will include, but are not limited to, the following:

- Number of new technologies, products, practices, processes or systems that are available for transfer to the sector;
- Number of end-user participants (producers and partners) in co-creation sessions hosted and number of BMPs assessed, adapted or developed through this process;
- Number of presentations of results of projects (which may include, the number of pre-publication stage presentations shared at producer outreach and scientific conference events);
- Percentage of farms adopting innovative products, processes or practices.
- Number of scientific publications produced and available for knowledge transfer to the scientific community and sector; and,
- Number of partnerships established in a Living Laboratories Initiative: Collaborative Program funding program.

## **3.0 Assessment Criteria**

LLICP projects will be assessed based upon the following categories:

- 1) Applicant experience and sector knowledge;
- 2) Application quality and characteristics; and,
- 3) LLICP specific criteria.

### 1) Applicant Experience and Sector Knowledge

You will be required to demonstrate through the application process that you have:

- Knowledge of climate change, water and soil conservation, and/or habitat and biodiversity on agricultural landscapes;
- Extensive knowledge, experience, and/or access (site locations) in leading science-based projects in the identified targeted regions;
- Experience working with a variety of partners;
- Experience in agricultural discovery science and research;
- Experience in communicating research and results to a variety of audiences; and;
- Experience in acting as a recipient and/or delivering projects with multiple partners;
- Identified research activities where scientific collaboration and complementary research may be possible or is already and will be beneficial to AAFC and the Canadian Food Inspection Agency, Environment and Climate Change Canada and other federal departments; and,
- The ability to develop and work towards international co-operation components to take advantage of expertise and multilateral science institutions.

### 2) Application Quality and Characteristics

Project assessments will consider the overall quality of the application, and the extent to which the application meets, at a minimum, the following aspects:

- The proposed activities, including their expected results and outcomes and whether they meet program's objective and priorities;
- The proposed activities define the identified environmental issues and how they will be addressed;
- The projects' expenditures, including their eligibility, reasonableness and the ability to meet the projects' objectives;
- The qualifications of the applicant including their capability, capacity\* (including their technical, financial and managerial capacities), and their track record to complete projects;
- The inclusion of all sources of funding, for the project as connected to each project;
- The scientific, technical and financial viability of the project and the proposed work plan; and,
- The value of the project in terms of addressing/identifying issue(s) or need(s) of high priority for the sector and the society.

\*Capacity and capability are not limited to within the organization. You may also outline agreements you have with other organizations to meet these requirements.

### 3) LLICP Specific Criteria:

Each LLICP project will be subject to the following specific criteria: How each project:

- addresses agri-environmental issues for improving the sustainable intensification of agricultural production by demonstrating how societal, economic and environmental benefits will be achieved in an integrated, inter-disciplinary way that are consistent with the goals of the Living Laboratories Initiative;
- provides an opportunity to co-develop and transfer technology, including but not limited to technologies and BMPs developed by AAFC, that are ready for field testing;
- clearly identify technologies or BMPs that are targeted for the co-development activities;
- identifies users who are willing to participate by providing the necessary landscape to scale up and validate the technology(ies) and to participate in the co-development process;
- strengthens the coordination and interaction of the various partners;
- identifies and defines a data management plan as related to the data sets derived from the project work. You will need to ensure that all data derived from projects will be made available in a format that is accessible to the public and acceptable to AAFC standards; and,
- the degree to which the project would support and enhance AAFC's research, development and technology transfer capacity, strengthen agricultural community resilience, and/or respond to a societal/economic need.

AAFC reserves the rights to establish further assessment criteria, but any new criteria will be communicated to all applicants before the deadline to submit proposals.

### **Additional Information**

In advance of the application, applicants should have developed a network of partnerships including, where applicable, inclusion of Indigenous communities and engagement with the AAFC Science and Technology Branch. Although one lead applicant will be submitting an application, the requirement of the Program is that the lead applicant establishes a consortia of partners for the project, who will be actively participating in the delivery of the project work objectives for the Living Laboratory site.

AAFC may consult you to obtain clarification on details of your application or additional information where deemed necessary for assessment. Once the assessment process is complete, you will be sent an approval or a rejection notification letter. If the project is approved for funding, the letter will specify the level of funding awarded and outline any other conditions that may apply. A program representative will then work with you to complete a CA.

Applications under the LLICP will not be processed on a first come, first served basis. The program reserves the discretion to give precedence to projects that fall within the cited priority areas of the program. The program will render funding decisions in

accordance with published departmental service standards.

## **4.0 Reporting on your Project**

Should you be approved for funding, certain project reports will be required. The reports will be provided by program personnel and require frequent updates throughout the duration of the project. All successful applicants will be provided with a training session to understand the specifics of each type of report and frequency of reporting.

### **Progress Reports:**

You will be required to provide progress reports describing the activities completed and progress made towards deliverables, as described in the Project Work Plan.

### **Performance Reports:**

Annual Performance Reports and Final Performance Reports of the project will be required. These reports will track progress against mutually agreed to performance measures outlined in the CA.

### **Financial Reports:**

Financial reporting is required with each request for reimbursement of expenditures, in addition to year-end accounting and other financial reports such as reporting on expenditures incurred using the industry's contribution.

Other reports may be required at AAFC's discretion.

## **5.0 Considerations**

### **5.1 M-30 Act (Quebec organizations only)**

The Province of Quebec's M-30 legislation may apply to Québec based applicants only. It is the *Act Respecting the Ministère du Conseil exécutif (R.S.Q., c. M-30)*.

More information on the Act is available online or by contacting the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ) at [dpci@mapaq.gouv.qc.ca](mailto:dpci@mapaq.gouv.qc.ca).

M-30 applies to various types of Quebec organizations, for example, organizations located in Québec and receiving more than half of their financing from the Government of Québec may be subject to the Act.

All Quebec based organizations will have to address this matter and demonstrate their compliance with the Act during the project assessment process, and prior to entering into a CA.

## **5.2 Intellectual Property**

The CA will contain an intellectual property clause which will confirm that all title to the intellectual property in any materials created or developed by or for the recipient of contribution funding will vest in the recipient or in a third party, as may be negotiated by the recipient. However, AAFC may, at its sole discretion, include a provision in the CA requiring the recipient to grant, or ensure that third parties grant a non-exclusive, worldwide, perpetual, royalty-free license to the Crown to such material, in whole or in part, in any form or medium, for internal government Fund administration purposes.

Should the funding proposal be approved, specific intellectual property requirements relevant to the Project will be included in the CA.

## **5.3 Official Languages**

AAFC is committed to enhancing the vitality of official language minority communities (OLMCs), supporting and assisting their development, and promoting the full recognition and use of both English and French in Canadian society.

When it is determined that projects under this program involve activities related to the development and transfer of knowledge and may have an impact on OLMCs or promote the use of English and French, AAFC will include appropriate linguistic commitments in agreements with your organization and ensure that additional expenses incurred as a result of these commitments are considered eligible for contribution funding.

Activities can include, but are not limited to:

### **Communications**

- Project web pages and/or project social media account(s) produced and maintained in both official languages;
- Project materials offered in both official languages (brochures, kits, handouts, newsletters, reports, etc.);
- Directional and educational signs produced in both official languages;
- Project-related advertisement in OLMC media (newspapers, radio, social media);
- Bilingual coordinator or other contractor hired to help deliver project-related activities in both official languages (e.g. master of ceremony for a project event, workshop facilitator or simultaneous translator); and,
- Distribution of invitations in both official languages.

## **Outreach**

- One or more OLMCs are included in the project target groups (e.g. as in-kind or cash partners in project budget or to be invited to project events);
- Other groups representing OLMCs are consulted to see if there is any potential for involvement on their end; and,
- Travel to or from OLMCs (costs associated with these project activities included in project budget).

If funded, you may be required to publicly acknowledge AAFC's support for the project. In these cases, the department will request that such acknowledgments include text in both official languages.

## **6.0 After you Apply**

Once an application has been submitted, an acknowledgment notice will be sent to the applicant. An official acknowledgement from the program verifies that your application has been received. Please contact the program should you not receive this verification.

Our goal is to:

- respond to general inquiries made to our phone number or email address before the end of the next business day;
- acknowledge receipt of your application within one business day; and,
- assess your application and send you an approval or a rejection notification letter within 100 business days of receiving a complete application package.

Please note that even if a project meets all eligibility criteria, the submission of an application creates no obligation on the part of the Minister or of Agriculture and Agri-Food Canada officials to provide funding for the proposed project. The Minister retains discretion to determine, based on other public policy and public interest considerations, whether an application that meets the criteria identified in this Guide will ultimately receive funding.

## **7.0 Contact us**

For more information on the LLICP, please contact us by:

E-mail: [aafc.llicp-ilvpc.aac@canada.ca](mailto:aafc.llicp-ilvpc.aac@canada.ca)

Telephone: 1-877-246-4682

TDD/TTY: 613-773-2600

Mail:  
Agriculture and Agri-Food Canada  
Living Laboratories Initiative: Collaborative Program  
1341 Baseline Road  
Tower 7, 8<sup>th</sup> floor, Room 303  
Ottawa, ON K1A 0C5

## Lexicon of Frequently Used Terms

The following terms are used in this Applicant Guide and accompanying Annex:

**Contribution** – is a transfer payment subject to performance conditions specified in a funding agreement (CA). A contribution is to be accounted for and is subject to audit.

**Fair market value** – means the highest price that would be agreed to in an open and unrestricted market, between knowledgeable, informed and willing parties, acting at arm's length, who are under no compulsion to transact.

**Flat rate** – is a rate that is the same in all cases and that does not vary in proportion with something.

### Interaction with Science and Technology Branch (STB):

Interaction with AAFC Science and Technology Branch (STB) implies direct engagement with STB's Living Laboratories Division and Federal scientists leading Collaborative Federal Research Projects, such as: phone conversations, conference calls, virtual meetings and in person gatherings with consortia of partners and local producers in order to collectively identify specific project locations, co-develop project objectives and define specific activities. This interaction is required at all stages of the application development including: project concept, science methodology, and consortium and collaboration development in advance of any application submission. Lead applicants are thus first required to communicate with the AAFC Living Laboratories Division at [aafc.livinglaboratories-laboratoiresvivants.aac@canada.ca](mailto:aafc.livinglaboratories-laboratoiresvivants.aac@canada.ca) to express their interest in the Program.

**Per Diem** – is an allowance or payment made for each day.

**Recipient** - is an entity that either has been authorized to receive a transfer payment or that has received that transfer payment.

**Transfer payment** - is a monetary payment, or a transfer of goods, services or assets made, on the basis of an appropriation, to a third party, including a Crown corporation, that does not result in the acquisition by the Government of Canada of any goods,

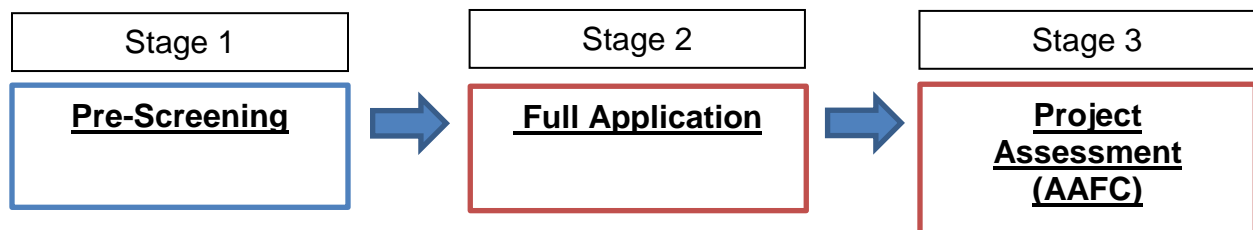


services or assets. Transfer payments are categorized as grants, contributions and other transfer payments. Transfer payments do not include investments, loans or loan guarantees.

**Travel status** - occurs when a person, conducting approved activities as part of the project work plan, is more than 50 km away (one way) from their assigned workplace using the most direct, safe and practical route, usually for more than one day.

## Annex A: How to Apply

There is a three-stage application process to the Living Laboratories Initiative: Collaborative Program:



### Stage 1: Pre-screening

The first step in the application process is to request a LLICP Pre-Screening Form. The request can be made by submitting an e-mail to Agriculture and Agri-Food Canada at [aafc.llicp-ilvpc.aac@canada.ca](mailto:aafc.llicp-ilvpc.aac@canada.ca) or by phone at 1-866-367-8506.

Once you receive this form, it is to be completed and submitted by e-mail to Agriculture and Agri-Food Canada at [aafc.llicp-ilvpc.aac@canada.ca](mailto:aafc.llicp-ilvpc.aac@canada.ca). The LLICP Pre-Screening form must be received before June 28, 2019.

The pre-screening summary will be used to assess eligibility based on the mandatory program criteria.

Applicants whose proposals that are deemed to meet the priorities of the program will be invited to proceed to stage two of the application process, and will be required to submit a full application. All required documents will be provided to the Applicant via email.

### Stage 2: Full Application

Proposals that are deemed to meet the priorities of the program will be invited to proceed to stage two of the application process. At this stage, Applicants will be provided a full application package by email. The application package is to be completed and submitted by email to Agriculture and Agri-Food Canada at [aafc.llicp-ilvpc.aac@canada.ca](mailto:aafc.llicp-ilvpc.aac@canada.ca). The completed application package must be received before December 13, 2019.

If a submitted application is assessed as incomplete, the applicant will be notified and will have 10 business days to provide the missing information before the file is closed. An invitation to submit a full application does not constitute an offer of funding.

Proposals will be assessed based on information provided in both the pre-screening form and on the information provided in the full application package.

Projects must be completed by March 31, 2023.

In addition, Full Applications will require submission of the following items:

<b>Document name</b>	<b>Description</b>
A copy of the applicant organization's Certificate of Incorporation or Articles of Incorporation	Certificates and Articles of Incorporation are issued and filed, respectively, by or with provincial, territorial or federal government that document the applicant's status as a legal entity.
Financial statements	<p>The organization's annual financial statements (audited or review engagement) for the past two years or since the date of organisation start-up.</p> <p>Where the business is less than two years old, the latest interim (audited or unaudited) financial statements.</p>
Letters of Financial Support from all organizations providing a cash contribution to the project as per the Budget	<p>Letters outlining confirmed cash or in-kind contributions to the project, other than the Applicant organization must be provided.</p> <p>The letters must make specific reference to the proposed project and indicate the amount of the cash contribution or in-kind contribution.</p> <p>The letters must come from a senior executive authorized to sign the letter on behalf of the organization.</p>
Project Endorsement Letters/ Letters of Support	Letters of support from organizations indicating they believe there is a need for the proposed project for the sector.

Capital Asset Pre-approval	For Capital Costs to be purchased for the Project that are \$10,000 or more.
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It is important to ensure that all the documentation is included upon the submission of your full application. Your application must be complete in order to be fully assessed. Please review the above list before you submit your full proposal.

### **Stage 3: Assessment**

Once an Application has been deemed complete during stage 2 of the application process a program representative will advise the Applicant of their file completeness date. This date will allow the application to proceed to stage 3 of the application process where it will be assessed based on the program principles.

## **Annex B: Financial Information**

### **Financial Reporting**

If your organization enters into a Contribution Agreement (CA) with AAFC, you will be required to submit Financial Reports for eligible costs incurred and paid in accordance with the terms and conditions of your CA. Each Financial Report must be certified by an authorized official of your organization and, upon request, you will need to provide supporting documents, such as invoices and proofs of payment, for the eligible costs being reported. AAFC will only issue payments based on expenses deemed to be eligible as per this Annex.

Advances may be made available based on AAFC's assessment of your Project risk, and where the need for the funds is substantiated.

AAFC's financial reporting process will involve sampling of expenditures. Invoices (where applicable) or other supporting documentation must provide the following details, at a minimum:

- Salaries and Benefits: the time period worked for the Project, the number of hours worked for the Project, the employee's hourly rate (before benefits), the total benefits related to the Project, a brief description of the work done by each employee;
- Contracted Services: a description of the work done, details of costs, the time period;
- Travel: the destination, time period of travel, and # of people travelling, proof of travel, invoices for transportation costs;
- Capital Assets: a description and the cost of each item (must be previously approved if over \$10,000).

### **Timing limitations for costs:**

If your Project is approved, AAFC may consider costs incurred during the review period, to be eligible. However, only eligible costs incurred after an full application package has been deemed complete by AAFC will be considered. AAFC will review these details with applicants once projects have been deemed complete.

It is very important that you understand that if costs are incurred before a CA is signed by both parties, you assume the risk of not being reimbursed in the event a CA is never executed.

## Cost categories

The following Cost Categories provide details on costs and requirements that will be necessary at the application stage and the financial reporting stage, should your application be approved and a CA signed.

### Administrative Costs

Administrative costs will be calculated automatically at a flat rate of 8%, based on the total eligible activity costs\* in the CA budget. This flat rate will cover costs of project management and administrative staff salaries (managing and reporting), use of office accommodations, use of office equipment and use of office materials.

These administrative costs will be subject to the cost-sharing ratio of the Project. The 8% flat rate will be applied proportionally to your actual AAFC and recipient eligible activity costs\* when you submit your Financial Reports.

\*Capital asset costs for items with a value of \$100,000 or more are excluded from the 8% flat rate calculation.

The following list identifies costs that are included in the flat rate. These costs cannot be charged under Salaries and Benefits, Contracted Services or Other Direct Project Costs.

The costs include, but are not limited to the following:

Administrative cost items	
Eligible cost items	Limitations/ineligible costs
<p>Project management and administration salaries and benefits:</p> <ul style="list-style-type: none"><li>• salaries, including contracted services, for project management and administration staff who perform tasks such as pay the Project related invoices, negotiate service contracts, manage the Project budget, and/or prepare any financial and/or performance/progress reports for the Project</li><li>• benefits for project management and administration staff, such as Employment Insurance (EI), Canada Pension Plan (CPP), Quebec Pension Plan (QPP), vacation pay, statutory holidays</li></ul>	<p>Administrative costs related to the following are not eligible:</p> <ul style="list-style-type: none"><li>• audit fees related to the organization's financial statements</li><li>• bank fees</li><li>• insurance (fire, theft, liability)</li><li>• membership fees</li><li>• legal fees</li><li>• property taxes</li></ul>

<p>Administrative office supplies and expenses:</p> <ul style="list-style-type: none"> <li>• basic telephone fees (including fax lines) and cell phones</li> <li>• hydro</li> <li>• materials and office supplies (such as pens, pencils, paper, envelopes, cleaning supplies, subscriptions)</li> <li>• monthly internet fees</li> <li>• postage and courier fees</li> <li>• office equipment (like computers, printers, photocopiers)</li> <li>• office administrative space (that is, rent for administrative space) and related utilities, maintenance</li> <li>• use of administrative information technology (IT) products and services, including maintenance</li> <li>• other overhead type expenditures relating to the organization's office</li> </ul>	
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## Cost Categories

Other costs beyond Administrative costs must fall under one of these categories:

- Salaries and Benefits
- Contracted Services
- Travel
- Capital Assets
- Other Direct Project Costs

Salaries and Benefits	
Eligible cost items	Limitations/ineligible costs
<p>Salaries and benefits directly related to completing the activities in the Work Plan, other than those covered under Administrative costs.</p> <p>Timesheets:</p> <ul style="list-style-type: none"> <li>• <u>will not</u> be required for an employee who is 100% devoted to the Project</li> <li>• <u>will not</u> be required for people</li> </ul>	<ul style="list-style-type: none"> <li>• benefits will be considered up to 25%, and include the employer's portion of CPP, QPP; EI; group insurance, vacation pay and pension benefits, statutory holidays, etc.</li> <li>• losses to investments or pensions due to stock fluctuations or other unforeseen events are not eligible</li> <li>• performance pay (such as a bonuses), severance pay and retiree</li> </ul>

<p>under contract</p> <ul style="list-style-type: none"> <li>• <u>are</u> required for an employee of the recipient organization who share their time between Project specific work and organizational work</li> </ul>	<p>settlements are not eligible</p> <ul style="list-style-type: none"> <li>• discretionary employee benefits (for example, parking at employer's location, gym membership fees, daycare costs, etc.) are not eligible</li> <li>• relocation costs for employees hired for the Project are not eligible</li> <li>• for Provincial, Territorial and Municipal government employees, only incremental salaries/benefits are eligible (full-time employee salaries/benefits are not eligible); other restrictions may apply</li> </ul>
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<b>Contracted Services</b>	
<b>Eligible cost items</b>	<b>Limitations/ineligible costs</b>
<p>Professional or specialized services for which a contract is entered into, such as:</p> <ul style="list-style-type: none"> <li>• consultant/expert services</li> <li>• science co-ordination services</li> </ul>	<ul style="list-style-type: none"> <li>• all services, including research work, should be established under a contract</li> <li>• Recipients must use a fair and competitive or otherwise justifiable and generally accepted sound business process that results in competent and qualified contractors working on the Project activities</li> <li>• all such contracts should include a description of the work, due date(s) for deliverables, detailed budgets, and payment terms</li> <li>• overhead costs cannot exceed 15% of total other eligible costs invoiced</li> <li>• contracts for project management and administration services may be used, however, these costs will be considered Administrative costs (in other words, they are included in the 8% flat rate and are not eligible for additional reimbursement)</li> <li>• hospitality costs incurred by service providers, Partners or Other Government are not eligible for reimbursement by AAFC</li> </ul>



	<b>Refer to the Contracted Services section below for more information</b>
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<b>Travel (based on the AAFC Directive – subject to periodic revisions)</b>	
<b>Eligible cost items</b>	<b>Limitations/ineligible costs</b>
<p>Travel costs directly related to the Project, such as:</p> <ul style="list-style-type: none"> <li>• accommodations, meals, local or in-city transportation (buses, taxis, vehicle rentals, etc.), ground transportation (including parking, transportation to and from the public carrier terminal), and incidentals up to the authorized per diem amounts</li> <li>• transportation (e.g. , air, train)</li> </ul> <p>Travel costs are eligible for:</p> <ul style="list-style-type: none"> <li>• personnel travelling for Project activities, who are on travel status (see 'Lexicon of frequently used terms')</li> <li>• visitors to Canada for the purpose of Project activities</li> </ul> <p>Note: transportation costs incurred for Project activities are eligible, even if the individual is not on travel status.</p>	<ul style="list-style-type: none"> <li>• only economy airfare for travel is eligible; bookings should be made as far in advance as possible; seat selection and baggage costs are eligible (upgrades are not eligible)</li> <li>• if a higher class is purchased, proof of the flight's economy rate must be obtained for reimbursement purposes</li> <li>• for transportation by private vehicle (e.g., personal or fleet), a rate of up to \$0.55 per km will be accepted, regardless of the province or territory</li> <li>• travel insurance (such as medical, accident, cancellation) is not eligible</li> <li>• non-essential options for rental vehicles (such as GPS and roadside assistance) are not eligible</li> <li>• travel and accommodation expenditures for federal government employees are not eligible</li> </ul> <p><b>Refer to the Travel section below for more information</b></p>

<b>Capital Assets (based on the AAFC Directive – subject to periodic revisions)</b>	
<b>Eligible cost items</b>	<b>Limitations/ineligible costs</b>
<p>Capital Assets are tangible assets that are purchased, constructed, developed or otherwise acquired and:</p> <ul style="list-style-type: none"> <li>• are required for the execution of the Project</li> <li>• have a useful life extending beyond one year and are intended to be used on a continuous basis</li> <li>• are not intended for resale during the</li> </ul>	<ul style="list-style-type: none"> <li>• the purchase of land or buildings is not eligible</li> <li>• the purchase or lease of private/personal vehicles is not eligible</li> <li>• assets and capital items not specifically required for the execution of the Project are not eligible</li> <li>• each capital asset estimated at</li> </ul>

<p>life of the Project</p> <ul style="list-style-type: none"> <li>• require AAFC pre-approval for capital asset purchases over \$10,000</li> <li>• include the purchase price plus other acquisition costs, such as installation costs, freight charges, transportation insurance costs, duties, and the non-refundable portion of provincial sales taxes, GST/HST or other value-added taxes</li> </ul> <p>Examples specific to this program:</p> <ul style="list-style-type: none"> <li>• equipment</li> <li>• computers and specialized software</li> <li>• prototypes</li> </ul>	<p>\$10,000 or more to be included in the Project budget must be accompanied by a pre-approval form at the time of application</p> <ul style="list-style-type: none"> <li>• pre-approval by AAFC applies regardless of how the purchase is cost-shared between AAFC and other sources</li> </ul> <p><b>Refer to the Capital Assets section below for more information</b></p>
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<b>Other Direct Project Costs</b>	
<b>Eligible cost items</b>	<b>Limitations/ineligible costs</b>
<ul style="list-style-type: none"> <li>• shipping</li> <li>• translation</li> <li>• conference or registration fees</li> <li>• knowledge transfer associated costs</li> <li>• stipends</li> </ul>	<ul style="list-style-type: none"> <li>• any Canadian government related fees such as visas, patents, etc. are not eligible</li> <li>• hospitality costs are not eligible for reimbursement by AAFC under this program</li> <li>• Costs associated with the hosting of conferences or AGMs are not eligible for reimbursement, but are eligible for recipient contributions</li> </ul>

Other ineligible costs include, but are not limited to:

- normal costs of establishing a commercial operation
- costs for activities that are deemed to be part of normal business practice for any Recipient
- costs for activities intended to directly influence/lobby governments
- costs related to marketing activities and business promotion
- refundable portion of the GST/HST, value added taxes, or other items for which a refund or rebate is received
- depreciation charges for capital assets
- other costs not specifically required for the Project

## **Contracted Services**

### **Requirements**

1. Invoices from contractors, which are paid by the Recipient or a Partner, must be reported under the “Contracted Services” category. The invoices must contain sufficient detail to establish the nature of the expenses and alignment with the contract signed.
2. Overhead costs under contract
  - overhead cannot exceed 15% of the total eligible costs invoiced by the University or service provider
  - overhead is calculated as an additional 15% cost on goods/services (e.g., \$10,000 cost of services  $\times 0.15 = \$1,500$ ; for a total invoice, including overhead, of \$11,500)
  - overhead costs are indirect expenditures incurred by a University or service provider, which are required for the activities, but are not specifically identified as Project activity costs; these costs relate to the use of the organization’s resources, which may include, but are not limited to:
    - information technology support
    - internet, telephone
    - use of photocopiers, fax machines, and other office equipment
    - use of existing workstations, including furnishings and equipment (for example, computers or scanners)
    - normal office software (not including software specifically required to conduct Project activities)
    - memberships and subscriptions
    - staff recruitment and training
    - routine laboratory and field equipment maintenance (such as oil changes)
    - building occupancy and operating costs (that is, the use of the workspace)
    - facilities maintenance
    - administrative support (such as accounting, payroll administration, meetings)
3. Down payments or advance payments in contracts
  - down payments or advance payments due to contractual obligations may be reported in the period in which the funds are disbursed
4. Contracts
  - should be rigorous enough to ensure that payments will be subject to costing details and timing of incurred costs
  - to assist with the verification of expenditures, Recipients may be required to

share with AAFC, a copy of service contracts for work conducted under the Project.

## **Guidance**

For many approved Projects, a significant portion of the work will be completed, under contract, by Universities or other organizations on behalf of the Recipient. To better ensure that the work is aligned with the requirements of the CA, it is recommended that the following points be considered before putting in place a contract/agreement with a service provider:

- the Recipient is not an agent of Her Majesty the Queen or the Government of Canada
- the Recipient is fully responsible for funds disbursed, including costs paid to service providers (such as Universities)
- it is the responsibility of the Recipient to ensure that both the Recipient and AAFC are only paying for eligible costs for the Project
- work required to complete the Project is considered to be work under contract, if it is not work performed by your organization
- as the CA is an agreement between the Recipient and AAFC, and not with any other organization (such as service providers), there should be no reference to “the Minister”, “AAFC”, “Her Majesty the Queen” or “the Crown” anywhere in your contract/agreement between the Recipient and any other party who performs work for the Project
- while the CA lists requirements, terms and conditions that the Recipient must follow, it should not be used as a template for the Recipient’s contracts/agreements with other parties
- there is a difference between an agreement to fund a Recipient and an agreement to allow a Recipient to further distribute funds to other ultimate Recipients. To be clear, the CA is an agreement between AAFC and the Recipient. AAFC has no legal obligation to the Recipient’s service provider; therefore, accountability for the Project and its activities rests with the Recipient.
- AAFC may only undertake a Recipient audit with the Recipient, as per the agreement, not with the service provider; again, the service provider is the Recipient’s responsibility
- it is recommended that the Recipient keep written procedures of their contracting or procurement practices and of the process regarding validation of expenses (such as sampling) of other service providers; these documents may be helpful in satisfying an auditor that the practices of the Recipient are clear, understood and followed by their employees
- sampling done by the Recipient to verify details of a service provider’s invoice should be done on a risk-based approach (as an example, a 10% sampling of details of costs on an invoice)

## **What to include in a contract or agreement\***

The terms of written contracts between the Recipient and service providers who conduct work on behalf of the Recipient should address the following:

- specific details of the work being done, who is doing the work and what will be delivered
- clear milestones and timelines for the completion of the work
- detailed breakdown of the budgeted costs (such as hourly/daily rates for salaries and number of positions, list of required supplies and related costs)
- invoicing details, including when invoices are to be submitted and the level of detail they should contain to ensure that the costs invoiced can be verified by the Recipient for eligibility and reasonableness
- the sampling process to be used to confirm costs; it is recommended that the Recipient establish a sampling process based on risk
- reporting requirements (such as financial, progress and performance reporting)
- the right to access all Project related documentation
- other responsibilities agreed upon between parties, including financial roles and contact information
- the provisions, as deemed appropriate, for oversight such as reviews and audits to be conducted by the Recipient and the right of the Recipient to provide copies of any review, evaluation or audit reports to third-parties

\*Note, in all cases, we recommend that the Recipient seek the advice of legal counsel to ensure that all contracts/agreements are appropriate.

Proof of payment may also be requested for expenditures incurred by the Recipient.

As noted above, the responsibility for verifying services contractor's invoices lies with the Recipient, and should be done on a sampling basis.

AAFC may request additional information, to verify the eligibility or reasonableness of the costs.

### **1.0 Travel Costs**

The following requirements are based on an internal AAFC Directive, which is subject to revision, periodically.

#### **Requirements**

1. Per diems will contribute to covering the costs for accommodations, meals, local or in-city transportation (buses, taxis, vehicle rentals, etc.), ground transportation (including parking, transportation to and from the public carrier terminal), entry documents (including non-Canadian visas), vaccinations and incidentals (personal

phone calls, laundry, gratuities, currency exchange fees, etc.) for individual travel.

2. Recipients may:
  - a. claim the established per diem; or
  - b. claim an amount less than the established per diem (based on actual costs).

Whether using option (a) or option (b), individual invoices and proofs of payment for the incurred travel costs will not be required when travel costs are sampled.

However, Recipients are obliged to keep all invoices and proof of payment, as per the terms of their CA. Proof of travel will be required (for example, boarding passes, hotel invoice(s), trip report).

If using option (a) per diems are payable for every day on travel status as follows:

- i. day trip within Canada with no overnight stay: \$70 CAD/day
  - ii. day trip outside Canada with no overnight stay: \$100 CAD/day
  - iii. travel within Canada with an overnight stay: \$300 CAD/day
  - iv. travel outside Canada with an overnight stay: \$425 CAD/day
3. Costs for air, rail and ground transportation (to an out-of-city destination) for individual travel are eligible, as follows:
  - a. Air: Economy rate (not Premium Economy, Business or First Class)
  - b. Private vehicle: kilometric rates (at a rate of up to \$0.55 per km), as well as costs for parking at the destination
  - c. Rental vehicle: the cost for a mid-size vehicle (or the cost of a larger vehicle, based upon factors such as, but not limited to, safety, the needs of the traveler, and the bulk or weight of goods transported), gas, and parking at the destination

When transportation costs are sampled, invoices/receipts and proof of payment, as well as proof of travel, will be required.

## **2.0 Capital Assets**

The following requirements are based on an internal AAFC Directive, which is subject to revision, periodically.

### **Requirements**

1. All capital assets required for a Project must be eligible under program criteria.

### **Purchase of Capital Assets over \$10,000**

2. All capital asset purchases over \$10,000 must be pre-approved by the Program using an AAFC form intended for that purpose.

3. The pre-approval process for acquisitions over \$10,000 will consider:
  - alignment with program and Project objectives
  - the necessity and the cost of the asset as well as timing of the purchase (i.e., beginning vs. the end of the CA)
  - the residual value of the asset at the end of the CA
  - the possibility of resale (i.e., presence of a market for specified equipment)
  - the future need of the asset for the sector or recipient
  - the benefits of transferring the asset to another organization
  - the retention/disposition mechanism for the asset
4. Capital asset pre-approvals must include a rationale for the purchase and proposed retention or disposal.
5. This pre-approval requirement applies to any capital asset in a Project's budget, including those purchased by the Recipient, a service provider (e.g., a university) working on the Project, or a Partner listed as part of a Recipient's contribution.
6. Pre-approval is required for any capital asset purchase made by a Recipient, which is intended to enhance capacity in another agriculture, agri-food and agri-based sector (for example, by modifying or retrofitting a piece of equipment that would benefit another industry). Pre-approval for such purchases will consider the purchase cost, the residual value, retrofitting costs and the usefulness of the asset at the end of the CA term.
7. Where several similar or related assets are purchased within a Project, the cumulative cost of these assets should be considered as one and require pre-approval, if over \$10,000.
8. Materials purchased with the intention of building a capital asset (such as a prototype) must be pre-approved if the total value of materials exceeds \$10,000.
9. AAFC reserves the right to address capital asset requests on a case by case basis, when required.

### **Purchase of Capital Assets over \$100,000**

10. Capital assets costing more than \$100,000 that are required to achieve Project outcomes should normally be leased, where possible and appropriate. Proposed leasing costs should be included in the application budget and must be pre-approved by the Program before they will be deemed eligible.
11. Capital asset purchases over \$100,000 will normally be considered when the Applicant includes the proposed acquisitions in the application budget. Applicants are required to submit in their application a rationale for the proposed

purchases and outline future plans for retention or disposal. These purchases, including proposed retention or disposal, will be reviewed by the Program during assessment and will require AAFC approval.

12. Capital asset purchases over \$100,000 that are not approved at the time of Project approval may be considered at a later date, in exceptional cases, and will require approval by AAFC.

### **Retention or Disposal of Capital Assets**

13. Capital asset purchases with a residual value of under \$25,000 at the end of the CA will normally be retained by the Recipient, service provider or partner, but will still require pre-approval by AAFC.
14. Where disposal of the asset is required, the residual value of the asset will be returned to AAFC or will be offset on the final claim or holdback, taking into account the cost-sharing ratio for the Project and the asset being disposed.
15. The Recipient will be required to provide an estimate of fair value for the proposed assets (at the end of the CA) using a method agreeable to both the Recipient and AAFC. The Canada Revenue Agency (CRA) provides an acceptable depreciation model to determine the decrease in the value of an asset through age, use, and deterioration over time. Information on classes of depreciable property and rates are available on the [CRA website](#).

AAFC reserves the right to require disposal of an asset if the Project or Project activity is ended prematurely, or is terminated by default, regardless of the disposal or retention plan approved at the time of pre-approval.