Taighde, Forbairt & Nuálaíocht
Research, Development and Innovation

 Cáípéis Tagartha - Reference Document 2021

27082021 Revision 1.1
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.

R&D support by the State stems from the need to address market failures related to knowledge spill-overs from private investment in research and development (R&D), risks associated with imperfect information and costs associated with R&D activity. It also stems from the role of Government in incentivising and supporting the enterprise base to develop its capacity and capability in R&D in Ireland.

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 that could lead to more innovative market offerings from Irish companies.
- Support the development of advanced manufacturing or development processes involving technical uncertainty.
- Build capability in Irish enterprises in R&D skills which enable the development of new products and processes and services.

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 in 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)

**State Aid Basis**

The EU State Aid basis for the overall initiative is;


GBER, Section 4, Article 25-30, deal with ‘Aid for Research and Development and Innovation’.

The State Aid basis for Key Manager support is the De Minimis Aid Guidelines.

The State Aid basis for the Business Innovation Initiative (BII) support for large companies is the De Minimis Aid Guidelines.

GBER has been amended to broaden the scope of the application of the “undertaking in difficulty” rule temporarily. The Undertaking rule to be applied to all R&D projects seeking support under GBER.

The period of application of Regulation (EU) No 651/2014 (General Block Exemption Regulation (GBER)) has been extended by three years until 31 December 2023. The outcome of the representations by Member States was that the extension of the regulations provides that companies who are classed as undertakings in difficulty between 1st January 2020 and 31st December 2021, can still receive aid, under GBER, if they were not in difficulty on 31 December 2019.

**Legal Basis**

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

- Industrial Development (Amendment) Act 2019 see Appendix I
- Industrial Development Act 1986, Section 29
- Industrial Development (Enterprise Ireland) Act, 1998, Section 7

The Irish legislation involves the payment of a research grant towards the costs of the project incurred within the State, with reference to the following section:
Subject to paragraph (b), in respect of a project where part of the approved costs are incurred in the State and part of the approved costs are incurred outside the State, Enterprise Ireland may apply a different grant rate or rates in respect of the approved costs incurred in the State from the rate or rates in respect of the approved costs incurred outside the State.

In relation to a project referred to in paragraph (a), the aggregate amount of the research grant or grants payable in respect of the approved costs incurred outside the State shall not exceed the amount of the research grant or grants payable in respect of the approved costs incurred in the State.

Note:
All companies submitting an application for R&D support must be EBITDA positive in the previous accounting period or; for at least the previous nine months prior to application and can demonstrate sustainable future EBITDA.

The majority of the project must be carried out in Ireland and the assessment criteria will require an analysis of costs incurred in the State and costs incurred outside the State.

In relation to salaries, overhead and travel costs, the cost relate to staff working on the R&D project in Ireland.

The established policy is to work to maximising the ‘in-house R&D’ and the materials that are required for the project will typically be used for the ‘in-house R&D’ in the State.

Therefore, where a company sources all it materials for the R&D project in the another State and the subcontract R&D work is carried out in another State then that would breach the legal and policy requirements in respect of building R&D capability and capacity in the State and in the applicant company.

2. Eligibility Criteria

Eligible Companies

Eligible companies are limited to 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 typically not eligible for RD&I funding for a period of three years after the date of investment,

Applications will be accepted from established

- Individual companies,
- 2 or more companies acting in collaboration (Appendix II)
- 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&I 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 framework\(^1\) 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 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;

‘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;

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

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\(^1\) Framework for state aid for research and development and innovation, 21.5.2014
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. The eligible staff salary costs are core salary costs and are exclusive of employers PRSI, employers Pension contributions, bonuses. *The actual Salary levels of staff involved in the R&D project(s) are eligible for support.*

- Additional **overheads** incurred directly as a result of the project. This is calculated as a fixed percentage of salaries and is limited to 30%.

- **Consultancy** – costs to the company of availing of consultancy support directly related to the project or project work that is subcontracted to a third party. The maximum eligible cost for consultancy is €900 per day per project.

  *If the amount of eligible expenditure for subcontracted/consultancy work on the project exceeds 60% of the total costs, the project is deemed ineligible.*

  *The requirement is that at least 40% of the expenditure on the R&D project (related to salaries) must be carried out in house in order to build R&D capability. However, it is important to recognise that this is a guidance on the maximum allowable, not a target – ideally the amount of in-house R&D should be far higher than the amount of subcontract/consultancy costs.*

  Also, the Industrial Development Act 1986 and 2019 (as amended) must be taken into account; with reference to what percentage of the work is carried out in Ireland.

- **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. Experimental production and testing of products, processes and services are also eligible, provided that these cannot be used or transformed to be used in industrial applications or commercially. The State can only support the costs of capital equipment that is intended for the R&D project. Capital costs are not supported for R&D Agile projects.

  **Note: Depreciation of Capital cost for the R&D supports**

  The EU State Aid rules require that capital costs requested by companies for R&D projects under the R&D offer can only be funded for the duration of the project. If companies have their own depreciation policy for different items included in their capital cost request, which will be used in their asset management / accounting systems, the assessors could use this as a guideline.
- **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. Patent costs are not supported for R&D Agile 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.
- **Key Manager**

The aim of the initiative is to provide funding towards the cost of recruiting a new Key Manager e.g. R&D Key Manager, with the necessary skills to provide for the building of technical capability in the company.

The Key Managers support is typically made under De Minimis Aid but can also be made under Regional Aid as appropriate:

**De Minimis Aid**

- 1 year Salary costs at * 50% grant rate.

**Regional Aid**

- Salary for full time staff * grant aid rate (defined by the Regional aid map) * 2 years.

The role is a senior management function and the salary level should reflect the strategic nature of the role. A guideline minimum salary of €45K outside Dublin and €50K in Dublin is recommended.

- the position is a new role and not a replacement for an existing position and may not be filled by way of promotion from within the company
- the role provides new professional external expertise to the company.
- a competitive interview process will be used to select the successful candidate.
- the role is to be based in Ireland

### 3. Approval Committee Structure and Powers

**Approval Committee**

The R&D Committee will be composed as follows:

<table>
<thead>
<tr>
<th>Chairperson</th>
<th>Appointed by Enterprise Ireland</th>
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<tr>
<td>Representatives from</td>
<td>Nominated by the relevant Agency and appointed by Enterprise Ireland.</td>
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<tr>
<td>- Teagasc (1)</td>
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<tr>
<td>- Enterprise Ireland (3)</td>
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<tr>
<td>- Údarás na Gaeltachta (1)</td>
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<td>- Bord Bia (1)</td>
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<tr>
<td>Up to 6 Private Sector members</td>
<td>Appointed by Enterprise Ireland</td>
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<tr>
<td>Third Level Sector member (1)</td>
<td>Appointed by Enterprise Ireland</td>
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<tr>
<td>Department of Enterprise Trade &amp; Employment (1)</td>
<td>Appointed by the DETE</td>
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<tr>
<td>Department of Agriculture, Fisheries &amp; Food (1)</td>
<td>Appointed by Agriculture, Fisheries &amp; Food</td>
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**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.

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 for Business Innovation projects is €150,000 with a maximum expenditure of €300,000.

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

The grant rates are given in the table below based on the EU General Block Exemption Regulations and provided for under the Irish Industrial Development Act 2019 as amended:

<table>
<thead>
<tr>
<th>Form of Aid</th>
<th>Small Enterprise</th>
<th>Medium Enterprise</th>
<th>Large Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experimental development</td>
<td>45%</td>
<td>35%</td>
<td>25%</td>
</tr>
<tr>
<td>- subject to effective collaboration between undertakings (for large enterprises, cross-border or with at least one SME).</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
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<tr>
<td>Innovation aid for SMEs (patent costs)</td>
<td>50%</td>
<td>50%</td>
<td>-</td>
</tr>
<tr>
<td>Aid for Business Innovation (process and/or organisational innovation)</td>
<td>50%</td>
<td>50%</td>
<td>50%*</td>
</tr>
</tbody>
</table>

*Note that support for Business Innovation for Large companies is De Minimis Aid funding.

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

Form of Aid

Funding will normally be in the form of an R&D grant, but may be offered in the form of equity or a Convertible loan note (CLN), 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.
Public Procurement

Where the grant rate is greater than 50%, public procurement guidelines must be followed for expenditures on the project. The grant inspection team will validate that this requirement has been met. An information sheet on public procurement requirements for projects with greater than 50% funding will be available on the EI website and as an information e-leaflet for clients.

4. Application, Assessment and Approval Processes & Claims Process

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 R&D Agile projects (involving Grants of up to €150,000), R&D Agile projects 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.

**Claims Process**

Companies to complete the claims checklist for each claim and submit with all required documents. If any of the required documents are missing, the claim will be returned.

**Contingent Grant Liability**

Contingent Grant Liability (CGL) is a potential future liability, which grant assisted companies take on for the period of the EI Agreement. This liability will crystallise if the assisted company is in material breach of the provisions of the agreement.

In the event of such a breach occurring the company will be required to repay all grants received under that particular agreement.

Where grant assisted companies are part of a group structure, the parent/holding company will generally be required to underwrite the CGL at approval stage.

**Contingent Grant Liability**

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<tr>
<td><strong>R&amp;D</strong></td>
<td>5 years</td>
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<tr>
<td><strong>Business Innovation Initiative</strong></td>
<td>5 years</td>
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</tbody>
</table>
5. Definitions

Company Size

The full definition of a 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 supports collaboration between companies. Collaboration between companies and research organisations are covered under the Enterprise Ireland Innovation Partnership Fund.