

# Product Adaptation Program for Asian, Latin American and African Markets

## Frequently Asked Questions (FAQ)

### Eligibility and Criteria for applications to the program

**1. How is "Product Adaptation" defined?**

Structural changes in functionality, design interface and/or specifications of products or services based on market requirements in the target country and that are different from the original

**2. Is the program available to all industrial sectors?**

Yes, it is open to all industrial sectors in conformation to the R&D Law (rules and regulations of the Research Committee) with the exception of military products. Companies engaged in generic R&D under special agreement with the Director General of the Ministry of Economy are not eligible for this program

**3. Will preference be given to any industrial**

**sector?** There will be no sectorial preference.

**4. What is the time frame for the project?**

Commencement of sales in the targeted market is expected within two years of the onset of the project.

**5. Is a strategic partner in the targeted market required?**

A strategic partner is not required. However, it is recommended to consider the contribution of a local partner to the successful execution of the project.

**6. Can the IIA assist in finding a local partner?**

Yes. It is recommended to approach the relevant program manager at IIA to explore the possibility of locating a local strategic partner.

**7. What will the strategic partner contribute to the partnership?**

The strategic partner does not necessarily have to be involved in the R&D. His contribution will primarily be in defining the market, assisting in conforming to local standards and regulations, making contact with potential customers as well as establishing a beta site and assisting in the launch of the product.

## 8. How may the strategic partner be included in the framework program?

The strategic partner may participate as a sub-contractor and paid for any contribution that is not available from an Israeli company. Alternatively, the company can work together with the Israeli company as a partner and apply for joint funding through bilateral cooperation frameworks implemented by IIA, during an open call for proposal.

## Application Process

### 1. How does one submit a request to participate in the Product Adaptation Program?

Companies can submit a regular application to the IIA Research Fund. They should indicate in the title of their project that the submission is within the framework of the "Product Adaptation" program.

If the project involves a foreign partner and meets the requirements of a bilateral cooperation program, the applicant should follow the application procedures under that program and the relevant open call for proposal.

### 2. Are there special forms for the program?

No. The standard forms are to be used so long as participation in the program is cited in the project title.

### 3. When may the application be submitted?

If the application is within the standard framework of the Research Fund, it may be submitted at any time, online, on the IIA web site. If the application involves international cooperation and is within the bilateral cooperation programs, it should be submitted based on the deadlines of open calls for proposals, which are published periodically by IIA.

## Financial Support for the Program

### 1. What is the scope and extent of financial support for this program?

Financial support will be awarded to reflect the overall need, the specific work plan and a reasonable investment in the adaptation of the product.

### 2. What percent of the recognized expenses will be covered?

They will parallel the accepted practices of the R&D Fund.

### 3. How will the rules of royalty payments apply?

Royalty payments will be made on all R&D based modified products regardless where sold (e.g. product modified for China sold in Singapore)

#### 4. Which expenses will be supported within the framework of this project?

- Marketing – No
- Distribution – No
- Upgrade and/or production modification – Yes
- Travel abroad – Yes, based of rules for cooperative projects
- Consultants and/or business development in target countries – No
- Regulatory conformation – Yes
- Establishment of beta-site – Yes
- Portion of work by Israeli sub-contractors - Yes, unlimited
- Portion of work by foreign sub-contractors – Yes, based on current practice
- Portion of production permitted abroad – Yes, based on royalty regulations
- Utility Patent – Yes

#### **The Element of Innovation with Regard to Product Adaptation**

##### **What are the criteria for acceptance to the program and is innovation necessary?**

The applications will be evaluated along the general lines followed by the Research Committee. The degree of innovation required for the technical and applied modifications for the product will be factored into the decision. In addition, the market potential of the modified product as well as the degree of innovation in the original product will be considered.

#### **Issues Relating to Production/Sales/Sub-contractors**

##### **1. Are there any limitations as to where the product may be**

**produced?** The R&D Law applies to this program.

##### **2. Would 100% production abroad lower the chances for the approval of the project?**

Yes indeed.

##### **3. Are there any limitations to foreign daughter, sister or mother companies jointly participating in the program?**

There are no limitations either in a cooperative framework or wholly Israeli framework.

##### **4. May the R&D work be performed in Israel and the sales and marketing by the daughter company in the target market?**

Yes, pending the examination of the transfer price.

##### **5. What are the limitations to using foreign sub-contractors?**

The extent of foreign sub-contractors depends on the nature of the services that they provide. The use of foreign sub-contractors in excess of 10% of the approved budget limits the extent of the support to 30% of approved R&D expenses.

### **Examples of Projects Considered "Adaptation of Products"**

- Reduction of price to customer by downgrading performance
- Reduction of price to customer by the utilization of local components
- Adaptation of product in consideration of local cultural considerations
- Regulatory considerations particularly for foods and drugs
- Adaptation to local conditions, such as climate, infrastructure etc.
- Establishment of beta-sites
- Security considerations such as removal of components requiring permission from the Ministry of Defense.