

Government-Supported Incentive Programs

The OCS - Office of the Chief Scientist

The Office of the Chief Scientist (OCS) of the Ministry of Industry, Trade and Labor is responsible for implementing government policy regarding support and encouragement of industrial research and development. The role of the OCS is to assist in the development of new technologies in Israel, as a means of fostering the Israeli economy, encouraging technological entrepreneurship, leveraging Israel's science-based resources, supporting high added value R&D, enhancing the knowledge base of Israeli high-tech industries and promoting cooperation in R&D both nationally and internationally.

The OCS also offers a range of support programs within the framework of directives from the Director-General of the Ministry of Industry, Trade and Labor.

The Law for the Encouragement of Industrial R&D 1984

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. Recent revisions in the law bring it into line with the age of globalization.

Principles of the revised Law

The Law seeks to strengthen the profitability of the overall Israeli economy, which stems from investment in R&D, especially in pre-competitive generic technologies of individual companies.

The revised Law allows, but does not encourage, the transfer of both know-how and manufacturing rights abroad under clearly defined conditions.

The R&D Fund

An approved R&D program is one lasting one or more years, resulting in the development of a new product or in a significant improvement to an existing product. The development also may lead to a new industrial process or to a significant improvement in an existing industrial process. Grants are from 20 percent to 50 percent of total approved R&D expenditures. The annual budget of approximately \$400 million is spent on some 1000 projects undertaken by 600 companies.

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 20 percent and 50 percent depending on various factors, including the potential of individual projects) of the projected R&D expenditures approved by the Research Committee.

A project that received an R&D grant from another government source is not eligible for a grant under the Law.

Assistance for the beta site stage is given as part of the R&D grant. The beta site stage is recognized as an important and integral part of the R&D project. Its aim is to test the product in real operating circumstances by selected end-users, who supply technical feedback and suggestions for the modification of product features and specifications.

R&D projects conducted in areas designated as Development Area A are eligible for grants of 60 percent of the total approved R&D budget. The approval process is identical to that of the standard R&D program. In locations along Israel's northern border and near Gaza, grants of 70 percent are available for R&D and grants of 75 percent for manufacturing.

Traditional Industries Upgrade Program

The OCS has launched a program dedicated to traditional industries (industries characterized by relatively low investment in R&D). The objectives of this program are to:

- Provide mentoring and assistance in strategic planning;
- Encourage innovation and an R&D culture;
- Develop high-end products.

The program offers unique benefits for traditional industries:

- Separate sessions of the Research Committee;
- Automatic 50 percent grant for approved R&D program;
- Four months retroactive funding (50 percent participation) of salaries for qualified R&D employees;
- Participation in funding of production molds that may be required for the R&D program;
- Participation in funding for acquisition of innovative technology/intellectual property;

- Full exemption of royalty payments - as from September 2009 for a 2 year admittance period.

Royalty Payments

A company is obligated to pay royalties when a government-assisted R&D project results in a commercially successful product. Royalties are used to fund future grants that encourage and support industrial R&D. Normally, royalty payments are a specified percentage of the total annual revenues derived from the sale of a developed product. These are 3.0 percent of revenues during the first three years and 3.5 percent from the third year onward. Total royalty payments may not exceed the amount of the grant plus interest, except in cases involving the transfer of production rights abroad.

CONTACT: Aviram Zolty

Manager of Royalties Department

Tel: +972-2-666-2456

Fax: +972-2-666-2925

Email: tmura@ocs.moital.gov.il

Pre-Seed and Seed Programs Technological Incubators

The incubator program provides a supportive framework to enable novice entrepreneurs with innovative concepts to establish their own companies and translate their ideas into commercial products. The program, with an annual budget of approximately 50 million, provides entrepreneurs with R&D grants and infrastructure, business guidance and administrative assistance. Today, there are 26 technological incubators in Israel, among them two are technology based industrial incubators, carrying out proximately 200 projects.

Nearly 1000 professionals are involved directly in incubator projects and thousands more indirectly. To date, 23 of the existing incubators have been privatized - transformed from nonprofit organizations into "for profit" companies. The privatization process is aimed at enhancing the involvement of private investors in incubator activity. It does not decrease the government's financial support, but increases the private investment by the incubator owners in both the incubators and the individual projects.

A new type of incubator - a technology-based industrial incubator - has recently been established in Haifa and Arad. These incubators will deal with projects that are not appropriate as technological incubators but,

with early support and guidance in manufacturing and commercialization, still have potential to become successful businesses. A biotechnology designated incubator was established in 2005 in Jerusalem in order to help Israel's biotechnology industry realize its potential. Plans for 2010 call for the opening of a second biotechnology incubator.

CONTACT: Yossi Smoler

Program Director - Technological Incubators Program
PO Box 50031, Tel Aviv 61500, Israel
Tel: 972-3-511-8127
Fax: 972-3-517-3734
Email: incubators@actcom.co.il
Web: <http://incubators.org.il>

TNUFA

TNUFA is designed to encourage and support technological entrepreneurship and innovation at the pre-seed stage. TNUFA assists individual inventors and start-up companies during the earliest stages of their projects. This includes evaluation of the technological and economic potential of an idea, patent proposal preparation, prototype construction, business plan preparation, establishing industry contacts and attracting investors. Grants of up to 85 percent of approved expenses are available to a maximum of \$50,000 per project.

CONTACT: Jacob Fisher

Director
Tel: +972-3-516-5044
Fax: +972-3-516-5090
Email: mail@tnufa.org.il
Web: www.tnufa.org.il

HEZNEK - Support for Seed Companies

The HEZNEK program is aimed at mobilizing investments in start-up companies by jointly investing with outside investors - venture capital funds or investment companies. Start-ups eligible for the program are those in existence less than six months and which have not incurred more than NIS 1 million in expenses since their establishment. The Government's investment may be up to NIS 5 million over two years and account for the littlest of 66 percent of the approved R&D budget or 50 percent of the company's overall expenses. Investors have an option to purchase the government's share at any time within the first seven years.

CONTACT: David Lavie

Director Seed Fund
Tel: +972-2-666-2474
Email: david.lavie@ocs.moital.gov.il

MAGNET

The MAGNET program supports collaboration among academic institutions, industry and technological user associations. It seeks to develop Israel's industrial infrastructure by supporting the R&D of generic pre-competitive technologies. The MAGNETON track promotes technology transfer from academia to industry via mutual cooperation between individual companies and specific academic research programs. The Katamon track, dedicated to water technology, is a collaboration among academia, industry and the water infrastructure company that aims to promote new ideas.

The MAGNET program will celebrate soon its 50th consortium, 12 of which are currently active, in which participants develop the technology building blocks for the next generation of products. The track includes five technology user associations, where companies share enabled technologies that were developed abroad or in other tracks. Grants of up to 66 percent of the approved budget are available with no royalty payments. MAGNET's annual budget is approximately \$60 million.

CONTACT: Ilan Peled

Director
Tel: +972-3-511-8110
Fax: +972-3-510-0622
Email: info@magnet.org.il
Web: <http://magnet.consortia.org.il>

NOFAR

NOFAR is a new track under the MAGNET program, which aims to bridge the gap between basic and applied research. A program is in place that provides grants of up to 90 percent of biotechnology and nanotechnology projects.

CONTACT: Ilan Peled

Director
Tel: +972-3-511-8110
Fax: +972-3-510-0622
Email: info@magnet.org.il
Web: <http://magnet.consortia.org.il>

R&D Support for Large Investors

This program is designed for companies with more than 200 R&D employees or an annual R&D budget

of \$20 million and yearly revenues exceeding \$100 million. Grants of 66 percent of the approved R&D budget are available.

DETAILS AT: www.moital.gov.il/madan.htm

Support for Research Institutions

This program supports R&D carried out by research institutions with clear linkage to industry.

DETAILS AT: www.moital.gov.il/madan.htm

International Cooperation in R&D

MATIMOP - Israel Industry Center for R&D

MATIMOP is a governmental non-profit organization that aims to promote the development of advanced technologies in Israel and create fruitful international partnerships through industrial cooperation and joint ventures. MATIMOP acts on behalf of the OCS as the national agency in charge of encouraging and assisting participation of Israeli enterprises in international bilateral or multilateral cooperation programs for industrial R&D.

MATIMOP implements most bilateral R&D cooperation agreements on behalf of the OCS and thus serves as a contact point for various agreements. As such, MATIMOP is in constant contact with most Israeli high-tech companies and maintains a database of more than 3000 companies of all sizes, interested in international cooperation. The database can be searched by technology, application, keyword or alphabetically at: www.matimop.org.il/newrdinf/company/compsrc.htm

CONTACTS: Michel Hivert

Managing Director

Email: michelhi@matimop.org.il

Haya Miller

Deputy Managing Director

Tel: +972-3-5118-111

Fax: +972-3-5177-655

Email: hmillier@matimop.org.il

Web: www.matimop.org.il

Via the OCS, the Government of Israel acts with other governments, provinces and organizations to actively support and encourage industrial R&D cooperation between Israel and overseas industry. There are currently more than 30 bi-national R&D cooperation agreements between Israel and countries around the world. These agreements facilitate access to know-how and technologies, as well as open up new markets.

CONTACT: Mina Goldiak

Head of International R&D Relations
and Cooperation

Tel: +972-3-511-8175

Fax: +972-3-517-7655

Email: minag@matimop.org.il

EUREKA

EUREKA is an initiative of nearly 40 European governments (including Israel) and the EU to create a pan-European network for market-oriented, industrial R&D. The objective is to bring high-quality R&D efforts to the market and to use the multiplying effects of cooperation. EUREKA is the largest European platform for industrial innovation projects that are funded through national and regional schemes in the participating countries. In Israel, the Office of the Chief Scientist supports Israeli companies participating in EUREKA projects.

On a yearly basis, EUREKA supports more than 300 collaborative projects in a variety of industries, totaling over 1.5 billion Euros. These industrial projects match up partners from two or more member countries – including small and medium-sized enterprises (SMEs), large industry, and research institutes. Over 40 percent of EUREKA project participants are small and medium enterprises.

Projects can be launched in virtually all industry fields and technological areas – IT, manufacturing, water technologies, communications, biotechnology and energy, among others. EUREKA initiatives look to meet challenges such as climate change, energy security, and limited water resources.

Israel has served as a full member of EUREKA since 2000 and is the only full non-European member in the program. From all of EUREKA's 40 member countries, Israel is actually one of EUREKA's most active participants. Currently, Israeli companies participate in more than 10 percent of all EUREKA projects and in more than 20 percent of all EUREKA clusters projects.

In July 2010, Israel took the reins of the EUREKA Network as its year-long Chair. The nomination of Israel for the chairmanship is an unprecedented achievement at the national level, which marks a significant milestone in the EU - Israel political and economic relations. Leveraging Israel's culture of innovation and spirit of entrepreneurship, the Israeli EUREKA Chairmanship has helped develop new sources of funding for start-up

companies, small and medium sized enterprises, and research institutes in Israel and throughout Europe and the world. The chairmanship is being led by the Israeli Ministry of Industry, Trade and Labor through the Office of the Chief Scientist and MATIMOP - the Israel Industry Center for R&D.

CONTACT: Israel Shamay

Executive Director Industrial
Cooperation Programs - Europe
Tel: +972-3-511-8100
Email eureka@matimop.org.il

Eurostars

The Eurostars Program is the first European funding and support program specifically dedicated to R&D-performing small and medium enterprises (SMEs) and start-ups. Eurostars aims to encourage their international collaborative research and innovation projects by easing access to support and funding. Eurostars projects can address any technological area, but must be market-driven, have a civilian purpose and have as its objective the development of a new product, process or service. A Eurostars project is collaborative, meaning it must involve at least two participants (legal entities) from two different Eurostars participating countries. In addition, the main participant must be an R&D-performing SME from one of these countries.

Eurostars is jointly operated by the EUREKA network and the European Commission, and projects are funded through dedicated national funding schemes.

CONTACT: Israel Shamay

Executive Director Industrial
Cooperation Programs - Europe
Tel: +972-3-511-8100
Email eureka@matimop.org.il

Galileo

Galileo is Europe's flagship program for the development of a global satellite navigation system composed of 30 satellites and nearly 50 ground stations worldwide. The program is managed by the European Commission and the European Space Agency. Israel and China are the only non-European full members in the program. MATIMOP has been nominated to facilitate the Israeli participation in Galileo and is a member in the Galileo Joint Undertaking. Details at www.matimop.org.il and www.gsa.europa.eu.

CONTACT: Israel Shamay

Executive Director Industrial
Cooperation Programs - Europe
Tel: +972-3-511-8100
Email eureka@matimop.org.il
Web site www.eurostars-eureka.eu

Enterprise Europe Network (EEN)

MATIMOP serves as the coordinator of the new Enterprise Europe Network center in Israel. The Enterprise Europe Network is comprised of close to 600 partner organizations in more than 40 countries, promoting competitiveness and innovation at the local level in Europe and beyond. The new network will continue to provide the services offered by the Israeli Innovation Relay Centers (IRC) in the past, including the publication of technology offers and technology requests, and aiding Israeli companies and researchers to find suitable partners for technological cooperation abroad.

The Enterprise Europe Network combines and builds on the former Innovation Relay Centers and Euro Info Centers offering a "one-stop shop" to meet all the information needs of SMEs and companies in and around Europe. It fully exploits the synergies between all support services and help desks aimed at European businesses.

CONTACT: Dr. Daniel Yogev

Project Coordinator
Tel: +972-3-511-8177
Mobile: +972-52-733-3061
Email daniel@matimop.org.il

EU Framework Programs for R&D

Israel is the only non-European state fully participating in the European Union's Framework Program (FP), the prime vehicle for research and technological development. The FP provides funding for the following areas: health, food, agriculture and biotechnology, information and communication technologies, nanosciences and nanotechnologies, energy, environment and climate change; transport and aeronautics, socio-economic sciences and the humanities, space and security.

ISERD - The Israel-Europe R&D Directorate for the Framework Program, operating through the Office of the Chief Scientist of the Ministry of Industry, Trade and Labor, aims to promote joint Israeli-EU R&D ventures within the EU's R&D Framework Program. ISERD is an inter-ministerial directorate, established by the Ministry

of Industry, Trade & Labor; The Ministry of Science; The Ministry of Finance; and the Planning and Budget Committee of the Council for Higher Education.

ISERD

- actively assists academic and industrial entities in preparing and submitting their EU-RTD program proposals
- provides help in identifying partners and business opportunities
- offers assistance, training and support services to interested parties
- disseminates information and raises awareness within Israel
- organizes events such as training sessions, seminars and conferences ISERD represents Israel in the Framework Program's management committees at the European Commission. It is also responsible for the promotion of Israeli interests in the Framework Program's key organizations, such as research institutions and universities. More than 2000 Israeli entities participated in R&D projects in the 4th, 5th and 6th Framework Programs. The current Framework Program, FP7, began in 2007 and will extend to 2013 under a total budget of € 50 billion.

CONTACT: Marcel Shaton

General Manager
Tel: +972-3-511-8122
Fax: +972-3-517-0020
Email: iserd@iserd.org.il
Web: www.iserd.org.il

US - Israel Science & Technology Commission

This initiative provides a unique and highly beneficial environment for promoting binational cooperation at the highest levels of government and industry. Together with its implementation arm, the US-Israel Science and Technology Foundation, the Commission focuses on areas of bi-national strategic importance, such as the life sciences, homeland security and renewable energy. The Commission acts as a catalyst by identifying and removing impediments and building the bi-national infrastructure for mutually beneficial economic and technological cooperation.

CONTACT: DAVID MIRON WAPNER

Tel: +972-3-511-8195
Fax: +972-3-517-4617
Email: david@usistc.org
Web: www.usistc.org

The Global Enterprise R&D Cooperation Framework

The Global Enterprise R&D Cooperation Framework, established by the Ministry of Industry, Trade and Labor's Office of the Chief Scientist, works to encourage large multinationals to forge alliances with Israeli start-ups. This is accomplished via strategic cooperation agreements between the State of Israel and multinationals, such as Alcatel, IBM, Intel, HP, Coca Cola and General Electric.

CONTACT: Jacob Fisher

Director
Tel: 972-3-516-5044
Fax: +972-3-516-5090
Email: mail@tnufa.org.il

Project Center for Multinational Companies

This program encourages multinational companies to establish a "Project Center" in Israel.

Project Center is an Israeli company, wholly owned by the multinational company, which functions as the representative of the multinational company in Israel.

Role of the Project Center:

- locating and forming R&D collaborations between an Israeli partner and the multinational company
- creating and implementing R&D projects and providing financial assistance to the Israeli partner
- providing professional assistance to the Israeli partner

Government financing will be the lowest of the following:

- 40 percent of the Project Center's operating expenses
- 50 percent of the accumulated investment funding given to the Israeli partner in the project
- accumulated investment funding given to the Israeli partner in national preference zones or from traditional industry

CONTACT: David Lavie

Tel: +972-2-666-2474
Fax: +972-2-666-2926
Email: david.lavie@ocs.moital.gov.il

Program to Encourage the Establishment of R&D Centers in Israel for the Service of the International Financial Community

The Office of the Chief Scientist (OCS) is fostering a pro-active approach to create engines of growth in various sectors of the economy, including software,

communications, life sciences, traditional industries, renewable energy sources and water technologies. The objective of this approach is to develop and create a new engine of growth in the financial sector by means of a new program that will encourage leading multinational financial institutions to establish R&D centers in Israel that will service the international financial community. The levels of government support within the framework of this program are of 40 percent of total budget approved by the Research Committee for projects to be executed in the first and second years; 30 percent for the third and fourth years and a level of 25 percent for the fifth year.

Projects executed in the Periphery will enjoy support levels of 50 percent for the first and second years, 40 percent for the third and fourth years and 35 percent for the fifth year. The years listed in this paragraph will commence in the date indicated in the Letter of Approval for the Multiyear Activity Framework.

CONTACT: Zev Adelman

Director of Computer
and Software Research, OCS
Tel: +972-2-666-2497
Email: Zev.Adelman@ocs.moital.gov.il

Bi-national Funds

In this framework, two nations contribute a pre-determined sum to a binational foundation intended to support cooperative projects. A board of directors is appointed by the two governments, and each fund establishes its own criteria and procedures. The funds are managed, and grant payments are administered by a non-profit organization. The bi-national foundations do not receive equity in the companies supported, nor do they receive intellectual property rights or interfere in formulating or managing relationships between partnering companies. In addition to providing R&D projects with financial support, foundations search for business partners in both countries for the purpose of collaboration in technology development projects.

BIRD (Bi-national Industrial R&D) Foundation

BIRD is a key catalyst for joint R&D between American and Israeli companies. BIRD brings together promising Israeli companies with medium-to-large US counterparts, focusing on emerging industries and novel technologies. Any pair of companies, one Israeli and one American, may

jointly apply for BIRD support as long as they have the combined capability and infrastructure to define, develop, manufacture, market, sell and support an innovative product based on industrial R&D. Typically, the Israeli company is involved in the development of cutting-edge technologies, while the American company offers large-scale product development and commercialization. The BIRD Foundation offers conditional grants for joint development projects on a risk-sharing basis. The Foundation funds up to 50 percent of each company's R&D expenses associated with the joint project. Repayments are due only if commercial revenues are generated as a direct result of the project. If a project fails, BIRD claims no repayments. BIRD requires no equity in the companies supported and no intellectual property rights to their products. Nor does BIRD interfere in formulating or managing the relationship between the partnering companies.

BIRD's scope extends to communications, life sciences, electronics, software and other high technology sectors. The areas of homeland security, renewable energy, water technology and nanotechnology are of particular interest to BIRD. Cumulative sales of products developed through BIRD projects are more than \$4 billion. Since its inception more than 30 years ago, BIRD has funded over 800 projects.

BIRD also manages TRIDE - a Tri-national Fund, bringing together Israeli, Jordanian and US companies for projects based on the BIRD model.

CONTACT: Dr. Eitan Yudilevich

Executive Director
Kiryat Atidim, Building 4
Tel Aviv 61581 Israel
Tel: +972-3-647-0710
Fax +972-3-649-8341
Email: eitan@birdf.com
Web: www.birdf.com

CIIRDF - Canada Industrial R&D Foundation

The Canada-Israel Industrial R&D Foundation (CIIRDF) was established in 1994 to promote and support collaborative R&D between firms in Canada and Israel. The CIIRDF offers grants for joint R&D projects, and searches for R&D partners in Canada and Israel to collaborate in technology development projects. CIIRDF is also entrusted with the implementation of the Ontario agreement, which

will focus on projects connected to convergent health and clean-tech.

CIIRDF's support includes funding of both feasibility studies and full projects. Support can reach a maximum of 50 percent of the eligible R&D costs of joint projects up to a ceiling of C\$800,000. CIIRDF requires no equity in the companies supported and no intellectual property rights in their products. It requires only that the nominal grant is repaid interest free on the basis of royalties if commercial revenues are generated as a direct result of the project.

CONTACT: Headquarters Address:
371A Richmond Road,
Ottawa, Ontario, Canada

Henri Rothschild

President

Tel: +1-613-724-1284

Fax: +1- 613-724-1134

Email: hrothschild@ciirdf.ca

Israel office:

Les Abelson

Foundation Manager in Israel

Tel: +972-9-749-4043

Mobile: +972-50-216-3144

Email: les@ciirdf.ca

The Korea-Israel Industrial R&D Foundation (KORIL-RDF)

The Korea-Israel Industrial R&D Foundation (KORIL-RDF) was established by the Korean and Israeli governments in 2001 in order to promote and support industrial R&D joint ventures between companies in Israel and South Korea. Funding can be obtained for up to 50 percent of the joint R&D costs of a project to a maximum of \$500,000. At least 30 percent of the R&D development must be performed in either Korea or Israel. KORIL-RDF assists companies in both countries with partner searches in order to develop R&D collaborations. The foundation's main office is in Seoul, Korea, with an Israeli manager based in Tel Aviv.

CONTACT: Korea

Han-Joo Kim

Chief Executive

Email: kimhj@kiat.or.kr

Hugh Kim

Program & Planning Coordinator

Tel: +82-2-6009-8250

Email: shkim@kotef.or.kr

Israel

Deborah Schabes

Israel Manager

Tel: +972-3-511-8183

Email: dvora@matimop.org.il

Web: www.koril-rdf.or.kr

The Singapore - Israel Industrial R&D Foundation (SIIRD)

The Singapore - Israel Industrial R&D Foundation (SIIRD) is a cooperative undertaking between the Singapore Economic Development Board (EDB) and the Office of the Chief Scientist (OCS) in Israel to promote, facilitate and support joint industrial research and development projects between companies from Singapore and Israel. SIIRD can fund joint R&D projects up to 50 percent of approved R&D project costs. Total grants may reach a ceiling of \$750,000 but may not exceed \$500,000 in any one year. Benefits of SIIRD include assistance in locating suitable R&D partners in both countries, risk sharing in R&D projects, absence of requirements for equity or collateral, and retention by the companies of full intellectual property rights. SIIRD has, to date, approved some 90 joint projects with a total budget of over \$100 million.

CONTACT: Singapore

Chan Eng Chye

General Manager

Tel: +65-6832-6386

Email: ecchan@edb.gov.sg

Jackson Phang

Manager

Email: jackson_phang@edb.gov.sg

Rachel Chan

Executive

Email: rachelc@edb.gov.sg

Web: www.siird.com

Israel

Shirley Refuah-Hasson

Manager

Tel: +972-3-511-8170

Email: shirleyr@matimop.org.il