



מדינת ישראל
משרד התעשייה, המסחר והתעסוקה

Encouragement for Industrial R&D In Israel



STATE OF ISRAEL
MINISTRY OF INDUSTRY AND TRADE
OFFICE OF THE CHIEF SCIENTIST

ENCOURAGEMENT FOR INDUSTRIAL R&D IN ISRAEL

Update: January 2001.

Dear Entrepreneur;

Due to the unique economic layout of Israel, the expansion of high-tech exports is directly responsible for its economic growth.

The statistical data for 2000 is indicative of the large economic potential of the high-tech industry:

The 6% growth in the GDP of 2000 is due mainly to the continuous expansion of the various branches of the high-tech industry.

Between January – November 2000, exports from the advanced science based areas of industry grew by 42% when compared to a like period in 1999.

Start-up ventures and other Israeli companies, raised an estimated \$3.2 billion in venture capital in 2000 as compared to a mere \$1 billion in 1999.

The objective of government encouragement of industrial R&D is to promote this momentum and steer it by means of various programs.

In addition to direct R&D grants for the industry, emphasis is placed upon:

The encouragement of international cooperation in industrial R&D

The encouragement of technological entrepreneurship

The development of future technologies by means of increasing the academic-industrial interaction and cooperation.

The Law for the Encouragement of Industrial R&D dates back to 1984 and is being currently reassessed by a special Government Committee. The goal is to make it more compatible with the global business environment.

The staff of the Office of the Chief Scientist is at your service for any further information or assistance.

Sincerely,

Carmel Vernia

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* The Law for the Encouragement of Industrial Research and Development – 1984

CHAPTER1:**INTRODUCTION**

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1.1 THE OCS – OFFICE OF THE CHIEF SCIENTIST

The Office of the Chief Scientist (OCS) of the Ministry of Industry and Trade is responsible for implementing government policy regarding support and encouragement of industrial research and development (R&D).

Most of the support and incentive programs in Israel are governed by the “Law for the Encouragement of Industrial Research and Development – 1984*,” (“the Law”).

The purpose of the Law is to encourage Israeli companies to invest in R&D projects, with the government sharing in the risk inherent in such projects.

This edition also includes a detailed description of the international agreements for R&D – cooperation (see Chapter 3 for details).

e-mail info@ocs.moital.gov.il

website www.tamas.gov.il

1.2 THE LAW FOR THE ENCOURAGEMENT OF INDUSTRIAL R&D – 1984**A. OBJECTIVES OF THE LAW AND ITS PROGRAMS**

The purpose of the Law is to encourage and support industrial research and development in order to:

Enhance the development of local science-based industry through utilizing and expanding existing technological and academic infrastructure.

Improve Israel’s balance of trade by increasing the manufacture and export of high-tech products developed within Israel and reducing imported goods of this type.

Create employment opportunities in industry and exploit Israel’s highly capable scientific and technological labor force.

B. TIES IMPLEMENTING THE PROCESS

The OCS is the authorized body responsible for implementing the Law.

The Chief Scientist serves as Chairperson of the Research Committee, and is responsible for implementing the Committee’s decisions.

The Research Committee is responsible for approving research and development projects and for stipulating the conditions under which grants are to be allocated to companies from the OCS Budget.

The Research Committee is composed of civil servants and public representatives from academia and industry. Professional reviewers appointed by the OCS are at the disposal of the Committee.

C. THE PRINCIPLES OF THE LAW

The R&D will be carried out by the applicant or those designated by the applicant in the grant proposal.

Manufacturing of the product being developed will be carried out in Israel, unless otherwise approved by the Committee. (Projects which have been approved within the framework of the international agreements described in Chapter 3 are exempt from this limitation.)

The know-how or technology developed will not be transferred or sold to a third party without the prior consent of the Committee.

The transfer of any portion of the equity to a foreign investor requires the approval of the Committee.

The full text of The Law is available at www.tamas.gov.il

D. R & D GRANTS

Under the Law, proposals, approved by the Research Committee, are awarded grants according to the terms and conditions set by the Research Committee.

Grants are provided as a percentage (between 30% and 66% depending on circumstances) of the estimated R&D expenditures approved by the Research Committee. The specific criteria for determining the level of the grant in various circumstances are listed in Chapter 2.

E. ROYALTY PAYMENTS

- a. When a government assisted R&D project results in a commercially successful product, the developers are obligated to pay royalties.

The Law stipulates that the royalties received will, in turn, be used to fund future grants to encourage and support industrial R&D. Royalty payments are a specified percentage of the total annual revenues derived a developed product.

Reports and payments are made semiannually.

- b. Total royalty payments shall not exceed the amount of grant, that is linked to the US Dollar with the addition of yearly interest determined by the Libor rate.
- c. Exceptions to this are in the event of the approval of the transfer abroad of some of the production rights.
- e. Royalties as a percentage of the revenues derived from the project
- 3% of revenues during the first three years
 - 3.5% from the fourth year on.

In special cases an additional 1% may be added by the Research Committee.

Further Information

Manager, Royalties Department

Tel: 972-2-677-0530

Fax: 972-2-624-8159

e-mail tmura@ocs.moital.gov.il

1.3 SPECIAL DIRECTIVES FOR EXCEPTIONS TO THE LAW

The Director General of the Ministry of Industry & Trade has the mandate to administer particular OCS R&D programs and financial assistance under the terms of Special Directives. The purpose of these directives is to facilitate the support of particular key R&D activities that are not specifically mentioned in the Law. The directives relate, primarily, to the following programs; MAGNET, Technological Incubators, Beta Sites, and Joint Ventures, which will be discussed in this publication.

CHAPTER 2:

GRANT OPTIONS ACCORDING TO THE LAW

1. GENERAL
2. R&D PROJECTS
3. R&D PROJECTS IMPROVING AN EXISTING PRODUCT
4. R&D PROJECT OF A START-UP COMPANY
5. JOINT VENTURES
6. ASSISTANCE FOR BETA SITE PHASE

2.1 GENERAL

R&D grants are available to companies whose projects have been approved by the Research Committee of the OCS.

A project proposal must include a full description of the product to be developed, its technological innovation, its marketing potential, and a financial plan for the project. Each project is evaluated by a professional reviewer of the OCS. The evaluation includes the economic and technological aspects of the project and also the capability of the company to implement the project.

The Research Committee's role is to evaluate the project and decide whether or not to approve its funding. The Research Committee also stipulates the various conditions in the event of grant approval.

R&D projects may extend for several years, but the Research Committee approves budgets on an annual basis, so that a long-term project must be re-evaluated each year.

2.2 R&D PROJECTS

A. GENERAL

An approved R&D program is one lasting one or more years, resulting in the manufacture of a new product, or a significant improvement to an existing product. The development also may lead to a new industrial process, or a significant improvement in an existing industrial process.

B. GRANTS

Grants are 50% of the total approved R&D expenditures.

2.3 R&D PROJECT FOR IMPROVING AN EXISTING PRODUCT

A. GRANTS

Grants are 30% of the total approved R&D expenditures.

B. TERMS AND CONDITIONS:

The R&D plan must be approved by the Research Committee.

A grant of 30% is given for improving any existing civilian product, regardless of whether or not the original product was developed with the assistance of Government aid. Defense-related products are entitled to grants of 20%.

2.4 R&D PROJECT OF A START-UP COMPANY:

A. GRANT:

Approved grants are 66% of the approved R&D expenditure, up to the NIS equivalent of US\$250,000 per year during the initial two years.

The first \$250,000 of the approved budget receives a grant of 66% with 50% for the remainder. This arrangement applies for the first two years.

B. TERMS AND CONDITIONS:

For the purpose of the Law, a start-up company is any company for which the proposed R&D program is its first and only activity. The company must have no other sources of financing, except for the capital provided by the developers themselves. The R&D program, as well as the "start-up" company status, must be approved by the Research Committee.

5. JOINT VENTURES IN R&D

Two or more Israeli companies may submit a proposal for a joint R&D project. The submission should include the agreement between the participating companies as to the portion of each in the R&D, manufacture and marketing.

For further information regarding procedures:

Mr. Moshe Haizler

Tel. 972 2 677 0532

OCS Information Center

e-mail info@ocs.moital.gov.il

web site www.tamas.gov.il

2.6 ASSISTANCE FOR THE BETA-SITE STAGE (The Interim Stage between R&D and Marketing)

A. General

The beta-site stage is acknowledged to be of critical importance in the technological innovation process. Its aim is to test the product in "real-life" situations, through being operated by selected end-users who supply technical feed-back and suggestions for modifications of product features and specifications. Another aim is to establish marketing bases, as potential buyers abroad may be referred to beta-sites, for recommendations.

The committee usually approves up to five beta-sites (mostly overseas), per project.

B. Grant

A grant of 50% of the approved beta-site budget for companies whose accumulated sales over the previous three years have not exceeded US\$6 million.

1. A grant of 30% for companies whose sales for the previous financial year were under US\$ 30 million.

C. Terms and Conditions

Expenditures approved for the beta-site may include:

Completion of the experimental prototypes which have been approved by the committee.

The expenses pertaining to installment of the prototypes in the chosen sites and instruction of the site's technical personnel regarding use and operation of the product.

Adjustments necessary for compliance with regulations and technical standards in export markets.

Patent registration expenses.

For further information:

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CHAPTER 3

INTERNATIONAL COOPERATION IN INDUSTRIAL R&D

1. GENERAL
2. MUTUAL BENEFITS OF INTERNATIONAL COOPERATION
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4. COOPERATION WITH AMERICA

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3.7 THE ROLE OF MATIMOP – THE ISRAELI INDUSTRY CENTER FOR R&D

3.1 GENERAL

- A. The Government of Israel places considerable importance upon international cooperation in industrial R&D. The primary reasons for this policy are the advantages of shared costs and minimization of the inherent risks. These advantages benefit both of the cooperating parties and improve the prospects for successfully marketing and supporting the developed products or service internationally.

Since 1977, the Government of Israel has signed agreements with a number of governments to actively support and encourage R&D cooperation between Israeli and foreign corporations. Cooperative agreements of this kind are implemented under the auspices of the Office of the Chief Scientist (OCS) of the Ministry of Industry and Trade. The OCS is assisted by the Israel Center for Industrial Research and Development (MATIMOP).

3.2 MUTUAL BENEFITS OF INTERNATIONAL COOPERATION

IN R&D:

R&D partnerships often result in heightened awareness of the market opportunities in the partnering countries. As a result trade is enhanced.

Via Israel's Free Trade Agreements with both the US and the EU, Israel can act as a trade bridge for companies wishing to expand their activities into these respective markets.

R&D partnerships contribute the strongest linkages, since they establish relationships on issues that are fundamental to the character and corporate future of the company. Traditionally, such alliances last beyond the specific project in question.

3.3 MODELS FOR INTERNATIONAL COOPERATION WITH ISRAEL

There are currently three models for international cooperation in industrial R&D with Israel:

1. **Bi-national Funds**

- In this framework, a bi-national fund is established in which two nations contribute a pre-determined sum intended to support cooperative projects.

Each fund establishes its own criteria and procedures. Usually within a similar framework.

The board of directors – appointed by the two governments and is sovereign in its decision making.

This model has proven to be very effective for the mutual benefit of the parties.

2. **Israeli participation within the framework of European R&D programs**

This includes EUREKA and the Fifth Framework Program

3. **Bi-National Agreements**

These agreements provide guidelines for granting support to joint R&D projects. The approval and implementation process is performed by the appropriate authorities in the respective countries participating in the project. In Israel, the budget, operating methods and approval procedures are the same as for standard R&D projects receiving assistance under the Law.

3.4 COOPERATION WITH AMERICA

A. BIRDF – US-ISRAEL BI-NATIONAL FOUNDATION

BIRD Israel–U.S. Binational Industrial Research & Development Foundation

With a firm presence at the center of the Israeli high tech industry, BIRD is exposed to new trends, state-of-the-art technologies and economic developments.

The Israel-U.S. Binational R&D (BIRD) Foundation is funded by a \$110 million endowment, with equal contributions from the United States and Israeli governments, and a growing amount of repayments from successful BIRD-funded projects. BIRD was established under an agreement signed by both governments to promote non-defense industrial R&D, and has since played a major role in fostering joint industrial R&D between American and Israeli companies. The Board of Governors is comprised of representatives of both the U.S. and Israeli governments.

BIRD's Assistance Model

BIRD, therefore, is able to provide an assistance model with benefits to both Israeli and U.S. companies:

- ▶ **Sharing its accumulated experience** with Israeli and American companies, VCs and other investment resources;
- ▶ **Providing its stamp of approval**, a valuable element in the due diligence process. Every project is reviewed by BIRD, the National Institute of Standards & Technology (NIST) in Washington and the Office of the Chief Scientist of the Ministry of Industry and Trade in Israel;
- ▶ **Increasing company value through strategic R&D projects**; BIRD co-shares with Israeli co. – U.S. co. teams in the development of innovative (non-defense) technology-based products or processes to the point of commercial readiness. If no revenues are realized upon commercialization, there is no request to return the grant.
- ▶ **BIRD participates in up to 50% of a joint project's cost**. BIRD's conditional grant is in the form of off-balance sheet financing, an R&D leveraging instrument that has proven very attractive to public (and almost public) companies.
- ▶ **Repayments are up to 5% of sales of the mutually developed product**, totaling no more than 100% of the grant if completed in the first year of sales. Thereafter, repayments grow linearly, to a maximum of 150% in the fifth year and beyond.

The Partners to a BIRD Project

Any two companies, one from each country, may jointly apply so long as between them they have the capability and infrastructure to define, develop, manufacture, sell and support an innovative product. BIRD plays a proactive role in this process by bringing together potential strategic partners. In the U.S., BIRD seeks companies with development, manufacturing, sales and support capabilities. Ideal companies are aggressive and growing, with a significant presence in their market, limited only by a need for additional products and innovations to enhance their core technology. In Israel, BIRD recruits big, small and even start-up companies that have a technical edge and effective management direction and focus.

The Advantages of a BIRD Project

- ▶ **Off-balance sheet financing**: BIRD's investment (conditional grant) is a form of off-balance sheet financing, with minimal impact on EPS. Repayments to BIRD are considered pre-tax expenses.
- ▶ **No equity, no intellectual property rights**: BIRD acquires neither equity nor any intellectual property rights. If a project fails, all parties lose their investment. If a project succeeds, BIRD is entitled to repayments based on product sales.
- ▶ **No interference on company–company relationship**: BIRD is not involved in formulating the nature of the relationship between the U.S. and the Israeli companies. Likewise, the precise conditions and terms of this relationship are not subject to BIRD approval.
- ▶ **Free of charge “matchmaking services”**: BIRD often plays a proactive role in bringing potential

strategic partners together. BIRD's U.S. operations, headquartered in Boston, MA, with a Western Region office in Silicon Valley, CA, and logistical support provided by numerous regional offices nationwide, are networked with the main office in Tel Aviv to facilitate these services

A Proven Strategy that Works

BIRD's 24 years of successful activity are a strong endorsement of our proven strategy of bi-national partnerships.: A total of approx. \$180 million in grants has been awarded to about 600 BIRD funded projects. Around \$15 million are granted each year to approx. 30 new projects.

For additional information, please visit our web-site at www.birdf.com , or contact our representatives in Israel or in the U.S.:

BIRD Headquarters in Israel

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Executive Director

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Email: dov@birdf.com

BIRD Office in the U.S.

Ms. Irit Manskleid –
Director of U.S. Operations

Tel: (617) 728 4908

Fax: (617) 695 0718

Email: iritm@birdf.com

B. US-ISRAEL SCIENCE AND TECHNOLOGY COMMISSION

President Clinton and the late Prime Minister Yitzhak Rabin established the U.S. – Israel Science and Technology Commission to promote cooperative science and technology activities between the United States and Israel. The Commission's objectives are to foster mutual technological and economic progress in both nations. In 1994, each government committed \$15 million to support the activities of the Commission.

The Commission's structure draws upon the expertise of the government, the private sector and academia. US Government agencies and Israel Government ministries responsible for commerce, trade, agriculture, energy, environment, defense and health, are represented in the Commission. The Commission is co-chaired by the Secretary of Commerce and the Ministry of Industry and Trade and their respective representatives the Undersecretary for Technology and the Chief Scientist.

The Commission operates on two major tracks: an **R&D joint venture support program** and an **impediments reduction and infrastructure building program**. The overall criteria for projects selected under either program is that they benefit, directly or indirectly, both the US and Israeli economies.

1. **The Joint Venture Support Program:** The Commission periodically issues "Requests for Proposals" for high-risk technology development and commercialization projects between US and Israeli companies in specific fields.

Presently, the fields the Commission promotes are Medical devices and drugs, Biotechnology, Information Technology, Electronics, Microelectronics and Telecommunications, Environment, Energy and Agriculture.

1. **Impediments Reduction and Infrastructure Building Program:** The USISTC operates three binational strategic panels comprised of representatives of government, academia and industry in the fields of Information Technology, Biotechnology and Harmonization of Standards and Regulations. Functioning as sub-committees of the Commission, these panels provide an ongoing forum in performing the task of identification and removal of impediments and building infrastructure for mutually beneficial economic and technological collaboration.

More details may be obtained directly through the following offices:

USISTC- Israel Office Tel: (972)-3-511-8101 Fax: (972)-3-517-4617 Email: david-w@usil-stc.org.il Email: Cathy_Campbell@ta.doc.gov	USISTC- US Office Fax: (202)-501-6849 Stella-I@usil-stc.org.il Saul_Summerall@ta.doc.gov
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C. CIIRDF - Canada-Israel Industrial R&D Foundation

The Canada-Israel Industrial Research & Development Foundation (CIIRDF) was established in 1994 to promote collaborative R&D between firms in Canada and Israel. CIIRDF resulted from the signing of a Memorandum of Understanding on Bilateral Cooperation in Private Sector Industrial Research & Development, by the Government of Israel and the Government of Canada. Both the governments of Israel and of Canada each contributed CDN \$1 million per year, for an initial three-year period. Their commitment was renewed in February 1997 for another three years and in 2000 for an additional 5-year period.

CIIRDF is involved in essentially three kinds of main activities:

- The first core function of CIIRDF is one of **promotion and marketing**. Simply put, the foundation is engaged in activities that stress the benefit to companies in one country of R&D collaboration with those in the other.
- The second function of CIIRDF is to **provide a matchmaking service** to companies in either country that seek compatible research partners with the other. This function covers a spectrum of activities ranging from that of simply providing summary profiles of prospective partners to that of acting as an agent on behalf of firms, in many cases making the direct contacts and becoming involved in two-way negotiations between the prospective partners.
- The third and most visible activity is that of **providing financial support**, in the form of repayable grants, to projects by contributing up to 50% of the joint R&D costs. This contribution is repayable should there be commercial revenues arising from the project.

Canada - Head office: Dr. Henri Rothschild <i>President</i>	Office in Israel: Ms. Adi Riza <i>Manager</i>
Tel: +613 724 1284 Fax: +613 724 1134 E-mail: HRothschild@ciirdf.ca Web site http://ciirdf.ca	Phone: 03-754-9580 Mobile: 054-312-771 Fax: 03-754-9582 E-mail: ciirdf@actcom.co.il

3.5 COOPERATION WITH EUROPE

A. ISRAELI PARTICIPATION IN THE FIFTH FRAMEWORK PROGRAM (1999 2002) (FPV)

ACTIVITIES AND SUBJECTS

Following Israel's participation in the Fourth Framework Program, Israel has initiated an agreement to participate in the Fifth. Israel is the only non-European Associated State. The FPV is the prime vehicle for Research and Technological Development and Demonstration (RTO) of the European Union and consists of the following Thematic and Horizontal Programs:

THEMATIC PROGRAMS –

Theme 1 - **Quality of Life** - includes Biomedical, Biotechnological, Food and Agriculture Key Actions.

Theme 2 - **Information Society** - includes Telematics, Electronic Commerce, Multimedia, Software and Systems, Telecommunications and Microelectronic Activities.

Theme 3 - **Competitive Growth** - includes Manufacturing and Materials Technologies, Land, Marine and Air Transportation Technologies.

Theme 4 - **Energy & Environment** - includes Water and Energy as well as Environmental and Urban Technologies.

HORIZONTAL PROGRAMS

International Role – Cooperation with Third Countries & International Organizations.

Innovation and Support for Small Enterprises.

Human Research Potential & Socio-Economic Research.

HOW DO THE EUROPEAN UNION'S RTD PROGRAMS WORK?

The participation in a RTD project is accomplished by a consortium responding to a "call for proposals" published in the "Official Journal of the European Communities" and submitting a proposal within the time limits laid down. Most calls for proposals are published at fixed dates. The terms of participation are set out for each program in the "information packs" published.

FINANCING

Most community research projects are of the "shared-cost" type, carrying 50% to 100% financing by the Commission. 50% for industrial entities performing RTD projects, 35% for demonstration projects and 100% for university laboratories. Community financing may amount to several million ECU.

The participants in a project are not required to pay royalties.

Web site www.matimop.org.il

B. ISERD – THE ISRAELI DIRECTORATE FOR THE FIFTH FRAMEWORK PROGRAM

Established in 1996 to implement the agreement on Research and Technology Development (RTD) cooperation between the European Union and Israel, ISERD is a non-profit organization created by the Ministry of Industry and Trade, the Planning and Budget Committee of the Council for Higher Education, the Ministry of Science, the Ministry of Finance, and the Ministry of Foreign Affairs.

ISERD's mission is to disseminate information about EU RTD programs, industrial cooperation, partnerships search and training, and to serve as Israel's official National Contact Point (NCP) with the EU. ISERD encourages European and Israeli corporations and organizations wishing to conduct research within the Fifth Framework program, or publish information within the program, to do so through ISERD.

ISERD actively provides information, advice and guidance to Israel's RTD community in industry and research institutions, on all matters pertaining to submitting proposals to EU RTD Framework programs. These include participation prerequisites, proposal submission guidelines, administrative procedures and contractual issues. ISERD organizes events such as seminars, conferences, and newsletters as well as Internet-based information.

ISERD assists organizations, companies and SME's in preparing their EU RTD program proposals. It also organizes training sessions on RTD programs for intermediaries and information multipliers to guarantee high quality consulting and advisory services. These services are offered to any organization or individual, as needed.

Playing a vital role in future policy and collaborative efforts between Israel and the EU on RTD programs, ISERD coordinates the activities of Israel's delegates to the program committees managing EU RTD programs. ISERD records, conducts follow-up efforts, and reports on Israeli participation in EU RTD programs to Israel's policy-making bodies and government agencies.

For information and registration Tel. 972 3 5118118

e- mail iserd@iserd.org.il

web site www.iserd.org.il

C. EUREKA

About EUREKA

EUREKA is a Europe-wide network promoting collaborative market-driven research and development (R&D) projects in most fields of advanced civilian technology. The network was created in 1985 and

has attracted 29 full members: all 15 member countries of the European Union as well as the Czech Republic, Hungary, Iceland, Norway, Poland, Romania, the Russian Federation, Slovenia, Switzerland, Turkey, Latvia and Croatia. **Israel was accepted in EUREKA as full Member at the EUREKA Ministerial Conference in Hannover in June 2000.** The European Commission completes the list of members

EUREKA's objective is to help raise the productivity and competitiveness of European industries and economies. It complements individual national R&D programmes and those of the European Commission.

In the first 10 years of its existence, more than 4'000 European companies, research institutes and universities have been actively involved more than 1'000 **EUREKA** projects.

Benefits of EUREKA participation

EUREKA projects are ***market driven and "bottom-up"***. The partners themselves define the project content, time scale and costs, but also maintain control. They decide which partners are to be let into the project. The project participants keep the full Intellectual Property Rights of the developed. Resources and expertise are pooled, risks and costs are shared, enabling larger projects to be established. **EUREKA** projects benefit from easier access to national funding.

Israeli partners may initiate or participate in any **EUREKA** projects. A project needs at least one other partner from another **EUREKA** member country to become endorsed as **EUREKA** project. Partners may also include major users providing project input or beta-site facilities, research institutes or universities. The R&D content of the project must concern development or application of innovative technologies within the **EUREKA** scope. The project must result in a marketable product, process or service and the partners must show, that they have the resources to manage the project successfully.

Israeli companies participating in EUREKA projects may apply to the OCS (Office of the Chief Scientist) for funding of their R&D. Generally speaking, the same rules and regulations apply for such projects as for national ones, with the exception, that there are less stringent rules for sharing intellectual property developed within the framework of EUREKA projects.

How To Apply for Participation in a EUREKA Project

The **EUREKA** Office at MATIMOP is your interface with the **EUREKA** organization. It helps you to generate or to join projects.

The National Project Coordinators (NPC's) are responsible for project assessment at the national and the international level. In Israel, the Israeli **EUREKA** NPC at MATIMOP together with the Chief Scientist of the Ministry of Industry and Trade, assesses your suggestions, proposals or plans to join a project.

For further information contact

Mr. Udo J. Mannes
(National Project Coordinator (NPC)

Tel. 972 3 511 8111

e-mail udo@matimop.org.il

web site www.eureka.be

D. BRITECH – UK – ISRAEL BI-NATIONAL FUND

In 1999 the UK and Israeli Governments signed an agreement to set up the Britain-Israel industrial R&D Foundation (BRITECH). A non-for-profit, bi-national organization that is dedicated to fostering collaborative High Technology links between British and Israeli companies.

It has three key areas of activity:

*** Promotion**

To maximize the enormous potential of collaborative cooperation between firms in both countries it is important to ensure that the full breadth of industries, capabilities and expertise in each country is made well known to its counterparts. Alongside other agencies such as government trade organizations, bi-national chambers of commerce, industry associations and Embassy commercial sections, Britech seeks to promote an ever-greater understanding of the high-technology base in the two countries.

*** Assistance in finding Partners**

Britech offers help to Israeli and British companies seeking suitable partners from the other country for high-tech collaborative activities. Through its links with government agencies, Trade Associations, Innovation Relay Centers and other interest groups, Britech offers a simple and concise method of reaching potential partners. In most cases, Britech will provide contact information for a short-list of potential partner companies to enable the enquiring company to carry out its own assessment. In exceptional cases, Britech may even make initial contact on behalf of the enquirer.

*** Supporting Joint R&D Projects Through Financial Grants**

Britech is a £15.5m fund supporting joint R&D projects by awarding a grant of up to 50% of the joint R&D costs of a collaborative high-tech project between Israeli and British companies. Grants are awarded according to merit up to a maximum of £450,000, or £300,000 in any 12 month period. Projects may be of up to three years duration, and must be clearly aimed at a commercial product or revenue source. When a project reaches a successful conclusion, grants are repaid in the form of a royalty on resulting revenues up to a maximum of 150% of the grant received.

For additional information web-site at www.britech.org

<p>UK - Head office:</p> <p>Mr. Tony Warwick</p> <p><i>Chief Executive</i></p>	<p>Office in Israel:</p> <p>Ms. Adi Riza</p> <p><i>Manager</i></p>
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E. BI-NATIONAL AGREEMENTS

These agreements provide guidelines for granting support to joint R&D projects. The approval and implementation process is performed by the appropriate authorities in the respective countries participating in the project. In Israel, the budget, operating methods and approval procedures are the same as for standard R&D projects receiving assistance under the Law.

In each partner country to an R&D agreement, a coordinator is appointed, who is responsible for implementing the agreement, for locating potential partners, submitting proposals for approval and monitoring the progress of approved projects.

Israel, presently, has such agreements with:

1. Austria
2. Belgium
3. France
4. Germany
5. Holland
6. Ireland
7. Italy
8. Portugal
9. Spain
10. Sweden

For further information:

Mr. Azriel (Azi) Hemar – Director

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Tel: 972-3-511 8111

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3.6 **COOPERATION WITH ASIA**

A. SII-RD-SINGAPORE - ISRAEL INDUSTRIAL R&D FUND

The Agreement to set up the Singapore-Israel Industrial R&D Fund was signed on 10 December 1996.

National Science and Technology Board (NSTB) of Singapore and the Office of the Chief Scientist (OCS), Ministry of Industry and Trade of Israel are the cooperating authorities for implementing this agreement.

The signing of the Agreement marked the formation of a non-profit company in Singapore to manage and administer the fund. Both countries – Singapore and Israel – have each agreed to contribute an equal sum of US\$1million per year over a period of three years, to SII-RD.

The annual sum of US\$2 million contributed to SII-RD will be used to promote and encourage joint industrial R&D collaboration between firms in Israel and Singapore. SII-RD will support bi-national industrial R&D projects that lead to commercialization, and contribute to the economic progress of the two countries.

SII-RD will disburse cash grants to approved joint projects of amounts up to 50% of the eligible R&D cost. These grants are repayable should there be commercial revenues arising from the project.

SII-RD welcomes all inquiries from interested Singaporean and Israeli companies.

For more information on SII-RD, please contact:

Mr. Azriel Hemar

Tel: 972-3-511 8111

e-mail azi@actcom.co.il

B. BI-NATIONAL AGREEMENTS

These agreements provide guidelines for granting support to joint R&D projects. The approval and implementation process is performed by the appropriate authorities in the respective countries participating in the project. In Israel, the budget, operating methods and approval procedures are the same as for standard R&D projects receiving assistance under the Law.

In each partner country to an R&D agreement, a coordinator is appointed, who is responsible for implementing the agreement, for locating potential partners, submitting proposals for approval and monitoring the progress of approved projects.

Israel, presently, has such agreements with:

1. China
2. Hong Kong
3. India

For further information:

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3.7 THE ROLE OF MATIMOP – THE ISRAELI INDUSTRY CENTER FOR R&D

About Matimop

MATIMOP - the Israeli Industry Center for R&D is a public non-profit organization, founded by the three major associations of manufacturers in Israel. Functioning as the interface between Israeli companies and their international counterparts, to promote joint developments of advanced technologies, MATIMOP encourages participation in the many **international programs** for bi-lateral and multilateral cooperation in industrial R&D, signed and funded by the **Office of the Chief Scientist (OCS)** of the Ministry of Industry and Trade.

MATIMOP is the major channel for information and assistance regarding cooperation between companies and organizations from Israel and the **European Community**. MATIMOP tasks in this area include:

- acting as a **national contact point** for most of the **bi-lateral industrial R&D programs** of the OCS, and providing services for the OCS international activities.

serving as the official Israeli liaison office for the **EUREKA** program, which helps companies and research institutes pool their resources in the development of leading edge technology.

operating the Israeli **IRC (Innovation Relay Center)** - a part of the European network, whose main objective is to enhance transfer of technologies, particularly for small and medium enterprises.

MATIMOP - the main technology clearing house in Israel, provides databases - updated daily listing hundreds of **companies** looking for foreign hi-tech partners.

MATIMOP publishes a bi-monthly newsletter: "**Advanced Technologies from Israel**", circulated worldwide.

For more information, please contact:

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Email: rdinfo@matimop.org.il

Web site www.matimop.org.il

CHAPTER 4.

TECHNOLOGICAL INFRASTRUCTURE FOR THE FUTURE

THE MAGNET PROGRAM

The MAGNET program supports the R&D of generic pre-competitive technologies. Generic pre-competitive technologies refer to a broad spectrum of common technologies, components, materials, design and manufacturing methods and processes, standards and protocols – which have wide-ranging applications in numerous industries.

The MAGNET rationale is based on two factors:

* **Critical mass** – in a country with about 6 million people, cooperation is the key to creating critical mass for building common technologies. Through the pooling of resources, the process of technological development is accelerated, bringing innovation to industry more rapidly, and – ultimately – shortening the time-to-market cycle of new generation products.

* **Efficient exploitation of national resources** –to harness the know-how of Israel's world-renown academic research institutes and encourage the country's high-tech industries to exploit this advanced scientific know-how through mutually

beneficial cooperative programs.

All proposals submitted to MAGNET are evaluated on the basis of: advantages to the economy, in terms of both export and employment potential; whether the technology is both innovative and generic; how vital it is to the companies involved; cooperation between industry and academe.

The MAGNET program is comprised of two channels:

- **Technology R&D Channel.** Based on technology teaming, developers and researchers from industrial companies and academic research institutes work cooperatively in the development of the basic technologies they need for the next generation of their line of products.
- **Distribution and Implementation Channel.** The purpose of this channel is to enable users associations – made up of members of the same industrial sector or sharing a common technology – to benefit from the latest know-how and developments from abroad by implementing and integrating them into their own activities.

The program offers several incentives in order to help members make the decision to join and find the route that suits their needs best.

A 66% grant of the approved budget is offered; this is a straightforward grant – there are no royalty fees; full recognition of expenses for dedicated equipment. Intellectual rights to the technology developed within the framework of a MAGNET program belong to the company which developed it, although there is an obligation to share all new innovations resulting from MAGNET activity.

But, **the real incentive is cooperation!** Because, through these alliances. Costs are cut, manpower is saved, and – moreover – the synergistic relationships help to focus, strengthen and expand technological activity, to the mutual benefit of everyone involved.

The MAGNET program includes 18 consortia – made up of industrial companies and academic institutes – and two associations.

For further information:

MAGNET Office

Tel: 972-3-5162004

Fax: 972-3-5100010

e-mail: magnet@actcom.co.il

web site www.consortia.org.il

CHAPTER 5.

FOSTERING ENTREPRENEURSHIP

1. TECHNOLOGICAL INCUBATORS
2. ASSISTANCE FOR ENTREPRENEURS IN THEIR FIRST STEPS – TNUFA
3. JOINT VENTURES BETWEEN ENTREPRENEURS AND ESTABLISHED BUSINESS ENTITIES

5.1 TECHNOLOGICAL INCUBATORS

a) Purpose

The incubators are supportive frameworks that enable novice entrepreneurs, with innovative concepts, to translate those ideas into commercial products, by performing the needed research and development, and to establish their own company.

b) Objectives

To support the earliest stages of technological entrepreneurship that are not yet ready for private investors.

To prevent promising ideas from going to waste due to lack of resources and guidance.

c) Benefits

Within the framework of the technological incubators the government provides the entrepreneurs with the following benefits:

R & D Grant

R& D infrastructure

Business guidance

Administrative assistance

- During its stay in the incubator an entrepreneur may establish a start up company and turn its ideas into commercially viable products.
- The stay in the incubators considerably enhances their prospects of attracting the necessary venture capital/ strategic partnership.
- There are 24 Technological Incubators in Israel, from Kiryat Shemona in the north to Dimona and Sde Boker in the South. Today approximately 200 projects are being carried out in the technological incubators in which nearly 900 professionals are involved.

Each incubator accepts yearly 3-6 new projects and releases the same number of graduates. The operating incubators are capable of accepting every new project which comply with the programs criteria.

d) Grants

The Government offers a grant of 85% of the approved budget up to \$150,000 per year for two years. (total grant - \$300,000). The remaining 15% must come from the entrepreneur's resources, or from an outside investor.

Graduate projects may apply to the Office of the Chief Scientists for its regular R & D assistance programs.

For Further information:

TECHNOLOGICAL INCUBATORS PROGRAM OFFICE

P.O. Box 50031 Tel Aviv 61500

Tel: 972-3-5118127

Fax: 972-3-5173734

e-mail: incubators@actcom.co.il

Web site: <http://incubators.org.il>

5.2 TNUFA – Start up Promotion Program

Tnufa as a non-profit government unit, operates within the Ministry of Industry & Trade.

Its main goal is to provide early stage (pre-seed) assistance for individual technology entrepreneurs, as well as start-up companies (before the first round of capital raising).

The assistance includes:

Pre-seed funding (up to \$50 K to qualified projects)

Business monitoring led by experienced consultants

Business and Marketing consultation by experts

Legal advice

Assistance with identifying investors and strategic partners

Patent and Technological information search.

For further information:

Tel. 972 3 516 5044

Fax 972 3 516 5090

Web site – <http://www.tnufa.org.il>

5.3 JOINT VENTURES BETWEEN ENTREPRENEURS AND

ESTABLISHED BUSINESS ENTITIES

A. General

This program encourages cooperation of industry with entrepreneurs who need the experience and support of successful companies. Such joint ventures, in the past, have proved to be fruitful to both sides.

B. Grant

Applicants are eligible for a grant of 66% of approved R&D expenditures, up to a ceiling of US\$ 300,000 per year, over a period of up to two years. Following conclusion of the two year period, all the standard grants and programs under the Law will apply.

(C) Terms and Conditions

To qualify, the business entity must be composed of initiators and an established business concern of one of the following types:

An Israeli industrial entity experienced in R&D and having an accumulated sales turnover of at least US\$ 5 million, over the last 3 years.

Holding companies, financial or other, with a portfolio in excess of US\$ 12m, which are capable of commercializing the project.

A further condition is that, at the stage where the joint framework receives government aid, the initiators of the project will have an equity interest of at least 26% in the joint venture.

CHAPTER 6

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