**NSW-Israel R&D Internal Program Guidelines 2018**

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18. **Overview**

The *Memorandum of Understanding between the Government of New South Wales and Government of the State of Israel on Bilateral Cooperation in Research and Development and Technological Innovation* (the NSW-Israel MOU) was signed in April 2016. The NSW‑Israel Research and Development and Technological Innovation Program implements the NSW-Israel MOU and aims to facilitate, support and encourage research and development (R&D) partnerships between NSW and Israel based entities. The NSW Government will provide one-off financial grants to NSW entities embarking on joint R&D projects with Israeli based companies on new and innovative products, processes or services for the global market. The Israel Innovation Authority will provide a conditional grant to the Israel based company.

Applications are invited from all industry sectors and industrial/commercial entities performing R&D. However, preference will be given to R&D projects in the areas of cyber security, water management and agri-technology as referenced in the NSW-Israel MOU. Preference will also be given to startups[[1]](#footnote-1), gazelles[[2]](#footnote-2), and entities based in regional or rural areas of NSW.

NSW based partner applicants can apply for a one-off grant of up to $250,000AUD and are required to make a matching co-contribution towards. NSW entities must use at least 50% of the grant for R&D expenses. The remainder can be used for growth related expenses that support R&D, such as employee and skills development expenses.

The Israel Innovation Authority conditional grant provided to the Israel based company is repayable when a project results in sales of the technology. There is no cap on the total funding for this conditional grant provided but is up to 50% of the eligible and approved costs of the R&D, in accordance with Israel’s national laws and regulations.

Applications will be subject to a two-stage application and assessment process, involving an eligibility assessment as the first stage and a full assessment at the second stage.

NSW applicants will be assessed against criteria set out in these guidelines. Israeli applicants will be assessed against criteria set out on the Israel Innovation Authority’s website. NSW and Israeli assessment criteria are similar but no bonus points are provided to Israeli applicants which satisfy the specified priority segments. Only those projects that are approved by both the NSW Government and Israel Innovation Authority can receive funding.

Projects that are funded should have the potential to contribute to productivity in NSW and Israel.

1. **Objectives**

The goal of the NSW-Israel Research and Development Program is to:

* Incentivise NSW and Israel commercial entities to cooperate on joint R&D projects to advance new market-driven and innovative products, processes or services for the global market. The products should have the potential to contribute to economic growth, skills development and job creation,
* Fuel the growth of NSW and Israel commercial entities in the high priority sectors of cyber security, water management and agri-technology,
* Provide a platform for NSW and Israel entities to cooperate and collaborate on joint market driven R&D of new innovative technologies,
* Support entities based in regional and rural areas to engage in R&D.

1. **Outcomes**

Key outcomes of the Program are to:

* Foster and promote the commercialisation of R&D to produce innovative solutions,
* Gain insights into the startup and R&D ecosystems of both countries,
* Build on the mutual competitive advantages of Israel and NSW, including in regional and rural areas.

1. **Program funding**

A grant is available from the NSW Government via the NSW Department of Industry to the partner entity based in NSW. The partner entity based in Israel would receive a conditional grant from the Israel Innovation.

The NSW Government will contribute up to 50% of the total project costs (to a maximum of $250,000 AUD).

The NSW Government will contribute up to an additional 10% of total project costs (to a maximum of $250,000 AUD) for projects:

* Based in regional and rural areas of NSW[[3]](#footnote-3)
* In the priority areas of cyber security, water management and agri-technology,
* Considered to be startups or gazelles.

Applicant’s contributions may be sourced from third parties but funding from other NSW Government programs (for example, the NSW Medical Devices Fund) cannot be used as the applicant’s contribution towards the Program.

In Israel, the total conditional grant is up to 50% of the eligible and approved costs of the R&D, in accordance with Israel’s national laws and regulations. Up to an extra 10% is available for companies located in the periphery regions of Israel, as defined by Israel’s rules and regulations.

The conditional grant is provided to the partner entity based in Israel. When a project results in sales of a product, service or process, then the financial support must be repaid to the Israel Innovation Authority according to its regulations. In general, royalties are paid at rates beginning at 3% of sales, depending on various criteria. Royalties are payable until 100% of the amount of the conditional grant has been repaid with interest as provided in the applicable regulations.

1. **Eligibility criteria**

At least one commercial entity from Israel and one commercial entity from NSW must jointly express a desire to cooperate in the R&D of a new and technologically innovative product, service or process for commercialisation in a global market. Assistance can be provided to NSW or Israel entities seeking a partner for the purpose of this Program (see Partner Search in section 7). NSW and Israel applicants must be separate legal entities, with no financial or other ties outside of what has been proposed for this funding process. The NSW applicant is required to provide a matching co-contribution to the R&D project but this can be sourced from third parties, including the Commonwealth Government.

NSW based academic and research institutions are able to apply on the condition that they have an agreement to partner with a NSW commercial entity.

At least one NSW entity must have an Australian Business Number. In addition, that NSW entity must:

* Have a registered office and principal place of business in NSW,
* Be operating as a for profit organisation.

Applicants must also:

* Not source their contribution funding from any other NSW Government program,
* Not currently be involved in any litigation or impending litigation,
* Be solvent.

Applicants must jointly complete and submit an online Bilateral Application Form and a Letter of Intent signed by both parties. Failure to submit correctly completed forms may result in the application being deemed ineligible and not being considered further.

Israel applicants must be for profit companies that are registered and operate in Israel. Israel based academic and research institutions can participate only as subcontractors to an Israel commercial entity.

1. **Application process**

When there is a common understanding to jointly cooperate in R&D of a new, innovative project or process, each NSW and Israel based entity must undertake a two-stage application process:

1. **Eligibility assessment stage**: Joint applications will be reviewed to ensure that they meet eligibility criteria and broadly address the assessment criteria. Applicants from Israel and NSW must jointly complete a ‘Bilateral Cooperation Form’ and submit a PDF copy of their application by the due date to the Israel Innovation Authority Program Manager and NSW Department of Industry Program Manager.
2. **Full assessment stage**: Applicants will submit separate full applications which will be reviewed against the weighted assessment criteria set out in the guidelines, including industry-based criteria. The NSW entity must submit the full assessment form to the NSW Department of Industry Program Manager and the Israel entity must submit its separate full assessment form via the links provided on the Israel Innovation Authority’s website.
3. **Eligibility Assessment Stage**

When there is a common understanding to cooperate in R&D, the NSW and Israel based entities must jointly complete and submit a Bilateral Cooperation Form and a Letter of Intent (LOI). It is important that information submitted is agreed between both parties.

NSW applicants are required to complete and submit the completed Bilateral Cooperation Form and LOI to the Program Manager at nsw.israelgrant@industry.nsw.gov.au. Word versions of the Bilateral Cooperation Form and Letter of Intent will be made available on the NSW Department of Industry website at [www.industry.nsw.gov.au/isrealresearchprogram](http://www.industry.nsw.gov.au/isrealresearchprogram).

The Israel partner must then submit the PDF versions of the application form and LOI to the Israel Program Manager via email.

Joint forms must be submitted by 7 June 2018.

This eligibility assessment is intended to quickly filter project applications to ensure that the applicants meet Program eligibility requirements and ensure all required information is provided. It also provides an opportunity for representatives from both countries to provide feedback to applicants to assist them in completing their full stage applications, should they progress to the next stage.

1. **Full Assessment Stage**

Successful applicants will then be invited to submit the following, separate applications in NSW and Israel:

* Project Proposal Form
* Relevant financial statements

For NSW applicants, all forms must be completed and submitted to the Program Manager at nsw.israelgrant@industry.nsw.gov.au. Application materials for Israel applicants are available on the website of the Israel Innovation Authority – R&D Fund.

The Israel partner should submit their completed forms and supporting information according to the instructions on the website of the Israel Innovation Authority.

An expert committee for each country will then be formed to assess individual projects against pre-determined assessment criteria. NSW applicants will be assessed against assessment criteria set out below. The total maximum score that a NSW applicant can receive is 115 points.

Israel partners will be assessed against assessment criteria set out on the Israel Innovation Authority’s website.

1. **Assessment criteria**

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| --- | --- |
| **Criterion** | **Key considerations for expert committee:** |
| Criterion 1: Technological aspect  20 points | * What is the level of technological inventiveness and uniqueness of the product, process or service? * Are there any technological obstructions? * Has the applicant undertaken any prior studies or technical assessments on the project? * What is the level of development prospects vs risks? * What is the technological contribution to the economy? |
| Criterion 2: Business/Economic aspect  20 points | * Is there a market need for this project? * What is the world market size for this project? * What is the prospective company market share? * What is the level of segregation from competitors? * What is the project’s potential contribution to the economy, including skills development and job creation?1 |
| Criterion 3:  Company’s capabilities  20 points | * What is the firm’s positioning in its field? * How robust is the firm’s strategy? * What is the firm’s production competence, business management and marketing competence? * How experienced is the firm’s R&D team? * How has the firm performed financially in the past? |
| Criterion 4:  Quality of cooperation  20 points | * What is the level of added value of the international cooperation? * Potential contribution of the technology to the economy? * New patents or inventions registered / protected? * Additional employment positions created or opportunities? * Development of new markets or achievement of institutional benefits? |
| Criterion 5:  Completion and clarity of application  20 points | * To what extent were applications completed to a sufficient level of detail? |
| Priority areas (for NSW applicants only)  Up to 15 bonus points | * Extra percentage points will be awarded to entities that are:   + considered startups or gazelles (5%)   + undertaking R&D in the area of cyber-security, water management or agri-technology, (5%)[[4]](#footnote-4)   + Based in regional or rural areas (5%).[[5]](#footnote-5) |

In addition to assessing each project against assessment criteria, the expert committee from each country will also recommend the level of funding to be granted.

The NSW expert committee will comprise a core committee that will include representatives from the NSW Government and private sector experts.

A joint committee will then hold a virtual meeting to make recommendations on successful applications and share information on the level of funds to be granted from each side.

Only those projects that are approved by both sides can receive funding.

The NSW Government will be responsible for informing successful NSW applicants. Similarly the Authority will inform the successful Israel applicants. Successful applications may also be announced on the NSW Department of Industry’s and the Authority’s website.

1. **Partner search**

To be eligible for funding under this Program, at least one NSW based commercial entity must partner with an Israel based commercial entity to undertake R&D. For NSW entities seeking potential Israel partners, the applicant should submit a Partner Search Form via the NSW Department of Industry website.

For Israel based companies seeking potential NSW partners, the Israel applicant should fill out the Partner Search Form and email it to the Israel Program Manager. The Authority will then provide this information to NSW Department of Industry. Based on the information provided, NSW Department of Industry will seek to identify suitable NSW entities and provide the information to the Authority. The Authority will then forward information about the NSW entities to the Israel based applicant.

1. **Landing Pad Program**

Landing Pads are an Australian Government initiative intended to stimulate Australian innovation and entrepreneurship. The Program also provides a platform to connect potential NSW and overseas based partners to collaborate on developing new, innovative commercial products or services.

NSW fintech or cyber security startups that have partnered with Israel companies through the Tel Aviv September 2016 and 2017 Landing Pad Programs are encouraged to apply for funding under this Program.

1. **Eligible expenditure for NSW companies**

NSW entities must use at least 50% of grant funding for R&D expenses. The residual can be used towards growth related expenses which support R&D, including employee expenses and skills development. Expenses must be incurred within NSW or Israel unless special circumstances exist.

In Israel, only R&D expenses, as defined by the Innovation Authority, are eligible for funding.

Details on the type of R&D expenses that may be covered are available on the Israel Innovation Authority’s website.

1. **Reporting requirements**

In NSW, successful applicants must agree to enter into a legally binding grant agreement.

Funding for successful projects will be provided in accordance with the terms of the agreement between NSW Department of Industry and the successful applicant. Advance payment may be provided. Remaining expenses will be provided upon achievement of performance based milestones. A final report must be provided before the NSW entity receives final payment. NSW Department of Industry may choose to withhold payments if milestones have not been met.

In Israel, an advance payment is provided for the approved R&D Costs. Remaining expenses are provided upon receipt of quarterly reports submitted by the company, which should include an update on the progress of the R&D project and a financial report on the R&D expenses. Upon approval of the quarterly report, funding is provided to cover the reported expenses. The Israel based company must provide semi-annual reports on the volume of sales of the product, unless an exemption is provided.

1. **Project duration**

In NSW, projects should commence within three months of execution of the grant agreement and R&D activities completed within three years. NSW Department of Industry holds the right to withdraw funding if projects are not commenced or completed within the specified timeframes.

In Israel, grants are provided on a yearly basis. The Israel entity will be invited to request funding in the following two years, if appropriate. Approximate total funding is required to be provided in the application form. However, the Israel applicant is able to change amounts requested in years two and three based on the deliverables achieved.

1. **Intellectual Property**

Both NSW and Israel based entities must clearly detail intellectual property arrangements of the project. Applicants should clarify ownership of intellectual property generated during the project in the Letter of Intent and Application Form. Consistent with the Agreement, applicants should be clear on: a) the ownership, use of know-how and intellectual property owned by the partners to application; b) arrangements for the ownership of intellectual property to be created in the course of the project.

All applicants should receive a balanced beneficial ownership of the intellectual property associated with the project and agree to its management. It is in the interests and responsibilities of the partners to safeguard their own interests.

1. **Confidentiality and disclosure**

Any information contained in the application forms and templates that are considered confidential must be notified to NSW Department of Industry and the Israel Innovation Authority. NSW Department of Industry and the Authority hold the right to publish summary information about the project application, including whether or not the application was successful. If the applicant considers that the information is market in confidence, the applicant must advise the Department or Authority in writing if it does not wish the information to be published.

NSW Department of Industry and the Authority also hold the right to promote and make announcements on successful collaborations. The Bilateral Application Form will seek applicant agreement on project information disclosure.

In due course, case studies of successful projects may be published on the NSW Department of Industry and the Authority’s website.

1. **Indicative key dates**

**Second Round**

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| --- | --- |
| **Milestone** | **Timing** |
| Calls for Proposals open | 19 March 2018 |
| 1st Phase Application Due (Joint forms) | 7 June 2018 |
| 2nd Phase Application Due | July 9 2018 |
| Evaluation period complete | Early-November 2018 |
| Joint Committee | Late-November 2018 |
| Announce successful applications | tbc |

1. For the purposes of this Program, a startup is a company or venture under three years old with a scalable business model. [↑](#footnote-ref-1)
2. For the purposes of this Program, a gazelle is considered to be a small to medium enterprises with at least 20% year on year growth in revenue or employees over three years and over $1 million in revenue. [↑](#footnote-ref-2)
3. Regional and rural areas are areas outside the metropolitan areas of Sydney, Wollongong and Newcastle [↑](#footnote-ref-3)
4. Additional weighting is provided to these sectors as Israel and/or NSW have competitive advantages in these areas. [↑](#footnote-ref-4)
5. Additional weighting is provided to acknowledge the additional challenges faced by startups, gazelles, and entities based in regional and rural areas. [↑](#footnote-ref-5)