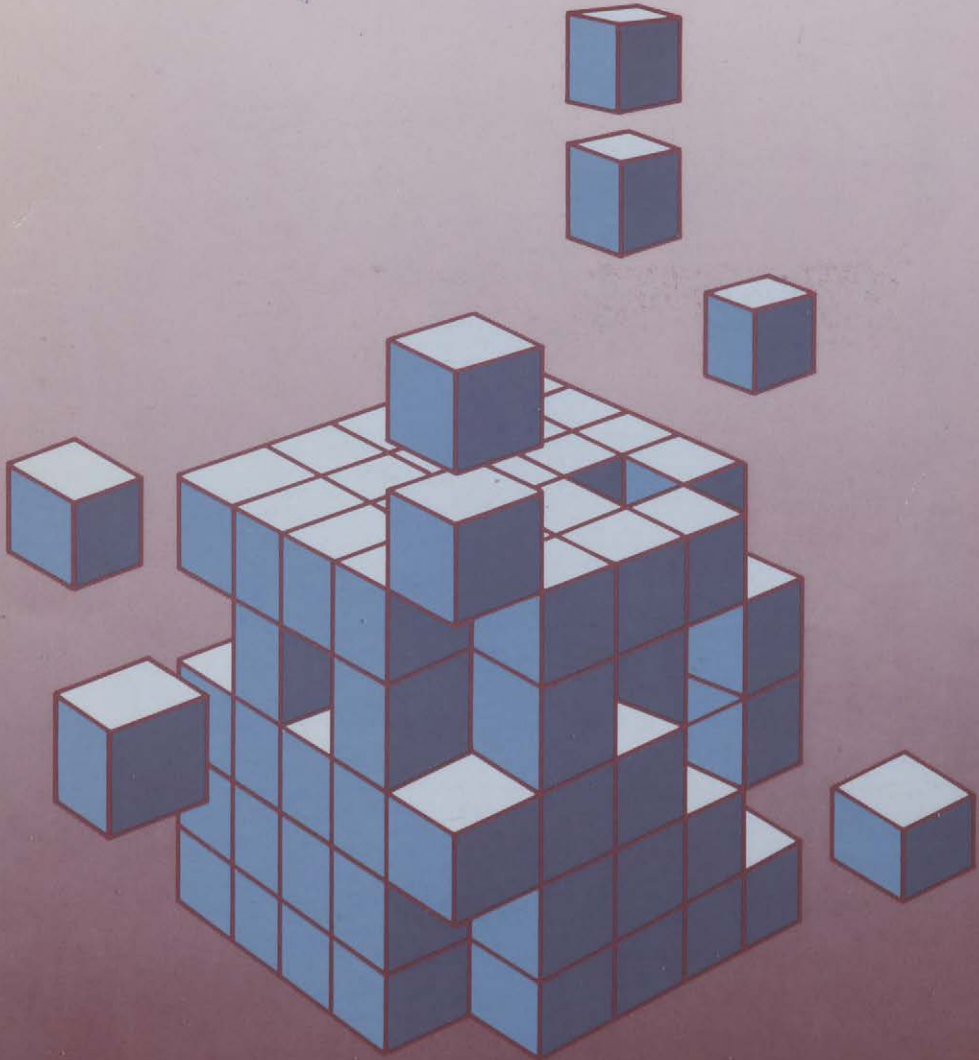


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# Strengthening the Private Sector/University Research Partnership

## The Matching Policy Rules



Canada

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Summary of

**Open Letter from the  
Minister of Finance  
and the  
Minister of State for Science and Technology**

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INDUSTRIAL EXPANSION  
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RÉGIONALE  
Library Bibliothèque



On behalf of the federal government, we are pleased to issue the final rules for the new matching policy for the funding of university research.

These rules have been drafted in close consultation with the Granting Councils, and representatives from the university and private sectors. Individuals, non-profit organizations, businesses, and members of the university and scientific communities were invited to contribute their views and advice, either in writing or through meetings with federal officials. The level of interest was very high, and the response to both the policy and the draft rules was extremely encouraging. It was particularly interesting to note the high level of agreement among respondents that universities and the private sector must work together more closely in the area of research.

The government's objectives in introducing the matching policy are to increase, in partnership with the private sector, the level of funding for university research, and to encourage stronger research collaboration between the two sectors. In this way, it is anticipated that the transfer of research results to the private sector and the speed of their application for the economic and social benefit of the country will be significantly enhanced.

The government has now set in place a flexible framework of rules to create the climate within which this policy can be implemented. The success of the policy will depend in great measure on the efforts and leadership of all concerned, in both the universities and the private sector. We are confident that the policy will succeed.

*Michael Wilson*

Michael H. Wilson  
Minister of Finance

*Frank Oberle*

Frank Oberle  
Minister of State for  
Science and Technology

# *Summary of Rules*

- Starting on April 1, 1987, the federal government will provide new funds to the three research Granting Councils to match private sector contributions to university research. The federal matching funds are subject to annual ceilings for each Council which will add a maximum of \$369.2 million of federal funds to their budgets over the period to 1990-91 to match an equal (\$369.2 million) financial contribution by the private sector to university research.
- The federal government will grant funds to the Councils to match private sector contributions flowing directly to the universities or channelled through the Councils.
- The Granting Councils will determine how these federal matching funds are to be distributed across the range of their programs. The decision to provide support to university-based research activities sponsored by the private sector, when Council financial assistance is requested, will also be under the control of the Councils.
- Eligible private sector contributions include, in addition to money, “contributions-in-kind” associated with research that is financially supported by a Council and that can be value-assessed by the Council.
- Matching grants will be provided to a Council by the federal government to match private sector contributions to university research that falls within the mandate of the Council. This will be regardless of the Council’s decision respecting its own degree of financial support for the research activity funded by the private sector.
- When Council financial support for an activity partly supported by the private sector is requested, normal approval processes including peer review will be applied. If Council financing is not requested, the Councils will need to certify to the government that the contributor, the contribution and the research activity meet the eligibility requirements as defined in the matching policy rules. However, such projects, although they will yield matching funds to the Councils, are not subject to peer review by the Council.
- For the purpose of this policy, the private sector includes: individuals; businesses; private non-profit and charitable organizations; private foundations and trusts and certain Crown Corporations — based in or outside of Canada.
- Private sector contributions to university research made after April 1, 1986 will generally be eligible to induce federal matching funds to the Councils in 1987/88.

- The federal government will match contributions from charitable organizations to medical research to the extent that such contributions exceed \$65 million each year.
- Private sector contributions which are in excess of the annual ceiling for federal matching funds in that year may be carried forward to the subsequent year for federal matching.
- The Granting Councils are responsible for developing and publishing detailed programming and procedures to implement the policy.

**For further information contact:**

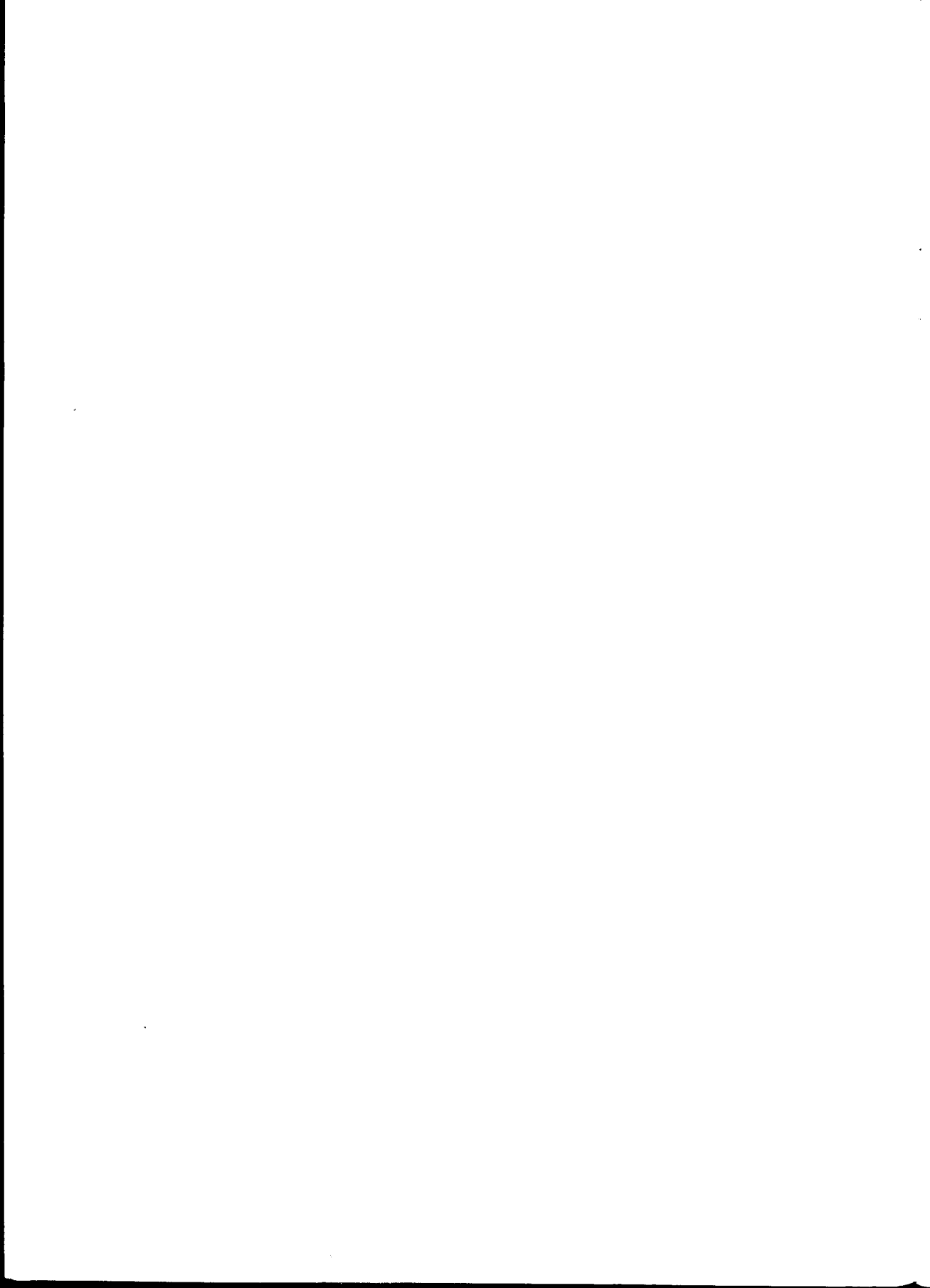
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*Federal Research  
Granting Councils*

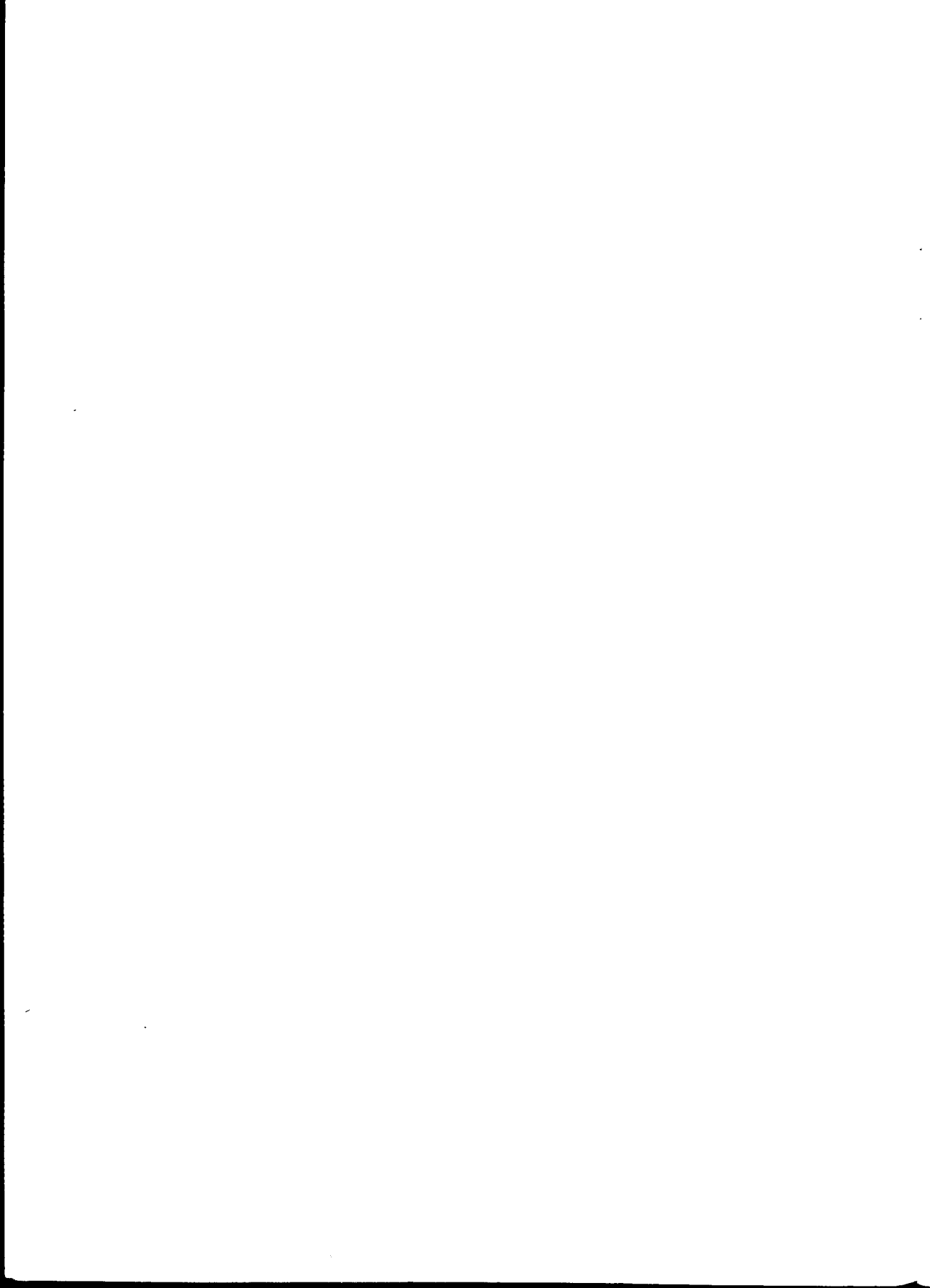
*Matching Policy  
Implementation Rules*



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# *Implementation Rules for the Matching Grants Policy*

## **A. Introduction**

- A.1 This paper outlines the rules which have been adopted by the federal government to govern the implementation of the "matching policy" by the three federal research Granting Councils: the Medical Research Council, the Natural Sciences and Engineering Research Council, and the Social Sciences and Humanities Research Council.
- A.2 The "matching policy" was announced in the February 26, 1986 federal Budget in conjunction with the 5-year financial plan for the three Councils. (Reference Annex I.)
- A.3 A set of draft rules for implementing the policy was released on July 22, 1986 and circulated widely in universities and the private sector for comment.
- A.4 The purpose of this paper is to inform interested parties of the government's decision on the matching policy rules and to provide clarification of issues raised during the consultation process.

## **B. Summary of Recent Federal Government Decisions Respecting Granting Council Funding**

- B.1 Councils' base budgets are stabilized, in current dollars, to 1990-91 at 1985-86 levels.
- B.2 In 1986-87 Councils' base budgets are supplemented by a transitional \$25.3 million allocation above the 1985-86 level.
- B.3 Starting in 1987-88, the federal government will provide additional funds to each Council to match private sector contributions for university research and directly related activities.
- B.4 Consequential income tax changes are to be made to ensure that private sector funding to the Councils is also entitled to R&D tax incentives under the same terms and conditions as for other eligible R&D expenditures (i.e. R&D related to the business area of the contributor and the results of the research are available for the contributor's business use).
- B.5 Other contributions to Councils will be deductible in computing the donor's taxable income in the same manner as gifts made to Her Majesty.

## C. Objectives of the Matching Policy

The objectives of the matching policy are:

- C.1 To increase, in partnership with the private sector, the overall level of university-based research, research training and directly related activities.\*
- C.2 To increase the level of private sector-university\*\* collaboration in terms of both the mutually desired direction of university research and the transfer of the results of that research for application by the private sector.
- C.3 To encourage joint research activities that capitalize on the strengths and interests of the private sector and the universities for the economic and social benefit of Canadians.

## D. Implementation Rules: Design Considerations

The considerations which have influenced the design of the implementation rules include the following:

- D.1 The desirability of building on existing private sector-university research relationships as a base for an increased level of co-operation between the two sectors.
- D.2 Avoidance of unnecessary red tape and administrative costs where possible.
- D.3 A recognition of Granting Councils' existing programs and processes and maintenance of the Councils' arm's length relationship with government.
- D.4 The need for adequate financial controls and accountability in the expenditure of public funds.
- D.5 The results of the consultation with interested organizations and individuals following the July 22, 1986 release of the proposed matching policy rules.

## E. Matching Policy Implementation Rules

### E.1 *Definitions:*

#### E.1(a) *"Government Matching"*

"Government Matching" means funds to be provided by the federal government directly to the Councils in amounts equal to the eligible private sector contributions received by the universities or by the Councils.

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\* elsewhere in this paper the term "research" is intended in this broader sense, i.e. those activities falling within the mandate of the Councils.

\*\* including affiliated institutions in which faculty are eligible for Council funding.

E.1(b) *“Private Sector”*

For purposes of the matching policy, the “private sector” includes (resident and non-resident):

- businesses
- individuals
- designated Crown Corporations (see E.1(c))
- private non-profit organizations
- private foundations and trusts
- charitable organizations

E.1(c) *“Eligible Crown Corporations”*

- i) Federal Crown Corporations eligible to induce matching grants to the Granting Councils will be those defined in Schedule C, Part II of the Financial Administration Act (FAA) (Annex II).
- ii) Provincial Crown Corporations may be added to the list by the Minister of State for Science and Technology, on the recommendation of the Councils, if they meet the requirements expected of federal Crown Corporations listed in Schedule C, Part II of the FAA. In general, these corporations are expected to:
  - operate in a competitive (or commercial) environment; and,
  - not ordinarily depend on appropriations for operating purposes.

E.1(d) *“Eligible Private Sector Contributions”*

“Eligible Private Sector Contributions”, for purposes of attracting government matching funding to a Council, include:

- i) money contributions; and,
- ii) contributions-in-kind when provided by the private sector in conjunction with activities that are reviewed and financially supported by the Council provided that such contributions can be value-assessed by the Council in accordance with generally accepted accounting procedures;

that are received by a university (or eligible affiliated institution) or a Council from eligible private sector contributors and determined by the Council as assisting, promoting or supporting increased research efforts in areas within the Council’s mandate.

Private sector contributions eligible to attract government matching funds to a Council may take the form of:

- iii) *unconditional research donations* (i.e. outright gifts) for eligible research activities;
- iv) *directed contributions* involving understandings as to the general research purposes/areas towards which the support would be directed (e.g. generic areas of eligible research);
- v) *conditional contributions* where support is related to a specific eligible activity that the private sector contributor wishes to see undertaken, including eligible activities carried out under contract between a university and the private sector.

## **E.2 *Special Conditions on Eligible Contributions***

- E.2(a) Disbursements from private sector endowments and similar funds which are applied by the university to support eligible research activities will be eligible for matching. The unspent capital will not be eligible for matching.
- E.2(b) The Councils will develop a working definition of incrementality in the spirit of the policy. This definition will reflect the view that private sector contributions specified in contracts, agreements and formal commitments which were established before April 1, 1986 will not be deemed to have an incremental impact.
- E.2(c) In view of the unique characteristics and successful fund raising methods of private health research funding agencies (charitable organizations) and their existing strong level of support for university-based health research, the government will provide funds to the Medical Research Council to match eligible contributions from such organizations that are in excess of the annual aggregate of their current level of funding support to universities. The current level of funding from such sources is estimated at \$65.0 million (1984-85).

## **E.3 *Eligible Research Activities***

“Eligible research activities” for the purpose of this policy are research activities which fall within the mandate of the Council which is claiming the matching grant, including such activities as:

- research projects or programs
- research equipment and technical support services
- research training and career development
- university chairs

(This list provides examples and is not intended to be all-inclusive.)

Activities not eligible for matching grants include, for example:

- activities primarily related to education rather than research;
- investment in land and buildings.

#### **E.4 *Definitions for Calculating Matching Grants***

##### **E.4(a) *Eligible Matching Budget***

For the purpose of this policy the eligible matching budget is the value of the base budget used to calculate the maximum matching grant for which a Council is eligible in the following fiscal year.

- (i) *Base Year*: For 1986-87 the eligible matching budget for calculating the 1987-88 grant will be:
  - the stabilized base budget; plus
  - the one year supplement authorized for 1986-87.
- (ii) *Subsequent Years*: For each subsequent year the eligible matching budget will be the previous year's:
  - stabilized base budget; plus
  - eligible private sector contributions received up to the maximum amount of such contributions that are eligible for matching; plus
  - federal matching funds authorized.

##### **E.4(b) *Maximum Matching Grant***

The maximum matching grant is the maximum amount of federal matching funds available to the Council. In any year, the maximum matching grant will be:

- 6% of the eligible matching budget of the previous year; plus
- an amount equal to the federal matching grant authorized in the previous year.

##### **E.4(c) *Adjustments to Eligible Matching Budget***

Private sector contributions received in a year in excess of the amount required to obtain maximum government matching funds are eligible for matching funding in the immediately following year up to the maximum for that year.

If the level of eligible private sector funding declines below the maximum level from one year to the next, the government matching funding level for each future year also declines by the same amount.

## **F. Operating Principles**

- F.1 The Council will certify to the government that private sector contributions for which government matching funds will be claimed by the Council, but for which no direct Council funding is requested by the university or the private sector contributor, are supporting research activities which fall within the mandate of the Council requesting the matching grant. It is not intended that these projects be subject to peer review for this purpose.
- F.2 In instances where Council funding is requested in direct support of an eligible activity, the Council will proceed with normal review processes to determine the extent of its financial support.
- F.3 The Council will have the discretion and flexibility in deciding the year in which it elects to claim the government matching funds associated with private sector contributions received in a particular year. The Council will have the option to request matching either in the same year (parallel matching) or in the subsequent year (sequential matching).
- F.4 Irrespective of the option (parallel or sequential matching) chosen by the Council or any adjustment provisions of the implementation rules, the maximum level of government matching funds available to the Council in any year is established as explained in Section E.4(b).
- F.5 Eligible private sector contributions obtained by the Council or the university in 1986-87 will attract federal matching funds in 1987-88 up to the maximum level of matching funding specified for 1987-88.
- F.6 The disposition of government matching funds received by the Councils will be at the discretion of the Councils, consistent with their respective mandates, and may include measures to encourage both the universities and the private sector to participate actively in the matching policy.
- F.7 The Granting Councils will develop and publish as soon as possible administrative procedures and guidelines for implementing the matching policy to ensure that the clientele can easily understand and access the program. The procedures will provide for:
  - timely decision making on projects; and
  - to the extent possible, harmonization of procedures used by individual Councils to avoid conflict, confusion and excessive administrative burdens on the clientele.

## **G. Accountability**

- G.1 The universities and the Councils are responsible for obtaining private sector contributions, consistent with the government's objectives and rules for the matching policy.

G.2 The Council is responsible for:

- G.2(a) developing, implementing and publishing procedures and programming to give effect to the matching policy;
- G.2(b) determining the eligibility of the private sector contributions for the purpose of obtaining government matching funds for the Council, including a judgement that such contributions correspond to the working definition of incrementality adopted by each Council (Section E.2(b));
- G.2(c) ensuring that the research for which government matching funds will be claimed falls within the mandate of the Council claiming the matching grant;
- G.2(d) ensuring that government matching funds are spent consistent with the Councils' objectives, mandate and associated assessment and evaluation criteria and guidelines;
- G.2(e) ensuring that over-all Council activities and expenditures are consistent with, and can be accommodated within, the federal funding limits and parameters established for the respective Council;
- G.2(f) ensuring that accountability requirements and procedures for the expenditure of government matching funds (e.g. auditing, reporting requirements) are consistent with those that apply to Council resources at present or as may be established by the Treasury Board of Canada with specific respect to the accounting procedures for valuation of contributions-in-kind.

## H. Review of the Matching Policy and Rules

A review will be conducted in 1989-90.

## I. Other Considerations

- I.1 *Proprietary Rights*: It is not intended that the matching grants policy will alter existing university and Council policies with regard to intellectual property rights. Research funded by the private sector in universities will be subject to existing university policies regarding ownership of intellectual property rights associated with the work.  
Work funded partially by Granting Councils will be subject to existing Council and university policies on ownership of intellectual property developed with Council funds.
- I.2 *Confidentiality*: Where a Council's funds are requested to support projects with the private sector where confidentiality of information is important, Council's established procedures for dealing with proprietary information will be applied. Councils will take steps to



protect confidentiality which are consistent with the maintenance of existing standards of quality for research to be supported. The procedures used to protect confidentiality will be publicized by the Council.

- I.3 *Tax incentives:* Tax incentives available to private sector donors under this policy are intended to be the same as those available for other R&D expenditures. Eligibility of R&D expenditures for tax incentives will be assessed by Revenue Canada according to definitions, existing standards and procedures.

## The Federal 5-Year Financial Plan for University Research (\$ millions)

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	Total 1986-1991
<b>(1) Total of Three Granting Councils</b>							
(a) Previously Approved Budgets	536.7	480.4	478.1	478.0	478.2	478.2	2392.9
(b) Budget Increases	—	81.6	58.6	58.7	58.5	58.5	315.9
(c) Federal Matching of Private Sector Contributions, Maximum	—	—	33.5	69.7	110.3	155.7	369.2
(d) Anticipated Private Sector Contributions	—	—	33.5	69.7	110.3	155.7	369.2
(e) Total Anticipated Funds	536.7	562.0	603.7	676.1	757.3	848.1	3447.2
<b>(2) Natural Sciences &amp; Engineering Research Council</b>							
(a) Previously Approved Budgets	311.6	288.9	288.7	288.7	288.9	288.9	1444.1
(b) Budget Increases	—	35.2	22.9	22.9	22.7	22.7	126.4
(c) Federal Matching of Private Sector Contributions, Maximum	—	—	19.4	40.5	64.0	90.4	214.3
(d) Anticipated Private Sector Contributions	—	—	19.4	40.5	64.0	90.4	214.3
(e) Total Anticipated Funds	311.6	324.1	350.4	392.6	439.6	492.4	1999.1
<b>(3) Medical Research Council</b>							
(a) Previously Approved Budgets	161.4	130.8	130.7	130.7	130.7	130.7	653.6
(b) Budget Increases	—	37.1	30.7	30.7	30.7	30.7	159.9
(c) Federal Matching of Private Sector Contributions, Maximum	—	—	10.1	20.9	33.2	46.8	111.0
(d) Anticipated Private Sector Contributions	—	—	10.1	20.9	33.2	46.8	111.0
(e) Total Anticipated Funds	161.4	167.9	181.6	203.2	227.8	255.0	1035.5
<b>(4) Social Sciences &amp; Humanities Research Council</b>							
(a) Previously Approved Budgets	63.7	60.7	58.7	58.6	58.6	58.6	295.2
(b) Budget Increases	—	9.3	5.0	5.1	5.1	5.1	29.6
(c) Federal Matching of Private Sector Contributions, Maximum	—	—	4.0	8.3	13.1	18.5	43.9
(d) Anticipated Private Sector Contributions	—	—	4.0	8.3	13.1	18.5	43.9
(e) Total Anticipated Funds	63.7	70.0	71.7	80.3	89.9	100.7	412.6



# *Annex II*

## **Eligible Federal Crown Corporations (At October 6, 1986)**

- Air Canada
- Canada Development Investment Corporation
- Canada Ports Corporation
- Canadian National Railway Company
- Halifax Port Corporation
- Montréal Port Corporation
- Petro-Canada
- Port of Québec Corporation
- Prince Rupert Port Corporation
- Teleglobe Canada
- Vancouver Port Corporation
- St. John's Port Corporation

## **Subsidiaries** (Schedule C, Part II, Financial Administration Act)

### 1. Air Canada (C-II)

#### Subsidiaries held at 100%

- Air Canada Services Inc.
- enroute Card International Inc.
- enroute Card Inc.
- Airtransit Canada
- Touram Inc.
- Touram Group Service Inc.

### 2. Canada Development Investment Corporation (C-II)

#### Subsidiaries held at 100%

- Canadair Financial Corporation
- Eldorado Nuclear Limited
- Eldorado NPI Limited
- Eldorado Aviation Limited
- Eldorado Resources Limited

119371 Canada Limited  
Eldor Resources Limited

3. Canadian National Railway Company (C-II)

Subsidiaries held at 100%

Autoport Limited

The Canada and Gulf Terminal Railway Company

Canadian National Express Company

The Canadian National Railways Securities Trust

Canadian National Steamship Company, Limited

Canadian National Telegraph Company

Canadian National Transfer Company Limited

Canadian National Transportation, Limited

Chapman Transport Limited

Empire Freightways Limited

Royal Transportation Limited

Transport Route Canada Inc.

Chalut Transport (1974) Inc.

Express Dorchester Inc.

Canat Limited

CN (France) S.A.

CNM Inc.

Coastal Transport Limited

Marine Atlantic Inc. (acting parent Crown corporation)

CN Tower Limited

CN Transactions Inc.

Canac Consultants Limited

Canadian National Hotels (Moncton) Ltd.

Canaven Limited

CN Exploration Inc.

CN Hotels Inc.

Grand Trunk Corporation

Central Vermont Railway, Inc.

Domestic Four Leasing Corporation

Domestic Three Leasing Corporation

Domestic Two Leasing Corporation

Duluth; Winnipeg and Pacific Railway Company

Grand Trunk Land Development Corporation

Grand Trunk Radio Communications, Inc.

Grand Trunk Western Railroad Company

The Minnesota and Manitoba Railroad Company

The Minnesota and Ontario Bridge Company

Mount Royal Tunnel and Terminal Company, Limited

Northwestel Inc.

Terra Nova Telecommunications Inc.

#### 4. Petro-Canada (C-II)

##### Subsidiaries held at 100%

Amauligak Explorations Inc.  
Brent Horn Development Inc.  
Canertech Inc.  
    Canertech Conservation Inc.  
    107744 Canada Inc.  
Petro-Canada Consulting Corporation  
Petro-Canada International Assistance Corporation  
    (acting parent Crown corporation)  
Petro-Canada Inc.  
    Arctic Pilot Project Inc.  
    Asher American, Inc.  
    Blakeny and Son (1979) Ltd.  
    Fifth Pacific Stations Ltd.  
    GMI Co. (Bahamas) Limited  
    Independent Fuel and Lumber Ltd.  
    Joseph Elie Limited  
    Morrow Fuel Oil Sales Ltd.  
    Northwest Terminals Ltd.  
    Opal Oils Limited  
        Commodore Oils Limited  
        First Pacific Stations Ltd.  
        Second Pacific Stations Ltd.  
        Third Pacific Stations Ltd.  
        Fourth Pacific Stations Ltd.  
Pacific Petrochemicals Limited\*  
Pacific Petroleum Limited\*  
Pacific Petroleum (Overseas) Limited  
Pacific Pipelines, Inc.  
Petro-Canada Hydrocarbons Inc.  
Petro-Canada (Barito) Inc.  
Petro-Canada Chemicals Inc.  
Petro-Canada Drilling Inc.  
Petro-Canada Enterprises Inc.\*  
Petro-Canada Espanola, S.A.  
Petro-Canada Norway A/S  
Petro-Canada Oil & Gas Inc.  
Petro-Canada Petroleum Marketing Inc.  
Petro-Canada Petroleum Inc.\*  
BP Marketing Canada Limited  
Depanneurs Le Frigo Ltée.  
Chatelaine Restaurants Limited  
Saint Laurent Petroleum Inc.  
Petro-Canada (U.K.) Limited  
Petroleum Transmission Company  
Petron Petroleum Limited  
Prairie Leaseholds Limited

Rocair Limited  
Servico Limitée/Servico Limited  
Venezuelan Canadian Oils, C.A.  
Venezuelan Pacific Petroleum, C.A.  
Xychem Inc.  
103912 Canada Inc.  
106616 Canada Inc.  
106618 Canada Inc.  
106619 Canada Inc.  
106620 Canada Inc.  
106621 Canada Inc.  
146923 Canada Ltd.  
146924 Canada Ltd.

5. Teleglobe Canada (C-II)

Subsidiaries held at 100%  
Teleglobe Canada Limited

In addition, provincial crown corporations which correspond to the definition outlined in the main document will be eligible under the matching policy.

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\* In process of dissolution