



**Canada Wood  
Produits de bois canadien**

*Handbook for Applicants*

(December 2008)



Natural Resources  
Canada

Ressources naturelles  
Canada

Canada



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## 1 General Introduction

The Canada Wood Export Program (*Canada Wood*) has been in existence since 2002 with a funding allocation of \$55 million and is currently in the last year of its mandate. Efforts are underway to renew this initiative and while its renewal has not been confirmed, we are seeking proposals for the 2009/10 fiscal year. Under this cost-shared program, Natural Resources Canada (NRCan) seeks partnerships with forest product associations from across Canada and works with provinces and industry partners to diversify Canada's wood products exports to offshore markets.

The objective of *Canada Wood* is to expand the offshore export opportunities of Canadian wood products in traditional and emerging markets by supporting industry associations in their efforts to work collaboratively overseas and by developing a Team Canada approach to market development. (Note: domestic or US markets are not eligible).

## 2 Market Strategies

Since 2002, Canada Wood country-based market strategies for China, Europe, Japan, South Korea and Taiwan have been developed, guiding the direction of the program in these core countries. These strategies, developed in consultation with industry, are periodically updated and are available on-line in the Resources Library: Market Strategies.

## 3 Program Description

*Canada Wood* is a cost-shared program with the wood products industry and other partners. At this point, we are working under the assumption that *Canada Wood* can support up to 50 percent of eligible project costs for approved projects; however, this contribution may be reduced by the amount of any other federal funding received.

*Canada Wood* brands Canada as a preferred and dependable supplier of quality wood products by building upon and strengthening the wood sector's core competencies in offshore market development, promotion and technical capabilities. *Canada Wood* seeks to strengthen and expand the linkages among industry associations, the federal and provincial governments by building a Team Canada approach to expanding overseas markets.

*Canada Wood* supports a national approach to offshore export market development targeting lumber, wood-based panels, value-added and engineered wood products, and manufactured housing. While the program focuses on the many wood products used in residential and commercial building applications, the program also applies to wood products used in a variety of end uses.

The program has three elements:

1. International Market Presence: branding Canada's wood products through enhanced industry presence in international markets.
2. Branding: increase wood product knowledge in offshore markets through market development and promotional activities.
3. Technology Support: improving market access by addressing building code and product standards issues in foreign markets.

Should the program be renewed for fiscal year 2009/10, it has been proposed that these elements be further refined to the following six focus areas which are:

1. Infrastructure: The establishment or expansion of industry representation in priority offshore export markets are eligible activities. Requests for funding for offshore markets in-market representation should be channeled through the Canada Wood Group.
2. Marketing: Eligible marketing activities include projects such as promotional missions, trade shows, seminars, product directories, generic promotional brochures, technical literature, etc.
3. Market Research: Eligible market research activities include projects such as market opportunity studies, in-market public opinion studies, in-market stakeholder knowledge surveys, benchmarking studies and performance evaluation studies, etc.
4. Market Access – Codes and Standards: Expanding overseas markets involves examining many of the technical issues around construction and applications of wood products. Research providing technical information and knowledge about certain products in order to assess whether or not Canadian wood products and technologies meet foreign product standards and building code regulations are eligible. Wherever possible, these initiatives are delivered jointly on behalf of the Canadian forest industry and coordinated through the Canada Wood Group.
5. Market Access – Technical Research and Testing: Expanding overseas markets involves examining many of the technical issues around construction and applications of wood products. Technical research and testing in direct support market access issues are eligible activities under this focus area. For example, log fumigation in China would fall under this category. Wherever possible, these initiatives are delivered jointly on behalf of the Canadian forest industry and coordinated through the Canada Wood Group.
6. Technology Transfer and Training  
Expanding overseas markets involves examining many of the technical issues around construction and applications of wood products. This focus area covers all Technology Transfer and training related projects, including quality assurance and demonstration projects. Wherever possible, these initiatives are delivered jointly on behalf of the Canadian forest industry and coordinated through the Canada Wood Group.

## 4 Eligible Applicants

Organizations that meet all of the following criteria will be considered eligible for funding:

- primary or secondary wood products associations and manufactured housing associations
- those federally or provincially incorporated in Canada
- not for profit
- those mandated to further the offshore export interests of their members
- those representative of a broad range of producers provincially, regionally or nationally

Where a number of associations work collaboratively, one of the eligible associations may coordinate the development of the application on behalf of the other associations. In this situation, the federal contribution would be provided directly to the coordinating association on behalf of the other associations. The coordinating association would be accountable for the federal funding.

## 5 Eligible Products

The focus of the program is on generic primary and secondary manufactured wood products and manufactured housing.

Products considered eligible for support are used in a variety of applications including structural and decorative end-uses in residential and commercial building applications. The following products are eligible as described in Chapters 44 and 94 of the Harmonized System (HS) of international commodity classification developed under the auspices of the Customs Cooperation Council, now known as the World Customs Organization:

- HS 4407 - softwood and hardwood lumber
- 4408 - hardwood and softwood veneer
- 4409 - manufactured wood products, including siding, mouldings, flooring, dowelling, etc.
- 4410 - particleboard and oriented strandboard (OSB),
- 4411 - fibreboard, including insulation board, medium density fibreboard (MDF) and hardboard
- 4412 - hardwood and softwood plywood
- 4418 - builders joinery including shakes and shingles, windows, doors, laminated beams, engineered wood products, etc.
- 9406 - prefabricated buildings

Proposals will be evaluated against the following criteria in consideration for funding:

- linkages with funding program objectives and/or strategies
- program business case and completeness of proposal
- experience and qualifications
- partnerships and collaboration

- performance measures
- cost effectiveness
- leveraged funding and/or in-kind contribution

## 6 Eligible and Ineligible Expenses

Project budgets will be reviewed with the program Secretariat during both the project application and evaluation process. Examples of eligible expenditures include but are not limited to the following:

- Salary and benefits of staff;
- Professional / consulting / technical services;
- Rental of space;
- Maintenance of field offices (utility costs, computers, laptops, equipment, furniture, shipping/storage costs);
- Materials and supplies;
- Data acquisition;
- Translation services;
- Publicity, advertising, promotional (including shipping and storage services) and printing services;
- Participation fees;
- Travel costs in accordance with Canada Wood Travel Directives;
- Catering services for trade fairs, seminars, workshops and meetings;
- Overhead (administrative) costs representing 10% of Canada's share of eligible costs of the project;
- The reimbursement of PST, HST and GST net of any rebate to which the Proponent is entitled to; and
- The reimbursement of any taxes for goods or services acquired in a foreign country net of any rebate or reimbursement received in the foreign country.

Examples of project costs that are not eligible include but are not limited to the following:

- purchase of land
- capital assets
- payment of property taxes
- association web sites, databases and member directories
- material, transport and other preparation costs for lumber and other wood products used in testing for projects
- ongoing association management overhead costs and staff salaries
- alcohol

## 7 Administration Costs

Associations may be entitled to claim administration costs to cover the expenditures associated with managing projects funded by *Canada Wood*. Associations may claim up to 10 percent of the total NRCan approved funding under each project. The administration costs must be identified in the project budget.

## 8 Project Funding

Allocations to each recipient will be established based on assessment of respective work plans to federal government priorities. Multi-year projects may be funded subject to program criteria and cycles, and the duration of the Program.

## 9 Program Governance

The program is under the responsibility of the Minister of Natural Resources Canada and is administered by the Canadian Forest Service through the following governance structure:

### **Management Committee**

The purpose and mandate of the Management Committee is to provide strategic advice and guidance on the management of the Canada Wood Export Program to Natural Resources Canada.

The Management Committee (MC) is comprised of senior representatives of the federal government. The four federal departments represented on the Management Committee include the Department of Foreign Affairs and International Trade (DFAIT), Industry Canada (IC), Canada Mortgage and Housing Corporation (CMHC) and Natural Resources Canada (NRCan). Meetings of the committee will be chaired by the Director General, CFS-Policy, Economics and Industry Branch, NRCan.

### **Joint FII-NRCan Senior Industry Advisory Committee**

A Senior Industry Advisory Committee has been formed in collaboration with B.C.'s Forestry Innovation Investment (FII) with membership including senior industry executives from across Canada, as well as NRCan and FII representatives. This Committee draws on the expertise of senior forest industry leaders to provide strategic input on program design and direction from an industry perspective.

### **Advisory Committee**

An Advisory Committee offers advice to the Management Committee on program strategy, the development of project selection criteria, and on program outcomes and priorities. Membership on the Advisory Committee includes the participation of representatives from the federal government (NRCan, DFAIT, IC and CMHC), provinces and industry.

### **Program Secretariat**

The Program Secretariat serves as the Secretariat to the Management Committee, the Joint FII/NRCan Senior Industry Advisory Committee and the Advisory Committee. The Program Secretariat works closely with the other three participating departments, industry associations and provincial governments, and is responsible for the administration of the program, initial screening and selection of projects, the development of an Annual Work Plan, verification and payment of claims, audits, and reporting on the achievements and outcomes.

## **10 Application Process**

### **Call Letter**

Each year, a call letter to announce applications for the following year will be issued specifying opening and closing dates and the target date for annual approvals. Normally, the call letter will be issued during the third quarter of the fiscal year. The call letter will be sent by e-mail to existing associations in the *Canada Wood* database and any new associations identified during the previous fiscal year.

### **Obtaining Access to the Application Process**

In order to apply for funding, associations are required to access and complete their applications on-line. The on-line management system will issue applicants with a User ID and Password to enable them to access the system. If you intend to create child accounts (sub-accounts) for other employees of your organization, please create them as well.

To apply, log on to: <http://www.woodmarketdevelopment.ca/proponent/CLFrequestaccess.aspx>

### **Completing Application Forms**

There are five steps to completing an application to *Canada Wood*:

- Step I From the main menu, please click on New Application.
- Step II General Information;
- Step III Market Description;
- Step IV Focus Areas; and
- Step V Projects.

In Step I, please provide a name for the proposal title, indicate under which program(s) you are submitting this proposal and select the market.



In Step II, please review the information on your account, as well as a brief description of your association's objectives and mandate.

In Step III, Market Description, please provide:

- A description of the current market conditions and opportunities for the geographic market covered by this proposal. This should include key information on trends related to wood product use specific to this proposal. If the program of work you are describing in this proposal has been subject to a program evaluation or a market strategy in the past 3 years, please include a brief description as to how the recommendations from the evaluation report or market strategy will be addressed and implemented.
- Please select the Market Objective(s) from the available list, and provide 2-3 specific objectives for your proposal, as well as the proposed method to review its achievements.

In Step IV, Focus Areas, please

- Select the focus area(s) which apply to the proposal and explain how the proposed projects in this focus area contribute to the achievement of your proposal objective(s) and provide targets for the performance indicators which appear in the pre-populated "Performance Indicators" section of this page.

In Step V, Projects,

- Please provide a project name. You will not be able to create new projects if you have not inputted information for the focus areas which apply to your proposal. Please ensure that you select the proper focus area for this project. Please ensure that you assign your projects to the appropriate focus area as a modification of the focus area will require you to re-input the full budget tables. In the case where the box "Other country/market" appears, you are required to fill out the specific market you are applying for. Then select the financial method you intend to use (either summary or detailed). You may choose between two methods – SUMMARY and DETAIL - to build your budget and subsequently report against the approved budget and workplan.
  - Budget by SUMMARY:  
In this selection, you will establish annual values for budget items, the system will add up annual budget items to a sub-total by activity (and pre-calculate cost share). You will then split up the annual activity budget into the three interim reporting period budgets. At the time of interim reporting, you will be required to report actual expenditures against activity sub-totals. The advantage of choosing the SUMMARY option is that the subsequent reporting will require less detailed financial information. The drawback is that you will have to manually calculate how annual subtotals for each activity will be split over the three reporting periods as you enter your budget information.

- Budget by DETAIL:

In this selection, you will build your budget by assigning budget item dollar values to each of the three interim periods. The system will automatically add up the annual total of every budget item, and the subtotal of every activity (similar to a spreadsheet). The advantage of choosing the DETAIL option is that the system will make all calculations for you as you build your budget. The drawback is that you will have to provide more detailed information (i.e., detailed budget item values by interim reporting period), and report at that level of detail throughout the fiscal year.

Once you have selected one of these two methods, it will be **impossible** to change your budget input for this project. Please also note that financial reporting will be required in the same method when you will file your interim reports.

- Please provide information on the projects includes linkages to previous activities and future needs, a detailed project plan, personnel, collaborators, and in-kind contributions.
- Please do not include any personal information such as curriculum vitae or cell phone numbers in the database. Contact NRCan if any personal information needs to be provided.
- On the budget screen, please build the budget by activity types. Please ensure that you input all the necessary information in the text boxes regarding the performance indicator targets and the text boxes which appear when you select specific budget items.

More detailed information on how to complete each section of the application can be accessed by clicking on the Help Button located in each section.

### **Submitting Applications**

The *Canada Wood* on-line management system will confirm receipt of your application by e-mail which must be submitted by the Main account holder of your association. Associations must submit their application by the due date to be considered for funding. The Program Secretariat is available during normal business hours to assist applicants.

## **11 Review and Approval Process**

Decisions on funding will be made on a proposal-by-proposal basis for those applications meeting the basic eligibility criteria. Proposals will be given a score and will be ranked accordingly. Proposals will be selected based on the ranking and on available funding.

These evaluations will be conducted using the Evaluation Process and Criteria, which are also attached to the call letter.

The following steps will be followed in the application approval process:

- The *Canada Wood* Program Secretariat will undertake preliminary screening of the applications following the closing date of the application process. Discussions or negotiations with the applicants may be necessary to clarify the application and/or projects.
- *Canada Wood* may seek the views of Canadian embassies and consulates on individual applications and/or projects.
- The Advisory Committee will provide advice on applications and projects that have been screened in by *Canada Wood*. Based on the outcome of the Advisory Committee input, the Program Secretariat will prepare an Annual Work Plan with recommendations for consideration by the Management Committee.
- The Management Committee will review the Annual Work Plan and make recommendations to NRCan for funding approval.
- Associations will be notified of project funding decisions, where possible, prior to April 1<sup>st</sup> of each year.

## 12 Contribution Agreements

A Contribution Agreement outlining the approved projects' funding levels, deliverables, reporting requirements and terms and conditions will form the basis of the agreement between NRCan and applicants.

The Contribution Agreement will be drafted for the signature of both NRCan and the association as soon as possible after funding decisions have been made.

## 13 Amendments to Contribution Agreements

If there is a requirement to amend project within a Contribution Agreement, associations are to contact *Canada Wood* as early as possible in the fiscal year. At a minimum, amendments will be required in the following circumstances:

- to add a project;
- to replace or modify a project; or
- to transfer funds between projects.

The Management Committee may be required to review and approve changes, depending upon the extent of modification to the original agreement.

Depending on the circumstances, the amendment may be in the form of an amended Contribution Agreement (signed by both parties), or may simply be correspondence from *Canada Wood* to the association indicating the approved changes.

Amendments are to be made using the Canada Wood on-line system.

## 14 Claims and Performance Reporting

Associations will submit on-line interim reports. These interim reports require a status report of the projects being claimed against and financial information in the interim cash flow.

The Contribution Agreement details the type and extent of information/deliverables required for each claim. At a minimum, each e-claim must segregate details of expenditures by project, and must include status reports for each ongoing project, providing performance related deliverables and achievements to date.

The details of expenditures are to follow the format of the project budgets provided with the application. Receipts do not need to be submitted with claims, but must be retained and available for audit by NRCan for a period of at least three (3) years following the expiry date of the Contribution Agreement.

Each year, project expenditures will be subject to an external audit as described in Section 15 “Audits” of this Handbook. *Canada Wood* reserves the right to conduct an audit of associations to validate claims and performance achievements, and to recover any payment made to any association to which it was not entitled.

When submitting the final e-claim for the year, associations must submit a year end report summarizing achievements for the year as well as the benefits and impacts that were achieved from the completion of all projects in the year.

## 15 Audits

### Program Secretariat Audit of Recipients

The Program Manager is responsible for any audit of recipients of contributions. The purpose of these audits is to ensure that:

- funds are being used for the purposes intended;
- projects are being carried out in accordance with the plan described in applications; and
- recipient information on project performance and results is accurate, complete and reliable.

Recipients will be selected for audit each year on a sample basis. Where possible, audits will be conducted with provincial funding partners (i.e., Forestry Innovation Investment) in order to reduce the costs and to lessen the burden on the audited associations.

### **Annual External Audit of Financial Expenditures**

As a requirement of their by-laws, most, if not all, associations must undertake an annual audit of their financial expenditures by external auditors. In this regard, all applicants/recipients will be required to include a section in their annual audit report which takes into account any contributions from the program. The external auditor's report will include an opinion as to the eligibility of expenditures and compliance to the terms and conditions of the Contribution Agreement. All such audits will be considered an eligible expense under the terms and conditions of the program. Associations are expected to work in cooperation with other funding sources (e.g., provinces, industry) for the purposes of audits and sharing information.

### **Audit Follow-Up**

The Program Manager will follow-up on the findings of all audits. If a discrepancy is identified between the amount paid by NRCan and the amount payable by NRCan, appropriate adjustments will be made to future payments. In cases where contributions exceed permissible levels, funding of subsequent projects may be reduced by the overpayment.

## **16 Capital Equipment and Asset Guidelines**

The following Capital Equipment and Asset Guidelines are in place.

### **16.1 Effective Date:**

- 16.1 These guidelines were introduced on April 1, 2006, and revised as of December 2008.

### **16.2 Preface:**

- 16.2.1 Certain recipient associations that are being funded by Canada Wood have requested clarification on handling the purchase of certain assets used in the delivery of funded projects in overseas markets. As a result, these guidelines are meant to provide that guidance and direction.
- 16.2.2 Large capital investments may represent a significant outlay of expenses and require disposition at the end of the program. Accordingly, it is recommended that such assets be leased for a specific period of time rather than be purchased.
- 16.2.3 Wherever clarification is required, the associations are requested to contact the Canada Wood Program Secretariat. Written approval of the Canada Wood Program Manager is required for any deviation from the guidelines or for items not specifically referenced.
- 16.2.4 These guidelines do not supercede the actual wording provided in the Canada Wood Contribution Agreement between each recipient and the Department.



### **16.3 Objective:**

- 16.3.1 These guidelines have been developed to help recipients in dealing with the purchase, depreciation, claiming of eligible costs and the disposition of those assets.
- 16.3.2 These guidelines are provided in order to clarify both the eligibility of certain assets purchased in the delivery of projects funded by the Canada Wood Export Program (Canada Wood) and how, in certain cases, those assets are depreciated.

### **16.4 Application and Scope:**

- 16.4.1 These guidelines apply to all projects in overseas markets, receiving funding under the Canada Wood Export Program (Canada Wood).

### **16.5 Definitions:**

- 16.5.1 “assets” are defined as purchased or leased materials and objects that have been: a) identified by the applicant in its application for funding under the Program, and b) approved as an integral part of the funded project.
- 16.5.2 “consumable assets” are defined as assets which, through use over a short period of time, become obsolete, worn out or otherwise need to be replaced.
- 16.5.3 “disposition of assets” is defined as the disposal of assets from time to time and at the termination of the Program. Assets may be sold at the end of the Program or disposed of in a manner approved by the Canada Wood Program Secretariat.
- 16.5.4 “eligible expenses” are defined as “reasonable expenses incurred in the delivery of a project” that have been: a) identified in the project submission for funding, b) approved by the Program, and c) identified in the annual Contribution Agreement.

### **16.6 Detailed Guidelines:**

#### 16.6.1 General

- 16.6.1.1 Associations are expected to use restraint and common sense in purchasing assets, and are expected, where practical, to share the assets among those organizations sharing common office space.
- 16.6.1.2 Certain costs are not normally eligible for funding under the Canada Wood program, including the purchase of any land, buildings, licensed vehicles, any not-previously specified amortized expenses, memberships in health



clubs, gymnasiums or private clubs, costs related to litigation, and opportunity or investment costs.

#### 16.6.2 Leasing of Equipment and Other Property

- 16.6.2.1 As stated in 16.6.1.2, the purchase of land, buildings and licensed vehicles are not normally considered an eligible expense and reimbursement cannot be claimed from Canada Wood.
- 16.6.2.2 Expenses of this type must be identified in the recipients' annual submission for funding and, if approved, should be rented or leased.
- 16.6.2.3 In exceptional circumstances, and only where it can be demonstrated that the cost of leasing exceeds the cost of purchasing, written approval, to purchase the asset, must be received from the Canada Wood Program Secretariat. Assets purchased without this approval will not normally be reimbursed.

#### 16.6.3 Consumable Assets

- 16.6.3.1 Certain consumable assets used in the delivery of projects have a limited life expectancy before becoming obsolete and can be considered to be an eligible expense in the year in which they were purchased.
- 16.6.3.2 These assets, each typically costing less than \$1000 include, mobile telephones, digital cameras, computer software programs, electronic calculators, printers, facsimile machines, photocopiers, and other office-type equipment.
- 16.6.3.3 Computers and furniture are not considered consumable assets and must be treated according to section 16.6.4.

#### 16.6.4 Computers and Office Furniture

- 16.6.4.1 Laptop and office computers, servers, office furniture, etc., purchased for use in the international offices to facilitate the delivery of projects funded by Canada Wood, can be considered an eligible expense.
- 16.6.4.2 For equipment purchased after April 1, 2008, associations may claim a depreciation rate of 45 percent of residual value as a eligible expense on a yearly basis



### 16.6.5 Disposition of Assets

- 16.6.5.1 From time to time and at the termination of Canada Wood funding support, certain assets purchased as part of a recipient's approved projects, may be disposed of by selling. As indicated in the Canada Wood Contribution Agreement, Clause 13, entitled "Disposition of Property", the Minister may require a recipient to share the proceeds of this disposition in the same ratio as provided by Canada Wood's contribution, but not exceeding the original amount provided by Canada Wood.
- 16.6.5.2 As stated in 16.6.3.1, consumable assets need not to treated as other assets and can be disposed of as they wear out or at the termination of the Program.