

Incentives for Industrial R&D in Israel

The Office of the Chief Scientist (OCS) at Israel's Ministry of Industry, Trade & Labor is responsible for the implementation of governmental policies regarding the support and encouragement of industrial research and development in Israel.

A variety of ongoing R&D support programs developed and offered by the OCS, have played a major role in enabling Israel to become a key center for hi-tech entrepreneurship. This section highlights the OCS's local and international support programs.

Local Programs

Technology infrastructure enhancement

Magnetron

- Promotes technology transfer from academic institutions to industry via mutual cooperation between an industrial company and an academic research group.
 - Project's budget is up to 800,000 US\$ and its duration is up to 24 months.
 - Grants are up to 66% of the approved budget.
- No royalty payments.

Noffar

- Designed to support applied academic research in biotechnology & nanotechnology in order to adjust it to relevant applications in the industry and promotes the transfer of these technologies to the industry.
 - Project's budget is up to 100,000 US\$ and its duration ranges between 12 to 15 months.
 - Grants are up to 90% of the approved budget.
- No royalty payments.

Pre Seed

Tnufa

- Encourages and supports technological entrepreneurship and innovation at pre-seed stage.
- Assists individual inventors and startup companies during earliest stages of projects, including evaluation of technological and financial feasibility, preparation of patent proposal for submission to authorities, construction of prototype, preparation of business plan, establishing contact with the appropriate industry representatives as well as attracting investors.
- Grants of up to 85% of approved expenses for a maximum of \$50,000 for each project.

Technological Incubators

- Provides a framework and support for nascent companies to develop their innovative technological ideas and form new business ventures in order to attract private investors.
- The program is open to private investors to become owners of incubators and to invest in the nascent companies at an early stage, enabling a greater return on investment.
- From 2002 to 2008, 22 of 24 technological incubators have been acquired by private investors.
- Establishment of a designated Bio-Technology Incubator, open to bio-tech projects, provides professional services with larger funds and extended incubation term.
- Establishment of two new Industrialized Incubators, open to less innovative projects provides support and guidance towards manufacturing, commercialization and initial sales.
- The program supports activities of Young Entrepreneurs Organization, in high schools.
- Grants are up to 85% of approved budget.

Competitive R&D

R&D Fund

- Supports industrial competitive R&D programs.
- Approved R&D program must last at least one year, and should lead to the development of a new product or a significant improvement to an existing product. The development should also lead to a new industrial process or a significant improvement in an existing industrial process.
- Grants are up to 50% of the total approved R&D expenditures. The annual budget of \$230 million is spent on 775 projects being undertaken by 500 companies.
- Proposals are approved by the OCS Research Committee and grants are awarded according to the terms and conditions set by the OCS Research Committee.
- Grants are provided as a percentage (between 20% and 50% depending on the circumstances and the estimated potential of individual projects) of the estimated R&D expenditures approved by the OCS Research Committee.
- The Beta-Site Stage (interim stage between R&D and marketing) is recognized as an important and integral part of the R&D project, with the aim of testing the product in "real-life" situations, by being operated by selected end-users who give technical feedback and suggestions for product modifications. Assistance for this stage is given as part of the R&D grant.
- When a government assisted R&D project results in a commercially successful product, the company is obligated to pay royalties, which will be used to fund future grants to encourage and support other industrial R&D programs. In general, royalty payments are 3% - 3.5% of the total annual revenues derived from the sales of a developed product which R&D was supported by OCS grants. Reports and payments are made semiannually.

Support of Traditional Industry

- This support program, launched in 2005, offers separate evaluation and discussion for projects from traditional industries.
- Private consultation is offered to traditional industry companies applying to the OCS for the first time.
- OCS acknowledges traditional industry as a preferred sector and therefore, its R&D programs are supported by 50%.

Pre Competitive R&D**Magnet consortium**

- Supports the formation of consortia made up of industrial companies and academic institutions, in order to jointly develop generic, pre competitive technologies.
- The duration of a Magnet Consortium is 3-5 years.
- Grants are up to 66% of the approved budget for industry and up to 80% for the academic institution.
 - No royalty payments.

Katamon

- Promote water technology projects by triple cooperation between industrial company, academic research group and water infrastructure company.
 - Project's budget is up to US\$1M, and its duration is up to 30 months.
 - Grants are up to 50%.
 - No royalty payments.

Research Institutes

- Supports R&D programs carried out by Research Institutes according to criteria.
- Grants are up to 90% of approved budget.

Generic R&D

- Encourages companies investing heavily in R&D to invest a significant percentage of funds in long-term generic R&D.
- Grants are up to 50% of the approved budget.
 - No royalty payments.

R&D Centers in Universities

- Aims to create and develop technological infrastructure for industry use.
- In 2005, the "Russell Berrie Institute for Nanotechnology" was established at the Technion in Haifa.
- In 2008, the new "National Institute for Biotechnology Research and Development in the Negev", was established at the Ben Gurion University in Be'er Sheva.
- Support is offered in cooperation with the Telem Forum, the Ministry of Finance, the Planning and Budget Committee of the Council for Higher Education (VATAT) and the Ministry of Defense.

Multinationals**International Programs****Matimop**

- Promotes and assists participation of Israeli companies in international bilateral or multilateral cooperation programs for industrial R&D.
- Promotes joint industrial development of advanced technologies.
- Maintains updated database of projects in many advanced technologies and database of profiles of Israeli industrial companies seeking international cooperation.

Europe's R&D Framework Agreement – ISERD

- Israel is the only non-European country fully associated with the EU's Framework Program for Research and Development. The Framework Program is the main facilitator for research funding in Europe, bringing together industrial and academic research.
- The program offers Israeli companies and research organizations an opportunity to participate in jointly implemented projects with European counterparts and thus become better integrated into European business and scientific communities.
- ISERD – The Israeli Directorate for EU FP7, operating through the Office of the Chief Scientist of the Ministry of Industry, Trade and Labor, is Israel's official National Contact Point (NCP) with the EU, for all FP activities.
- ISERD aims to promote joint Israeli-EU R&D ventures within the FPs.
- Grants to SMEs are 75% of the full cost with real overheads. Large industrial partners will receive 50% of the full cost with real overheads.

Eureka

- Eureka is the largest European program for Industrial R&D, supported by nearly 40 member states.
- Israel is a full member in Eureka since 2000, and will chair the program in 2010-2011. Currently Israeli companies take part in more than 10% of all running Eureka programs.
- Eureka is aiming to promote collaborative market-driven R&D projects in virtually all fields of civilian technology. Being non-bureaucratic and SME friendly, over 40% of Eureka project participants are small/medium enterprises (SME) – including start-up companies.
- The projects enjoy access to national and regional funding schemes. Israeli companies participating in the program are entitled to receive R&D grants from the OCS.
- Since 2008, Eureka operates together with the European Commission the Eurostars program, which is dedicated to support, in favorable conditions, R&D performing in SMEs and start-ups in close to market R&D projects.
- Matimop, the Israeli Industry Center for R&D, is the national agency acting on behalf of the OCS as the Israeli national program coordinator (NPC) for Eureka, Eurostars, Galileo and bilateral programs with European countries, regions and R&D organizations.

The Global Enterprise R&D Cooperation Framework - GIRDF

- This program attracts prominent multinational corporations (MNC) to forge investment cooperation deals with Israeli startups.
 - The Framework's main purpose is to provide a friendly, favorable approach & supportive work environment ("one-stop-shop") for Israeli start-ups looking to collaborate with the MNC.
 - Within this framework, both OCS and the MNC commit to invest in pre-selected R&D projects, conducted jointly by the MNC and the Israeli company.
 - The MNC is not requested to invest money; instead it can provide the startup with facilities like: technological guidance, borrowing equipment, lab facilities, discounted software licenses, business mentoring, etc.
 - The IP, created from the joint project, may be owned jointly by the startup and the MNC.
- OCS operates several MNC R&D cooperation agreements with IBM, Oracle, Merck, Coca Cola, Deutsche-Telecom.

Bi-nationals

Bi-national Funds

- The programs enable the participation in joint R&D projects with foreign counterparts.
- Grants are up to 50% of R&D expenses of each company from each state.

Fund Name Countries

BIRD Israel - USA (www.birdf.com)

BRITECH Israel - UK (www.britech.org)

CIIRDF Israel - Canada (www.ciirdf.ca)

KORIL-RDF Israel - Korea (www.koril-rdf.or.kr)

SIIRD Israel - Singapore (www.siirdf.com)

For further details on each of these funds see website address or contact OCS directly.

Bi-Lateral R&D programs

- The Government of Israel through the OCS has signed agreements together with other governments to actively support and encourage industrial R&D cooperation between Israeli and overseas industries.
- International industrial R&D cooperation will usually include access to know-how and technologies that are not otherwise readily available to the participants as well as access to new markets.
- Matimop, the Israeli Industry Center for R&D, operates international R&D agreements on behalf of the OCS with Italy, Belgium, Ireland, Germany, Holland, Spain, Portugal, Finland, France, Sweden, Denmark, India, Turkey, Brazil, Argentina, Uruguay, Greece, China, Russia, the Czech Republic, Hungary, Ontario (Canada), Maryland (USA) and Victoria (Australia).
- The programs enable access to sources of national and regional funding; Israeli companies taking part in these programs are entitled to receive R&D grants from the OCS.

US-Israel Science & Technology Commission

- The US-Israel Science & Technology Commission creates an infrastructure for bi-national collaboration at the highest levels of government, academia and industry.
- The Commission acts for the removal of impediments and the development of a seamless work environment for conducting R&D collaboration and maximizing the contribution of science and technology to economic growth.
- The Commission focuses on Life Sciences, Clean Technology, Homeland Security, Aerospace, Renewed Energy, Water Technology, and Personalized Healthcare.