

Taighde, Forbairt & Nuálaíocht
Research, Development and Innovation

Cáipéis Tagartha - Reference Document

09/03/2018

1. Introduction

Background

Research, Development and Innovation (RD&I) and the application of knowledge are critical drivers for the future success of Irish industry. It is therefore imperative that Ireland focuses on promoting the level, quality and commercial applicability of the RD&I undertaken, ensuring that industry leads the response to rapid changes in customer needs. In addition, innovation must pervade all aspects of the RD&I process.

The foremost innovating companies characteristically have a strong commitment to sustained RD&I investment. They are led by highly proficient management teams capable of identifying areas of opportunity and growing their companies to be flexible and responsive to market needs while successfully integrating the knowledge and technology they need. These companies also develop and actively participate in innovation networks and research groups to gain access to technology and new routes to market.

The RD&I Fund is designed to provide support for research, development and technological innovation relevant at all stages of company development, and which will enable companies to progress from undertaking an initial research project to high level Innovation and R&D activity.

Aims of the RD&I Fund

The direct aims of the RD&I fund are to;

- Incentivise company investment in new Product or Service Development in order to enhance the competitiveness of Irish industry.
- Incentivise the implementation of new process or organisational innovations in SMEs that could lead to more innovative market offerings from Irish companies.
- Support the development of advanced manufacturing or development processes involving technical uncertainty.

Expected national benefits of the RD&I Fund include;

- An increase in the number of companies performing effective R&D in Ireland.
- An increase in the scale of the investment in R&D in Ireland.
- An increase the number of companies doing structured R&D for the first time.
- Ensure Irish based companies, particularly SMEs, protect their futures by helping them reach and exceed European and international norms for R&D investment.
- An increase the quantity and quality of the R&D linkages between companies, either in Ireland or internationally, through collaborative research programmes such as EUREKA etc.
- More effective leveraging of products and services offered by companies through innovation at a business level through the implementation of new delivery methods or new business models.

Expected outcomes for companies participating in RD&I projects include;

- A significant, ongoing/established budget for new product or service development
- A culture of innovative thinking throughout the company which aims to harness the creativity of all the staff towards defined business goals.
- An established product or service development team with high level skills
- High quality facilities for new product or service development
- Good quality Innovation management systems and procedures
- External linkages with other stakeholders, including customers, partners, suppliers as well as other knowledge providers (such as 3rd level Universities and Institutes)

Legal Basis

The RD&I Fund is administered in accordance with the following Irish legislation;

- Industrial Development Act, 1986, Section 29
- Industrial Development (Enterprise Ireland) Act, 1998, Section 7

State Aid Basis

The EU State Aid basis for the overall scheme is;

- General Block Exemption Regulation for 2014–2020, published in Official Journal No 57, 26th June 2014
- Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

The State Aid basis for Key Manager support is the [De Minimis](#) Aid Guidelines

2. Eligibility Criteria

Eligible Companies

Eligible companies may include existing and potential clients of Enterprise Ireland, Údarás na Gaeltachta or any of the Local Enterprise Offices subject to the prevailing policies of those agencies.

Exclusions apply to;

- Enterprise Ireland start-up clients who have received HPSU investment funding are not eligible for RD&I funding for a period of three years after the date of investment,
- Large companies are eligible for R&D funding, but not Business Innovation funding.

Note that Enterprise Ireland's policy on providing R&D support to companies is that where a company has not reached a revenue generation stage in its development phase, or where its revenue is not covering its costs and the start-up risk of the company remains high, then Enterprise Ireland's support by means of equity is more appropriate than a grant.

Applications will be accepted from;

- Individual companies,
- 2 or more companies acting in collaboration,
- Companies who are part of consortia within Europe e.g. Eureka.

In the case of companies where there is collaboration between companies in different countries, only the R&D costs of the Irish companies are considered eligible for support under this R&D Fund.

Eligible Activities

Activities supported under the RD&I fund must be in the form of one or more projects. The definition of an R&D project from the EU RD&I framework¹ is helpful here.

'R&D project' means an operation that includes activities spanning over one or several categories of research and development defined in this framework, and that is intended to accomplish an indivisible task of a precise economic, scientific or technical nature with clearly pre-defined goals. A R&D project may consist of several work packages, activities or services, and includes clear objectives, activities to be carried out to achieve those objectives (including their expected costs), and concrete deliverables to identify the outcomes of those activities and

¹ Framework for state aid for research and development and innovation, 21.5.2014

compare them with the relevant objectives. When two or more R&D projects are not clearly separable from each other and in particular when they do not have independent probabilities of technological success, they are considered as a single project.

A single application may consist of multiple projects. Given the different grant rates and the different focus involved, R&D projects must be presented separately to Business Innovation projects although they could be combined in a single application.

Project activities must fall within one or more of the following definitions from the RD&I framework;

R&D Projects cover either experimental development or industrial research or a combination of both.

'experimental development' means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services. Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product and which is too expensive to produce for it to be used only for demonstration and validation purposes. Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing processes, services and other operations in progress, even if those changes may represent improvements;

'industrial research' means the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and notably for generic technology validation;

Business Innovation projects cover either process innovation or organisational innovation or a combination of both.

'process innovation' means the implementation of a new or significantly improved production or delivery method (including significant changes in techniques, equipment or software), excluding minor changes or improvements, increases in production or service capabilities through the addition of manufacturing or logistical systems which are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;

'organisational innovation' means the implementation of a new organisational method in an undertaking's business practices, workplace organisation or external relations, excluding changes that are based on organisational methods already in use in the undertaking, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;

Eligible Costs

Funding can be provided towards the costs of carrying out approved projects under the following headings;

- **Salaries** – personnel costs for company staff working directly on the project,
- Additional **overheads** incurred directly as a result of the project. This is calculated as a fixed percentage of salaries and is limited to 30% (including employers' PRSI),
- **Consultancy** – costs to the company of availing of consultancy support directly related to the project,
- **Materials** and other operating expenses directly related to the project (including prototype/design costs, travel and subsistence, some certification or clinical trial costs).
- **Capital*** – costs of purchasing equipment which is specific to and to the extent to which it will be used on the project
- **Patent costs*** – For small and medium enterprises, costs preceding the granting of the patent or other industrial property rights in Ireland including costs relating to the preparation, filing and validating of the application as well as costs incurred in renewing the application before the patent/right has been granted; translation and other costs incurred in order to obtain the granting or validation of the right in other appropriate countries. Patent costs for large companies cannot be supported.

**not for Agile Innovation projects*

Funding is only applicable for expenditure incurred within the approved project period, and exclusive and essential to the approved project. The costs set out in the project application will be assessed by Enterprise Ireland and only those costs that are considered to be reasonable and required for the project will be approved. Additional guidelines on eligible costs are provided in the application documents.

Project expenditure incurred prior to the receipt of the application by Enterprise Ireland will render the project ineligible for support.

3. Approval Committee Structure and Powers

Approval Committee

The R&D Committee will be composed as follows:

Chairperson	Appointed by Enterprise Ireland
Representatives from <ul style="list-style-type: none">• Teagasc (1)• Enterprise Ireland (3)• Údarás na Gaeltachta (1)• Bord Bia (1)	Nominated by the relevant Agency and appointed by Enterprise Ireland.
Up to 6 Private Sector members	Appointed by Enterprise Ireland
Third Level Sector member (1)	Appointed by Enterprise Ireland
Department of Jobs, Enterprise and Innovation (1)	Appointed by the DJEI
Department of Agriculture, Fisheries & Food (1)	Appointed by Agriculture, Fisheries & Food

Powers and Functions of the Committee

The Committee:

- shall have power to approve funding assistance under the RD&I Fund, subject to the terms and conditions of the RD&I Fund.
- shall decide the terms and conditions of individual grants within the framework of the RD&I Fund.
- shall decide its own procedures and shall agree the procedures for administering applications for and payment of grants and the Commercial and Technical Evaluation Scoring process.
- shall have the responsibility to ensure consistency, transparency and equity in the operation of the RD&I Fund.

Delegation of Power to the Agencies

The Agencies are defined as Enterprise Ireland and Údarás na Gaeltachta.

The Committee:-

- (i) May delegate responsibility to each of the Agencies for funding decisions in respect of projects involving Grants of up to €150,000.
- (ii) May delegate to each of the Agencies the power to make minor amendments to the wording of minutes, prior to the issue of the letter of offer, subject to the chairman of the R&D Committee being so notified. This Delegated Power is subject to the relevant agency's interests not being prejudiced.
- (iii) May delegate to each of the Agencies the power to amend standard conditions of grants approved excluding:
 - conditions required by the terms and conditions of the R&D Fund
 - any special conditions attached by the Committee to the specific approvalprovided that the structure and character of the project, as originally approved, not being significantly diminished nor affected (in the event of uncertainty, the relevant Agency to consult with the Chairman of the R&D Committee to determine if compliance exists or the matter should be referred to the R&D Committee).
- (iv) May delegate to the Agencies the power to cancel grant balances.

Maximum Funding levels

The maximum R&D grant that a company can receive from the R&D Committee is €650,000. Companies with projects seeking financial support in excess of this amount will be evaluated on a case by case basis by the Enterprise Ireland Investment Committee.

The maximum grant recommended for Business Innovation projects is €150,000.

The maximum grant for Agile Innovation projects is €150,000 and a maximum expenditure of €300,000.

The maximum grant **rates** are given in the table below based on an overall maximum support rate of 50% as set out in Irish legislation²:

	Small Enterprise	Medium Enterprise	Large Enterprise
Aid for R&D projects			
Industrial Research	50%	50%	50%
- subject to effective collaboration between undertakings (for large enterprises, cross-border or with an least one SME).	50%	50%	50%
Experimental development	45%	35%	25%
- subject to effective collaboration between undertakings (for large enterprises, cross-border or with an least one SME).	50%	50%	40%
Innovation aid for SMEs (patent costs)	50%	50%	-
Aid for Business Innovation (process and/or organisational innovation)	50%	50%	-

The Committee may offer grant at a lower rate than the maxima above. Considerations for setting a grant rate could include value for money, the incentive effect and the nature of the technological or innovation challenge.

² INDUSTRIAL DEVELOPMENT ACT, 1986, Article 29, section (4)

Form of Aid

Funding will normally be in the form of an R&D grant, but may be offered in the form of equity at the discretion of Enterprise Ireland based on the financial position of the company.

Fund Size

The fund size is determined on an annual basis. Where budget constraints require it, projects will be ranked based on the evaluation criteria outlined in the next section

4. Application, Assessment and Approval Processes

Application Process

Applications for funding are normally invited through a public call for submission of projects on the last working day of each month. Application forms and company guidelines are available on the Enterprise Ireland website.

In order to streamline the process for smaller or shorter projects (involving Grants of up to €150,000), may be submitted at any time to Enterprise Ireland and will be considered under Delegated Powers to Line Management rather than go to the R&D Committee.

Assessment of Applications

Project evaluation will consist of a commercial assessment and a technical assessment. The approving committee/authority will be presented with an assessment of the application, which incorporates comments on the following criteria:

- Value for money for the State taking into account the performance against targets set in previous investments,
- The overall amount of State funding received by the company in the last seven years,
- How the RD&I plan is an integral part of the strategic development plan of the company,
- The financial track record of the company,
- The development needs of the company,
- Previous track record in implementing any previously State funded RD&I projects,
- The proposed increase in RD&I capability within the company,
- The technical feasibility of the project(s),
- That the costs to be approved are reasonable and required for the project(s).

Approval Process

The Committee (or delegated Manager(s) in the case of smaller applications), in making its decision on the funding rate to be applied, will take into account an assessment of the technical, commercial and financial risks associated with the project(s) as well as the need for funding (the incentive effect). To demonstrate the incentive effect, the company must show in their application that the grant aid will result in at least one or more of the following;

- A material increase in the size of the project(s), or
- A material increase in the scope of the project(s), or
- A material increase in the total amount spent on the project(s), or
- A material increase in the speed of completion of the project(s), or
- The project(s) taking place when it would not have proceeded at all without the aid

Where applications are approved through delegated powers to line management, those projects will be submitted to the R&D Committee for information. While the line management approval will be final in those cases, the R&D Committee may seek to review the process if it decides that is appropriate.

Other points to note with regard to approvals;

- It is a requirement of the State Aid rules under which this initiative is approved that the project must not have commenced prior to the company submitting the application to Enterprise Ireland.
- Projects should begin within six months of the formal approval, otherwise approval may be withdrawn. Projects approved for aid must be completed by the deadline for completion stated in the grant agreement or by the revised deadline where an extension has been given.

5. Definitions

Company Size

The full definition of an Small of Medium-sized Enterprise (SME) is given in ANNEX 1 of COMMISSION REGULATION (EU) No 651/2014 of 17 June 2014 and that should be consulted if there is any doubt in a particular case.

The key considerations relate to staff headcount and financial thresholds which are given in Article 2 of that ANNEX as;

- 1. The category of micro, small and medium-sized enterprises ('SMEs') is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.*
- 2. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.*

A company that exceeds the upper limits of the Medium Enterprise is automatically classed as a Large Enterprise.

Collaboration

In order to be eligible for a collaborative bonus there must be at least two companies, which are independent of each other. No single company can bear more than 70% of the costs of the collaboration project. The collaborative project must either; involve at least one SME, or, where no SME is involved, then the R&D must be carried out in at least two Member States.

Subcontracting is not considered collaboration.

The RD&I Fund focuses on collaboration between companies. Collaboration between companies and research organisations are covered under the Enterprise Ireland Innovation Partnership Fund.