Funding of industrial R&D projects

GUIDANCE DOCUMENT FOR SUBMITTING AN APPLICATION FOR AN INDUSTRIAL R&D PROJECT

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www.vlaio.be/en

This document explains how to apply for funding of an industrial R&D project. You will find more detailed explanation in the following pages.

The **annexes** to this guidance document provide additional information on:

- activities eligible for funding within industrial R&D projects,
- criteria on which the project is assessed and
- distribution of intellectual property rights in a collaboration with research partners.

Furthermore, the **following documents are important** when preparing an application. These can be found on the website:

- Template: for the application itself, a template is downloadable from our website, which is similar to this guidance document, but without the comments. You can use this template or your own layout, but the order and content of the questions and the proposed diagrams and tables should be followed.
- Handbook 'Funding of industrial R&D projects' with relevant background information.
- Cost model and corresponding Excel template to draw the project budget.

We recommend that you always check the website to make sure that you have the most recent versions of the documents and templates.

The **application must be submitted electronically to** by sending an e-mail to bedrijfsinnovatiesteun@vlaio.be together with the signed statements. If using e-mail, files of up to a maximum of 15 MB are allowed.

Contacts

Marleen Raes (O&O programme secretariat)

The application for an R&D project should include the following parts:

• **Part 1** is to be completed by the industrial partner who acts as Project Coordinator and contains **all common project data**.

• **Part 2** is to be completed by each of the industrial partners and contains the data **that specifically applies to them individually**. If they wish, the different industrial partners may keep the information in Part 2 confidential vis-à-vis the other partners and forward it separately to the Agency. The application is only considered complete once the Agency has received Part 2 from each of the industrial partners.

Parts 1 and 2 WILL be forwarded to the external experts.

• **Part 3** is to be completed by each industrial partner and includes **the detailed budget, general information on the industrial partner and the information about additionality**. In specific cases, the following additional information may be included:

- Additional information on financial statements and shareholder structure (when requesting additional funding for SMEs)

- A financial and cash flow plan (for start-up companies)

- An agreement regarding the distribution of property rights (in case of collaboration with research partners)

- Additional detailed information about the impact that is not forwarded to external experts (if required).

Each industrial partner submits a **declaration** as well.

The different industrial partners may keep Part 3 and its appendices confidential vis-à-vis the other partners and forward them to separately to the Agency. The application is only considered eligible once the Agency has received Part 3 from al the industrial partners.

• **Part 4** is to be completed by each **research partner** and submitted together with Part 1 by the Project Coordinator.

Each research partner also adds a **letter of intent** to Part 4.

Parts 3 and 4 WILL NOT be forwarded to the external experts.

When completing the application, adhere to the following **guidelines**:

• The application may be completed either in Dutch or in English. However, if English is used, the title of the project and the innovation goal must be accompanied by a Dutch translation.

• The information provided in the application must be sufficiently clear to allow the advisors and external experts to assess the project.

• In the course of evaluating the application a meeting with advisors is always foreseen. This may result in a request for additional information, which may eventually be incorporated into the original application.

Typically, well-structured applications are described on 30 to 50 **pages** for Part 1 (depending on the size and complexity of the project) and 15 pages per industrial partner for Part 2. This includes the bibliography and other references on normal A4 pages with a font size 11 (e.g. "Times New Roman") and reasonable line spacing and margins. Please note that exceeding 60 pages for Part 1 or 20 pages per industrial partner for Part 2 will result in a request for synthesis.

Please include a table of contents in the application, indicating any appendices.

The Project Coordinator fills out Part 1 of the application, in consultation with the other partners. This information will be forwarded to the external experts.

Part 1 General information and project information

1 A General information

1 A.1 TITLE OF THE PROJECT

Give the title of the project and preferably also an acronym. Note: The title will be published.

Title of the project :

If the project has an English title, a Dutch translation should also be provided.

Titel van het project (Nederlandse vertaling) :

1 A.2 INDUSTRIAL PARTNER(S)

Give the Project Coordinator as the first industrial partner, followed by the other industrial partner(s), each accompanied by the business number. If you would like to preserve the anonymity of the application from this point forward, assign here a code to each industrial partner (A1, A2, etc.) and repeat this code in Part 2 and Part 3 of this partner.

***EACH industrial partner** must complete **Part 2 and Part 3**.*

Name of the enterprise:

Business number:

1 A.3 CONTACTS (ALWAYS FOR THE PROJECT COORDINATOR)

Name :

Function :

E-mail :

Telephone :

1 A.4 RESEARCH PARTNER(S)

If you would like to preserve the anonymity of the research partners in the application form this point forward, assign here a code to each one of them (O1, O2, etc.) and repeat this code in Part 3 of this partner.

***EACH research partner** must complete **Part 4**.*

1 A.5 START DATE and DURATION

The earliest possible start date is the first day of the month following the submission of an eligible project proposal to the Agency. Activities undertaken before this date are not eligible for support.

Proposed start date :

Duration (in months) :

1 B Innovation goal

*The innovation goal must provide a **concise description** (approx. 1 page) **of the project**, with the emphasis placed on the objective(s). The innovation goal will be integrally included in the funding agreement and will be used at the end of the project to determine to what extent the established objectives were achieved. This is one of the reasons why it is necessary to delineate the objectives as clearly as possible, to ensure that there are concrete and verifiable and to define as many quantitative benchmarks as possible, if appropriate. Note that the agreement entails an obligation to provide the required resources and not an obligation to obtain the expected results.*

If the project application is written in English, please also provide a Dutch version of this section.

Carefully describe the innovation goal, using the following structure:

General goal

Describe in 1 or 2 sentences what the enterprise or consortium of enterprises wants to achieve with the proposed project. The general purpose is in essence the innovation to be achieved in terms of product, process and/or service. The general purpose should be the foundation for understanding the various concrete objectives, criteria, activities and desired results.

Concrete objectives and criteria

Indicate explicitly the (interim) results to be achieved, such as specific knowledge, solutions to specific problems or concrete equipment, test installations, simulations, prototypes, software, etc. List by sub-aspect the main quantitative (preferred option) and qualitative benchmarks, criteria, requirements and standards, in order to be able to determine at the end of the project to what extent the expected results have been obtained.

Describe everything clearly in terms of objectives, not activities. Describe the innovation goal in such form that it can be included in the funding agreement (third person, avoid we/our,…).

Expected impact

Based on the assumption that the envisioned project objectives will be achieved, describe briefly how the enterprise will exploit the results. Include in this description the impact on the enterprise/Flemish branch (continuity/expansion of a main activity/part of the activity, new activity, etc.).

Briefly outline the relevant projections of the impact of the project on the enterprise (business case: estimated sales, etc.), e.g. at the beginning and end of the valorisation period and broadly what they consist of.

Describe which valorisation activities are planned in the enterprise in Flanders and which are subcontracted or done outside Flanders. Also give the expected impact in terms of employment (e.g. at the start and at the end of the valorisation period), investments and economic added value in the enterprise and possible subcontractors in Flanders over the valorisation period. Give a simple justification of the assumptions underlying this valorisation potential.

Keep the information brief but concise, without a detailed explanation (2 to 3 paragraphs). If several industrial partners are involved in the project, the valorisation potential can be described per partner.

1 C Leap in knowledge and challenges

The purpose of this section is to outline the broader context in which the project is implemented. By situating the project in relation to the existing state-of-the-art in-house and outside the enterprise, it is possible to make an assessment of the challenges and the development of knowledge in this project at the various industrial and research partners. These are important elements in assessing the quality of the project proposal and in characterizing it as research or development (please also refer to the criteria for research and development in Annex 1).

1 C.1 LEAD-UP TO THE PROJECT AND CONTEXT

Describe concretely what led to the project (problem, opportunity, etc.) and how the project originated.

Describe how the project will fit into the current industrial activities of the industrial partners.

If the partners are already active in the project field, give an overview of the results achieved so far and the current state-of-the-art at the partners (existing products or processes, used techniques and methods, results of other -funded projects, results of projects supported by other organisations, etc.).

Describe briefly the accessible state-of-the-art in the project field, indicating sources if available (publications, existing products or processes, etc.). Demonstrate that you will have sufficient freedom to operate. In your answer you must pay special attention to the patent literature and mention your own patents or other intellectual property rights in the field, if applicable.

1 C.2 LEAP IN KNOWLEDGE AND CHALLENGES

Define the problem by describing the questions and challenges to be resolved by this project. Indicate in particular the difficulties for which there is presently no solution available. More specifically, the important challenges and uncertainties for research activities should be justified. Also for development projects, the challenges (differentiating from engineering activities, routine improvements and implementation) should be motivated.

Indicate which solutions will be explored/developed to resolve the major difficulties or to rise to the opportunity. In your answer, indicate the extent to which existing methods/tools/techniques/software, etc. are used and/or new ones have to be developed.

Describe the expected knowledge development for each of the industrial and research partners in the project. This leap in knowledge in relation to the prior knowledge available at the partners and the accessible state-of-the-art (covered in 1C.1) should be clear.

1 D Implementation

*The aim of this section is to assess whether the proposed **overall project approach** is logical and takes into account the risks. The work plan should allow a reasonable estimate of the **resources deployed and lead times** in the evaluation at the initial stage of the project. Realistic paths to resolving the major challenges are essential to assess the **feasibility** of the project. Information about the **division of tasks between the partners** is also vital for both allocating resources and estimating the feasibility.*

1 D.1 APPROACH

Describe the way in which the project is approached and explain why this approach has been chosen and why certain strategic choices were made, if applicable. The approach should clarify how the innovation goal will be achieved, given the established (interim) objectives and criteria, as well as the capabilities of the partners.

Based on this global approach, describe the structure and the relationship between the work units and milestones and how interim decision moments and general project risks have been accounted for.

1 D.2 WORK PLAN

Describe in the work plan WHAT (division into work units), WHY, HOW (approach, working method), WHEN (schedule) and BY WHOM (division of tasks) will be done.

Divide the work plan into work units and use the table below for each work unit.

WU number:		**month started:**		**duration: (month)**		**total number of person months:**	
Title :							
Partner :	**A1**	**A2**	**…**	**O1**	**O2**		
Person months :							
Subcontractor(s) : *List the main subcontractors. In the case of a foreign enterprise or research institute, also indicate the country.*							

Objectives and criteria

Give a brief description of the objective of this work unit and, if applicable, indicate the milestone or decision moment associated with it.

Tasks : description of methods, techniques, etc.

A work unit may be divided into several tasks because of its scope and/or the variety of aspects it deals with. If the total person months of a work unit exceed 24 pm, specify the person months for each of the tasks (and also per partner).

Clarify the working method or approach that is followed. Provide a description of the activities, methods and techniques.

Motivate how the manpower was estimated (e.g. planned number of iterations, etc.).

Describe the division of tasks between the partners and with important subcontractors.

Take care to clarify which specific research and development risks are handled and how they are dealt with, including any fall-back positions for key risks. Describe the specific risks associated with the implementation and how they are managed.

Task 1 :

Task 2 :

Expected results and deliverables :

Indicate what concrete results are to be expected and in what way the results obtained will be documented for future use and review.

Milestones :

Give possible milestones in this work unit.

1 D.3 OVERVIEW OF STAFFING

Give an overview of the person months needed in units of 12 months. To do this, use the table below.

Overview of the person months					
WP	**Partner**	**start date + 12 months**	**start date + 24 months**	**start date +36 months**	**TOTAL**
1	**Partner A1**				
	Partner B1				
	…				
2					
3					
…					
TOTAL	**Partner A1**				
	Partner B1				
	…				

For long-term or complex projects, please add to this table a Gantt-chart to clarify the project planning (including a.o. major milestones).

1 E Expertise and resources

*The information provided here should allow to determine whether the **required resources and organisation** are present to ensure proper implementation of the project.*

Indicate which expertise and resources (personnel, infrastructure, access to knowledge/IPR, etc.) are required for proper implementation and which industrial and/or research partner will contribute what part of this required knowledge, expertise and resources. Subcontractors with a major contribution should also be mentioned here. Indicate the expected synergy (synergies) between the different partners (and subcontractors) and the reasons for selecting the partners.

If, while completing this application, you find any gaps in the required knowledge, expertise or resources, indicate the measures to be taken to bridge these gaps in an appropriate and timely manner.

Indicate how project coordination and monitoring will be organised and how the collaboration between the different partners/subcontractors will be structured.

1 F Budget overview

*The information provided in this section must allow the external experts to assess the **value-for-money** of the project. In other words, do the expected results justify the planned expenditure?*

Complete the following table based on the budget of each of the industrial partners indicated in Section 3A.

Budget of each industrial partner	
Industrial partner	**TOTAL**
PARTNER A1	
PARTNER A2	
…	
TOTAAL	

1 G Requested funding

The requested funding consists of the basic funding rate, depending on the project type and any additional funding for which it may be eligible. The requested funding will be further discussed with the advisors. The method for calculating the basic funding rate is described in Annex 1 of this document.

1 G.1 BASIC FUNDING RATE

Consult Annex 1 entitled "Activities eligible and not eligible for funding and determination of the basic funding rate" at the end of this guidance document.

Indicate how the project could be best categorised. No explicit reason for the selection has to be given:

- ☐ **research project**
- ☐ **development project**
- ☐ **project that is a combination of both**

In general, projects are considered as a whole. In the last case, where the project is split into subparts, indicate which units (work units, tasks) fall under research and which ones under development. A subpart of the project in itself cannot be classified as a combination of research and development.

1 G.2 ADDITIONAL FUNDING

Indicate which additional funding is requested:

- ☐ **additional funding of 10 % for midsize enterprises (ME)**

Indicate which industrial partners are MEs.

- ☐ **additional funding of 20 % for small enterprises (SE)**

Indicate which industrial partners are SEs.

- ☐ **additional funding for collaboration (with an SME or internationally)**

Indicate, if applicable, into which international programme this project fits. Consult the specific handbook for this.

1 G.3 REQUESTED FUNDING

Complete the following table based on the budget and funding rate of each industrial partner:

Gevraagde steun voor elke bedrijfspartner			
Industrial partner	**Basic funding rate**	**Additional funding**	**REQUESTED FUNDING**
PARTNER A1			
PARTNER A2			
…			
TOTAL			

The requested funding amounts to a minimum of € 100,000 and a maximum of € 3,000,000.

*To be completed by **EACH of the industrial partners**.*
This information will be forwarded to the external experts. Confidential information which cannot be forwarded to the experts may be added as an appendix to Part 3.

Part 2 Information that applies specifically to ONE of the industrial partners

*The information in Part 2 will be used to estimate whether the proposed project offers a **sufficient economic and societal impact**. The expected impact is the second important dimension in the selection of projects to be funded.*

First, more general information is asked about the way the enterprise plans to valorise the results and on the market. Further the enterprises business model and the expected economic benefits for Flanders are asked for. This should allow external experts to get a good idea of the realism of the proposed impact. Please consult the criteria on the impact in the annex to this document.

2.1 PATH TO VALORISATION

Describe how the project results will be translated into products, services, processes, etc. which the enterprise will use or market, assuming that the project objectives are achieved.

Indicate which steps will still be required for the valorisation of the results subsequent to the execution of the project (e.g. further research, development, scaling, adaptation of the production process, etc.). Give the expected timeline to commercial exploitation.

2.2 OPPORTUNITIES / THREATS

Describe the main external factors (such as the market, competition, environment-related factors, etc.) likely to influence the above-mentioned valorisation. Briefly survey the possible opportunities as well as the threats that could hamper the valorisation process.

2.3 STRENGHTS / WEAKNESSES OF THE ENTERPRISE IN RELATION TO THE PROJECT

Motivate strengths of the enterprise related to the valorisation of the results (e.g. in terms of access to the market, alliances, previous successes, etc.) and also describe its shortcomings. If one or more required competencies are lacking, indicate which approach will be used to compensate the weaknesses.

2.4 BUSINESS CASE SUMMARY

Give a summary of the business case/business plan for the enterprise. Describe the competitive advantage generated by the exploitation of the project results.

Describe clearly the assumptions about all relevant elements of the business model, such as sale price, market penetration, turnover, workforce, etc. Justify these assumptions as well, e.g. based on the historical data of the industrial partner. Clearly show the difference with a situation without the project results.

If the enterprise is less than 3 years old, the business plan also has to be submitted as an attachment.

2.5 STRATEGIC IMPORTANCE OF THE PROJECT FOR THE ENTERPRISE

Motivate why this project has a strategic importance for the Flemish enterprise, in function of the existing activities, etc.

2.6 ECONOMIC LEVERAGE

Focus specifically on the planned valorisation activities in the Flemish branch where the results of this project are used.
Give a realistic estimate of the economic added value generated in Flanders from the exploitation of the project results. This means that you estimate the impact of the project on employment and material investments in the Flemish branch or possibly at third parties in Flanders (if the relationship can be clearly demonstrated) over the life cycle of the product/process/service (reasonable period of time).

Base this on the financial projections for the same period from the business case. Give an estimation of the staff deployment for the different valorisation activities. The staffing can be substantiated by historical data (e.g. current employment in the activities concerned, relation between turnover or production volumes and employment, etc.) and forecasts of the impact of the project (e.g. impact on turnover or production volumes, number and size of valorisation projects, etc.). Estimate the added value, e.g. using the mean added value per employee per year or the mean value of the relation between added value in Flanders and turnover or production volumes for similar activities.

Indicate clearly how the situation would be different without the project (e.g. provide a scenario without the implementation of the project and a scenario with the implementation of the project).

In case several projects with valorisation in the same activities have been funded, provide an assessment of the cumulative impact resulting from all those projects, in addition to the estimation for the project under application.

Refer to Annex 2 entitled "Criteria for R&D projects" to complete this section of the project application.

2.7 CROSS-BORDER MIGRATION

Describe the existing risks/opportunities in relation to anchoring the economic valorisation.

For an international enterprise, give the departments of the Flemish branch which are relevant for the project, specifying each department's main activities and employment. Situate the Flemish departments in the international concern: other branches with similar activities, activities and employment in these branches, strengths/weaknesses of the Flemish branch. Also describe the impact this innovation project will have on anchoring the enterprises activities in Flanders.

2.8 SPILLOVERS FOR SOCIETY

If the enterprise wishes to benefit from the bonus for SD (sustainable development - DO "duurzame ontwikkeling"), this should be motivated here. Refer to the "Clarification of criteria for R&D projects" appended at the end of this document.

2.9 INTELLECTUAL PROPERTY

Describe the approach taken to manage and protect intellectual property rights (freedom to operate and patent position, etc.), in particular with regard to the results of this project.
In case of cooperation in the project (industrial partners, research institutes, major subcontractors) describe the basic principles of the mutual arrangements concerning intellectual property rights and user rights on the project results and the required background knowledge in relation to the proposed valorisation path.

If you provided information about this in Part 1 already, please refer to it and only enter more specific information here, if applicable.

*To be completed by **EACH of the industrial partners** in the project.*
This information will NOT be forwarded to the external experts.

Part 3 Information that applies specifically to ONE of the industrial partners

3 A Budget of the industrial partner

*Obviously, the project **costs** indicated here are estimates, but it is nevertheless important that they are as accurate as possible. The method for calculating project costs is explained in detail in the **Cost Model** (http://www.iwt.be/subsidies/documenten/kostenmodel-pdf).*

For the cost estimate per partner, please use the template under the cost model, available on the website. The following tables for the costs incurred at the industrial partner (Section 3A.1) are intended as information regarding the cost headings and should NOT be completed. The distribution of the costs incurred at research partners to the industrial partners and a table with the totals (Section 3A.2. and Section 3A.3) DO HAVE to be completed in the application.

Programme-specific modalities in the cost model:

- Large subcontractings at enterprises outside Flanders which do not have their own valorisation path can be funded. Large subcontracts with enterprises outside Flanders which provide their own valorisation of the results of the (sub) project are not funded.

- The total share of costs for expenditures outside Flanders cannot exceed 50% of the budget.

- Patient studies and preclinical studies can be funded only when they are primarily aimed at collecting the necessary data to control an R&D process. For clarification on this aspect, please refer to the FAQ on the website.

- Costs related to the protection of intellectual property rights on the project's (interim) results, may be funded within certain limits. For clarification on this aspect, please refer to the FAQ on the website.

3 A.1 COSTS OF THE INDUSTRIAL PARTNER (use the Excel template - only available in Dutch)

Payroll costs													
Staff		Annual gross salary or annual costs (€)		Fringe benefits (2) *insert "x" if applicable*						Staff deployment (person months) on the project			**Payroll costs over the project (€)**
Name or staff category	Code (1)	year 1	year 2	Company car	Home work commute	Meal vouchers	Hospitalisation	Group insurance	allowance	year 1	year 2	total	
total													
1. The 'Code' column should be filled in using one of the following codes. Fields which are not relevant to a code will be greyed, which means they do not have to be filled in. **e**: for project members with employee status **ev**: for project members who have employee status and receive variable pay. This variable pay may be counted in the gross salary and must be explained in the table below. **u**: (unpaid) for project members who do not receive any pay. **i**: for project members who are invoiced. This category must be clarified in the table below. 2. Other fringe benefits than those specified in this table are not eligible.													
Notes to the payroll Costs													

Other costs include direct and indirect costs. Indirect costs are fixed to a standard cost per (man)year. Direct costs exist of directly to the project related working costs and depreciation costs (for equipment used specifically for the project). Combined with the indirect costs, they can add up to 40.000 euro per year per FTE. The limits currently applicable are given in the cost model.

OTHER COSTS (direct and indirect costs)				
INDIRECT other costs				
Staff	Person months	Person years	Indirect costs /Person year (€)	Indirect costs (€)
Total			Max. 20.000	
DIRECT other costs				
Indicate the total direct costs (€):				
Clarification of the other DIRECT costs				

*List the large subcontracts in the following table **(> 8,500 euro**). If the cost of a large subcontractor is shared by several industrial partners, only enter your company's share here. Describe briefly each large subcontractor (indicating its place in the work plan). Please also indicate how the cost was calculated. The cost driver can be the number of person months to be deployed if the subcontractor consists mainly of human resources or a specific service if it is possible to determine its unit price.*

LARGE SUBCONTRACTORS (above 8.500 euro)				
Name of the subcontractor	Description	Cost driver (number of person months; number of tests; …)	Country	Cost (€)
Total				

Notes to large subcontractors

Back up the estimates:

- *by adding tenders, if available, as an appendix to your application;*
- *with invoices of former similar contracts;*
- *other evidence.*

Large costs are allowed exceptionally and are subject to thorough motivation. They are clearly identifiable and they are such that they cannot be considered as large subcontractors. The justification must show that the (maximum allowed) amount of 'other costs' in the project budget is not sufficient to cover the 'large cost'. Furthermore, a clearly explained breakdown of the large costs should also be provided (using quotations or audit reports for instance).

Large cost	
Description and motivation of the large cost	**cost (€)**
total	

3 A.2 COSTS OF THE RESEARCH PARTNER (please complete the table here)

Enter your contribution to the costs for the research partners in this table. Use the explanation of the costs provided by the research partners themselves as included in Part 4. If the costs of the research partners are shared by several industrial partners, only enter your enterprises share here.

Research partner cost for your enterprise	
research partner	**cost**
Total	

3 A.3 BUDGET OF THE INDUSTRIAL PARTNER (please complete the table here)

TOTAL BUDGET for your enterprise	
	cost
own payroll cost	
other costs	
large subcontractors	
large cost	
research partner(s)	
total	

Also take the total budget in the table under Section 1.G.

3 B General information about the industrial partner

*The information requested here will allow to create a **business profile** and verify whether the enterprise generally has sufficient resources at its disposal to implement the project. The intention is to create this profile once and update it with every subsequent application, if necessary.*

If the Agency already has the most recent information, e.g. as part of another project proposal, please refer to the earlier proposal, indicating the project number, and only include major changes and/or more recent data with regard to this older information.

It is definitely allowed to refer to existing sources of information, such as annual reports, websites, etc. but if you do, you must clearly indicate where the advisor can find the requested information.

3 B.1 GENERAL INFORMATION ABOUT THE ENTERPRISE

Official name of firm :

Business number :

Date of incorporation :

Website :

Adress of head office :

Address of place of business :

Indicate here the address of the place of business where the project results will be valorised, if this is different from the head office.

Current number of employees :

Specify the current workforce according to the number of employees on the payroll and the number of employees with other statuses.

Account number :

Please provide the account number for transferring the funding if granted.

IBAN :

BIC :

Contact for financial information :

Name :

Function :

E-mail :

Telephone :

Legal representative :

Give the name and job title of the legal representative who is authorised to sign the agreement, after approval of the project.

Name :

Function :

3 B.2 IMPORTANT BUSINESS CHANGES IN THE LAST 2 YEARS

Describe briefly the most important business changes at the enterprise over the last 2 years, paying special attention to their impact on the Belgian branch(es). These include capital increases or decreases, changes in shareholder structure, activities, strategic partnerships, business model, etc.

3 B.3 RESEARCH ACTIVITIES and GENERAL APPROACH TO INTELLECTUAL PROPERTY

Describe briefly the enterprises current R&D activities and structure and their impact on Flanders, including the number of R&D personnel, amount of R&D spending, and major developments in the last 3 years.

Indicate the enterprises general approach to the protection of intellectual property.

3 B.4 ANNUAL REPORTS

For every application for funding by an enterprise, the Agency performs a financial analysis of this enterprise. This analysis is based on the publicly-filed annual financial statements of your enterprise. If you publish Belgian annual reports, there is NO need to enclose them with this application, unless the most recent one has not yet been filed. In the case of international annual reports, provide the web link or add a copy of the most recent international annual report available.

If the project leads to a major strategic reorientation, a business plan including a financial plan must be submitted.

3 B.5 SHAREHOLDERS and PARTICIPATIONS

If your enterprise is not listed, please give an overview of the shareholders and the participations.

3 B.6 OVERVIEW OF PREVIOUS GOVERNMENT SUPPORT

Provide an overview of the funding received in the last three years from Flemish, Belgian and European sources.

3 B.7 LIST OF EXTERNAL EXPERTS TO BE AVOIDED

This list should be limited in order to allow to constitute an expert committee.

The Agency always calls on the assistance of a few external experts, including industry experts, in the evaluation of the application. These experts are bound by confidentiality and neutrality. They are not told who the industrial and research partners are, unless the applicants themselves do not preserve their anonymity in the application. Applicants do not know the names of the experts. Potential competitors or other interested parties are avoided.

3 C Additionality for the industrial partner

The European regulations demand that R&D support is only granted when there is clear additionality. The following information permits the Agency to report to the European Commission correctly.

3 C.1 ADDITIONALITY

Indicate which of the following benefits the support will provide to the firm and the project compared to the situation without support (there are several options):

Yes	No	
□	□	**Without funding, the project will be cancelled.**
□	□	**The R&D funding will enlarge the scope of the project (expressed in person months or expenditures).**
□	□	**With funding, the project will be more ambitious/in depth.**
□	□	**With funding, the project will be completed more quickly.**
□	□	**Funding will allow the firm to acquire more knowledge (thanks to broader collaboration, for example) than it would without it.**
□	□	**The total amount spent by the firm on research, development and innovation will increase.**
□	□	**Other**

Describe any other impacts of the funding on the project or firm.

If possible, give a brief (quantitative) reason for the answers.

3 D Additional information about the industrial partner - to be completed only by SMEs[1] applying for additional funding for SMEs

3 D.1 ADDITIONAL INFORMATION ON ANNUAL REPORTS

Most SMEs file abridged annual accounts which however lack a number of data essential for an exhaustive financial analysis.If you apply for funding for SMEs, please complete the following table as these figures are missing in official abridged annual accounts. Your accounting department can provide these figures.

Annual account			
Year:	**20 . .**	**20 . .**	**20 . .**
70/76A operating income			
70 turnover			
71 stock variation			
72 produced fixed assets			
73 donations (*1)			
74 other operating income			
76A non recurrent operating income			
60 goods, raw and auxilliary materials			
61 services and other goods			
9900 gross margin (*2)			

(*1) only for non-profit associations (in Dutch: VZW's)

(*2) 9900 = 76A + 70/74 - 60/61

3 D.2 SHAREHOLDERS AND PARTICIPATIONS

The Agency needs to determine your independence in order to check if your enterprise meets the SME definition. So, please add a block diagram of your enterprise and its shareholders and participations (indicating the percentages of the capital/voting rights in the hands of each other's enterprises). For this block diagram you can use a model downloadable through the website: http://www.iwt.be/subsidies/documenten/blokdiagramma-aandeelhouders-doc

[1] An SME is an enterprise with less than 250 employees and an annual turnover not exceeding € 50 million, or an annual balance sheet total not exceeding € 43 million. If the enterprise is not independent - there is a shareholding of 25% of the capital or more or the voting rights by one or more partner companies - figures should be consolidated for the calculation of these criteria. Likewise, in the case of affiliated enterprises – i.e. companies that hold more than 50% of the share capital or voting rights of another company – must also be consolidated.

3 E Additional information about the industrial partner - to be completed only by start-up companies[2]

N.B.: If, as a start-up company, you apply for additional funding for SMEs, please complete 3 D.1 (if at least one annual account is already available) as well as 3 D.2.

For start-up companies which are as yet unable to provide a track record of business activities, please mention relevant experience of the founding partners in their former (and/or current) functions. Also enclose in appendix a brief curriculum vitae of the founder(s) of the new enterprise. If, as the founder (or one of the funders), you are currently performing activities other than for the planned/newly established enterprise, please summarise these as well.

If your enterprise is still under establishment, add a brief history of the activities already carried out for the establishment of the enterprise, possibly supported by the necessary documents.

If you do not have annual accounts (your enterprise was founded only recently), you should enclose instead a clearly developed cash flow plan with your application, including at least the forecast period which the project period covers, and which clarifies the financing of your company. Add a copy of the incorporation deed. A status of the profit & loss account at the time of the application should also be appended.

3 F Division of intellectual property rights (in case of cooperation with a research partner)

Give the arrangements between the parties concerning Intellectual Property Rights on project results obtained by the research institute. In this respect, please refer to the information and examples in Annex 3 "Distribution of property rights" appended to this document.

3 G Additional confidential information on the impact

If necessary, you can add confidential information about the impact (discussed in Part 2), which will not be forwarded to the experts.

[2] A start-up or young company is a small enterprise which, at the time of submitting the application, has not been registered with the Crossroads Bank for Enterprises (BCE/KBO) for more than 6 full years. A small enterprise is an independent enterprise with less than 50 employees and an annual turnover of less than € 10 million or a balance sheet total of less than € 10 million.

3 H Statement of the industrial partner

Each industrial partner must append the following statement to the application, typed on the enterprises letterhead paper and signed by a person with the authority to bind the legal entity:

"In the name of <name industrial partner>, I authorize Flanders Innovation and Entrepreneurship, acting on behalf of the Hermes Fund, to perform all actions as a result of this funding application for the industrial R&D project entitled : <title of project>.

I declare that I have not received or requested any other government funding for this project.

I declare that on the date of submission of this application, the enterprise has no overdue unpaid taxes and/or employer social security contributions and is up to date with respect to all the required (environmental) permits.

I declare <to be/not to be> an undertaking in difficulty *(please indicate one of both)* **at the moment of project submission.**[3][4]

I declare to immediately notify Flanders Innovation & Entrepreneurship should I become an undertaking in difficulty between the moment of project submission and decision."

If the second or third clauses are not (entirely) applicable, indicate this and provide a succinct description of the situation.

If your enterprise is an SME, add the following clause:

I wish to apply for additional funding for SMEs and declare that I have correctly completed the requested information on the annual reports and shareholders & ownership shares where required (i.e. 3 D: additional information about the industrial partner).

[3] The procedure and criteria to be followed are in the FAQ: http://www.vlaio.be/onderneming-in-moeilijkheden

[4] In that case it will to have to be verified if remediating measures can be taken to exit the status of 'undertaking in difficulty' to enable project support

Young Innovative Company (YIC)[5] statement (only applicable for small enterprise)

If your company is a Small Enterprise, choose from the three statements below the provision applicable to your company:

I declare that, in the course of the project implementation, the enterprise does not fulfill the criteria to use the partial exemption of tax deducted at source on wages of personnel as Young Innovative Company (YIC). In the event of a change in this situation, I will inform the Agency Flanders Innovation & Entrepreneurship immediately of the fact in writing and will also specify whether or not the enterprise wishes to make use of the partial exemption from withholding tax as a Young Innovative Company (YIC).

Or

I declare that, in the course of the project implementation, the enterprise does not wish to use the partial exemption of tax deducted at source on wages of employees as a Young Innovative Company (YIC). In the event of a change in this situation, I will inform the Agency Flanders Innovation & Entrepreneurship immediately of the fact in writing.

Or

I declare that, in the course of the project implementation, the enterprise will use the partial exemption of tax deducted at source on wages of employees as a Young Innovative Company (YIC). In the event of a change in this situation, I will inform the Agency Flanders Innovation & Entrepreneurship immediately of the fact in writing. The YIC measure will be applied for the following employees:

Please list up all employees (incl. the employees payroll costs cf. cost model) active on the project and for whom partial exemption from withholding tax as a Young Innovative Company is used:

- name of the employee (payroll project cost)

- … (…)

[5] The Young Innovative Company (YIC) measure consists of a partial exemption of tax deducted at source on wages of scientific employees of a YIC. Besides this YIC-measure there also exists other simular tax measures. Compared to this other measures the YIC measure however cannot simply cumulated with the industrial R&D project funding of the Agency Innovation & Entrepreneurship (in some cases the YIC support has to be subtracted from the project funding). More information regarding the YIC measure and the existing other tax exemption measures (that don't have to be taken into account for the calculation of the R&D funding) is available on our website: see FAQ: http://www.iwt.be/faq/welke-mate-kan-bedrijfssteun-het-bijzonder-steun-voor-personeelskosten-gecombineerd-worden-met-d.

A *Young Innovative Company* (YIC) is based on the following criteria:

- it is a small enterprise ;
- it exists for less than 10 years (before January 1st of the year in which the exemption is granted);
- it is not generated from concentration, restructuring re-start or extension of activity;
- it is involved in R&D to the extent that at least 15 % of the company's total costs of the previous taxable period are R&D expenditure.

In case the industrial partner subcontracts part of the project to a research institute, please add the following clause :

I declare that the enterprise in case of subcontracting of tasks to a research institute pays the service against market price or compensates the costs completely, with a reasonable margin in addition.

Read and approved,   **Date and signature of legal representative of the company.**

*To be completed by **eacht research partner** in the project.*
This information will NOT be forwarded to the external experts.

Part 4 : Information about the research partner

*Only enter the **basic information** and **budget** for the research partner. The research partner also adds a letter of intent as an appendix.*

4.1 GENERAL INFORMATION

Name of the research institute :

Name of lab or service directly involved :

Website :

Adress (only for non-Flemish partners) :

Name of person in charge of project implementation at the research partner :

4.2 MAIN EXPERTISE (ONLY FOR NON-FLEMISH RESEARCH PARTNERS)

Give a short overview of the relevant expertise contributed by the research partner.

4.3 TOTAL BUDGET FOR THE RESEARCH PARTNER

Enter the budget overview of the research partner.

The budget for the research partner should be prepared in the same way as the industrial partner's budget (see 3A).

For organisations (such as research institutes) which work with reference to government pay scales, there is a specific layout table for payroll costs, which is presented in the template on the website.

4.4 LETTER OF INTENT OF THE RESEARCH PARTNER

Each research partner must append the following statement to the application, signed by a person with the authority to bind the legal entity:

"LETTER OF INTENT FOR COOPERATION :

As representative with the authority to bind the legal entity < name research institute, (faculty), dept/research Group > I authorize Flanders Innovation and Entrepreneurship, acting on behalf of the Hermes Fund, to perform all actions as a result of this funding application for the industrial R&D project entitled : <title of project>.

I declare to have knowledge of the programme characteristics, the content of the project and that I will deploy the necessary resources for the implementation of the project. More specifically, I confirm the basic principles concerning the participation in the research results as described in the project.

I also declare that I have so far not received any government funding for this project.

The agreements between the project partners concerning the project are clear. These agreements are described in the application and will be elaborated in a cooperation agreement if the project is funded.

Read and approved,

Date and signature of legal representative of the research institute.

Annex 1 Activities eligible and not eligible for funding and determination of basic funding rate

Activities eligible for funding

Only activities involving **knowledge development** through a sound methodology and systematic approach are funded. These knowledge development activities or the activities which directly support this knowledge development constitute the basis for the funding (activities eligible for funding).

Activities not eligible for funding

Activities taking place **prior to the submission** of the project proposal are **not funded.**

The following activities **are not funded if** they constitute **the main focus of the project** :

1. All **engineering activities, routine improvements and technology implementation**.
   - Applying or using existing knowledge/techniques when not accompanied with clear knowledge acquisition or a major challenge.
   - Routine or periodic alterations to existing products, processes or services and other operations in progress, even if these are improvements.
   - Activities which do not contribute to a significant increase in knowledge within the enterprise and that are carried out according to established procedures within the enterprise.
   If such activities are the core of an industrial R&D project, the project will not receive funding. Only if they are carried out in support of the actual R&D activities, such activities can be funded. Examples include the engineering of a specific pilot plant or production of specific raw materials.
2. **General support activities in an enterprise**, such as personnel management, financial management, logistics, etc.
3. **Training and general knowledge acquisition** that is not specific to the project.
4. **Demonstrations** which exceed the level of showing the "proof or principle".
5. Activities aimed at **getting production ready and bringing to market** products, processes or services studied or developed in the project, including the production of a final design, user interfaces, product documentation, manuals, etc.
6. **Market research and marketing activities** that go beyond determining the orientation during the research and development process itself.
7. All activities to meet **standards, labels, accreditations, registrations or other legal obligations**; in particular **clinical trials for registration purposes**.
8. Activities of **preparation and implementation of investments** for production facilities. The expansion of and investment in research facilities necessary to carry out the industrial R&D project does qualify for funding.

As indicated in the list, **such activities can indeed be funded if they are an integral part of the R&D process and directly support knowledge development**. Consequently, these support activities do not necessarily have to be technological in nature.

General principles in determining the basic funding rate

There are **2 basic funding rates**: 50% for research projects and 25% for development projects. The project type depends on the **level of knowledge development and challenges in the implementation of a project**. Projects involving a significant leap in knowledge AND major challenges receive a higher funding rate.

The funding rate is determined at the start of the project (selection stage) and fixed in the project agreement. This determination is a three-step process:

1. The activities not eligible for funding are eliminated from all the activities which will be carried out by an applicant or its industrial partners in the context of innovation.
2. The innovation goal and the work plan are analysed to determine whether the project should exceptionally be subdivided into sub-projects, requiring a different basic rate.
3. The project (or any sub-project) is then categorised as a research (50% funding rate) or development (25%) project.

Research- versus development projects

The distinction between research and development is based on the level of **knowledge development** and **challenges** in the implementation of a project. These aspects are addressed in the innovation goal and the work plan, but the path to valorisation after the project may also provide information in some cases.

The assessment is based on the activities that are presented in the project proposal. These include activities carried out by the research partners in the course of the project, which are planned in interaction with the other activities and are financed by the industrial partners. Activities that were performed by a partner earlier or in parallel in the same research field but outside the actual project proposal and therefore not paid for by the industrial partner(s) (in this context) will not be counted.

Description of research projects (50% basic funding)

Essentially, research projects consist of activities designed to develop new knowledge, insights and skills in a systematic way. The purpose of such knowledge development is to use that know-how at a later stage for the development of new products, processes or services or to improve considerably existing products, processes or services. It is essential that these elements are formulated in in the innovation goal.

A (sub-)project will be considered as a research project if both the following conditions are met:

1. The (sub-)project implies a substantial leap for the enterprise in terms of knowledge, insights and skills, and at least a demonstrable (but possibly limited) contribution to the accessible state-of-the-art in the domain or sector in which the enterprise is or will be operating.

AND

2. The (sub-)project is associated with major challenges. Risks which are not taken into account include those of a commercial nature, management risks and uncertainties about manpower, timing and budget.

Description of development projects (25% basic funding)

Development projects include activities in which existing (scientific, technical, business and other) knowledge and skills are further developed and applied in order to develop plans, designs and prototypes of new, modified or improved products, processes or services.

Development projects include therefore essentially acceptable R&D activities, but do not fulfil the definition used for research projects.

Division of a project in sub-projects

In general, the aim is to treat and fund each project as a whole. Sometimes, however, splitting the project into sub-projects with different funding rates is the preferred option. The following approach is used in that case:

- If a project features an explicit interim evaluation (important decision moment, important milestone), it is exceptionally possible to assess separately the period before and after this point in time and assign different basic funding rates.
- If a project consists of a conglomerate of parallel sub-projects with little or no link between them (own innovation goal, different route), those sub-projects will be assessed individually and may get another basic funding rate.
- In addition, if there is a separate sub-project within a project which sets a specific sub-target within the overall innovation goal, this may be given a different basic funding rate.
- If, from a single knowledge platform within the same project, multiple cases are elaborated which do not provide specific feedback to the knowledge platform itself, the main and secondary trajectories may be assessed separately.

The idea is not to systematically determine a different basic funding rate for each industrial partner or research partner, unless one of the above conditions is met. After all, if there is good cooperation between partners, the work of all partners should contribute to the innovation goal.

Annex 2 : Criteria for R&D-projects

*The criteria for R&D projects discussed below apply for projects submitted from **01/03/2016**. Projects submitted before this date were evaluated with the criteria as described in version 3.02 of the template (version September 2015).*

General

When deciding on funding of a project, the quality of the project and its expected impact are taken into account.

For the quality, a GO/NO GO decision is made based upon 3 criteria. A score of "very good" (1), "good/neutral" (0), "rather poor" (-1) or "poor/critical" is assigned for each criterion.

The impact is assessed based on 4 criteria related to the potential impact for the applicant and 5 criteria related to the stimulating character of the funding and social-economical effects in Flanders. A score of "very good" (1), "good/neutral" (0), "rather poor" (-1) or "poor/critical" is assigned for each criterion. A project that gets one or more "poor/critical" scores cannot be funded, indepent from the appreciation on other criteria. Two bonus points can be achieved: one for cooperation during and within the project and one for SME's (<10 years old). The final score is the sum of the points on the different criteria. Based on a cutoff value for selectivity, it is decided whether or not a project is funded. Every year a decision is made as to which minimum final score a project requires to obtain immediate funding and under which final score projects will not be funded (see explanatory document: selectivity).

Furthermore, the applicant enterprises must have sufficient financial capacity for the implementation of the project.

If several industrial partners take part in a project, the scores may be an average of the scores for the individual enterprises, taking into account their relative importance if necessary.

Quality

Leap in knowledge and challenges

The leap in knowledge and challenges are considered good if the following conditions are fulfilled as a minimum :

- The objectives of the project are clear. An innovation goal has been defined that clearly indicates what the project is targeting. This innovation goal is also specific enough to verify at the end of the project whether the objectives were achieved or to what extent.
- The project involves research or development. The products, processes or services which the project is targeting are innovative for the sector or the field. The project implies a relevant leap in knowledge, with new know-how for the industrial partners concerned. Real challenges are associated with achieving the innovation goal.

Quality of the implementation

The quality of the implementation is considered good if the following conditions are fulfilled as a minimum :

- The executants have sufficient insight into the potential problems during the implementation of the project. No important risks were overlooked or misjudged.
- The overall structure of the project is clear and logical, takes into account the major risks and does not create any additional implementation risks (effectiveness).
- The work plan, for which the main lines were developed based on this approach, is sufficiently clear and realistic. It allows a reasonable estimation of the deployed resources. It provides realistic paths to resolving the major challenges. A positive track record on the implementation and results of previous similar projects (with or without funding) is a positive indicator here.
- Overall, the person months and the duration are acceptable in relation to the project plan and the innovation goal (value for money).
- The division of tasks between the partners and key subcontractors is clear and in line with their share of the project.

Expertise & resources

The available expertise and resources are considered good if the following conditions are fulfilled as a minimum :

- The partners in the project have the necessary expertise, resources and infrastructure to properly carry out the project.
- Where expertise, resources or infrastructure are lacking, suitable subcontractors are involved in the project or it is at least possible to assume that they will be involved in the project.
- If applicable : previous projects of the executants concerned were implemented properly.

Expected impact

Match project implementation and valorisation goals

In this criterion, the bridge between project implementation and the envisioned (long term) valorisation is judged: the relevance of the R&D project to contribute to the intended valorisation and the degree wherein the described impact relates to the project implementation.

Strategic importance of the project for the industrial partner

The positive impact the project can have on the enterprise in the long term is assessed in this criterion. Following aspects are taken into consideration:

- The enterprise has identified a business case which is realistic and sufficiently elaborated.
- With the project, the enterprise will achieve a real strategic step (clear competitive advantage). The following steps can be considered as strategic:
• develop a totally new product/process/service/concept
• setup a new value chain or become part of it
• have a significant impact on the innovation capacity of the enterprise (recurrent effect)
• contribute to a new technology platform with extensive application potential
• constitute to the start of an important diversification
- The value given to these strategic steps depends on the potential impact on the enterprise:
• contribute to the continuity of an existing activity (e.g. through increased efficiency, by producing in an environmentally friendly or energy efficient way, etc.)
• result in a clear growth path (possibly to compensate for declining sales in the existing field)
• involve a major expansion into the international market
- Furthermore, the score given to the strategic importance is also determined by:
• the success rate of the project and its valorisation process (vs. the normal expectations in the field/sector)
• the scope of the resources deployed (cost/benefit)

Opportunities/threats (external)

The extent to which the market situation and market developments, as well as the circumstances in which the results will be applied, is assessed in this criterion. This can influence positively or negatively the project's valorisation potential. The market is viewed as the relevant market for the enterprise (e.g. only the international market if the enterprise will also be active on this market). The following aspects are examined here :

- The size of the market (niche) accessible to the enterprise. The evolution of this market (niche) (shrinking, stable or growing). In particular, projects that can contribute to solving major societal challenges are given a positive score.
- The competitive situation (market occupied by other and large players or with limited competition).
- Conditions such as regulations and policy (restrictive or stimulating for the valorisation).

The score for this criterion is therefore an appraisal that is either neutral, a plus or a minus. A critical score is possible, especially if the project totally ignores existing or future regulations.

Strengths/weaknesses of the industrial partners in relation to the project (internal)

Whether the valorisation will be successful for the industrial partners partly depends on their own strengths and weaknesses. Following aspects are examined:

- The starting position in the market (market share, alliances, etc.)
- The resources available within the enterprise for the development of the valorisation.
- Track record in the successful market launch of innovations.
- Intellectual property (freedom to operate vs. own protection of intellectual property).

The score for this criterion is an appraisal that can be either neutral, a plus or a minus.

> *Specific approach for start-up companies*
> Important elements for start-up companies are the familiarity of the project initiator(s) with the market and the motivation and quality of the entrepreneurial team (a healthy mix of skills required to turn project results into business activities) are important elements for start-ups. Possible gaps should be identified and steps taken to bridge them.

Economic leverage: impact on employment and investments in Flanders as a consequence of the project (please also refer to additional clarification further in this annex)

A funded project should produce potentially useful results for the industrial partners concerned, but should also have an impact in Flanders, within these enterprises and in the wider ecosystem. Moreover, the funding should be proportional to the expected impact of the project. This is expressed in the form of the economic leverage of the funding, calculated as the ratio between the expected economic added value in Flanders and the funding granted.

Essentially, the aim is to select projects that can generate sufficient return in Flanders to justify an "investment" by the government. Conversely, the potential added value may determine an enterprises potential to receive extra funding. At the start of a development path, the growth potential of the project will be taken into account. The potential for continued funding in subsequent stages or related projects may be limited because the minimum leverage has been reached and/or growth expectations have not been met. This is particularly relevant for start-up companies with limited growth or possibly for enterprises which regularly apply for funding.

Following aspects will be taken into account:

- The expected difference that a project will make in terms of employment and investments in Flanders. The impact on employment and investments is being evaluated in relation to the requested funding. The emphasis is on the credibility of the business case, not on the exact numbers of the estimated impact. The minimally required impact is a cost-benefit ratio of 15 over a period of 5 (maximum 10) years.
  - To maintain employment is taken into account;
  - Also effects on subcontractors or suppliers in Flanders are taken into account;

- Also further R&D investments (incl. employment in R&D) based on the project or re-investment of income generated on the basis of project results is taken into account, as long as the employment/investment takes place in Flanders.
- To be able to realise an **increase in employment** within the enterprise in Flanders is an advantage in the selection (but not strictly necessary).

Projects which do not reach the minimum thresholds do not get funded.

Anchoring of the economic leverage in Flanders and integration into the Flemisch innovation-ecosystem

The probability that the proposed economic valorisation of the project in Flanders will also be effectively achieved in Flanders is assessed in this criterion. Following aspects are taken into consideration:

- Degree of anchoring in Flanders, also for follow-up activities (after the project ends)
- If the Flemish branch is part of an international operating group, the position regarding the valorisation within the international consortium is assessed on the basis of the following elements:
  - the presence of a decision centre
  - the operational independence of the Flemish branch
  - the internal competitiveness compared to other branches of the group
  - crosslinking with other components of the enterprise (e.g. in the context of lead plants)
  - the engagement with the local innovation ecosystem
  - the track record of the Flemish branch of the international company
- Projects whose funding results in an extra leverage for Flanders by bringing in a significant amount of European funds to Flanders, have an advantage in the selection.

For (capital intensive) start-ups, a best guess should certainly be made when determining the potential added value. In other types of enterprises as well, the leverage may in some cases highly depend on choices that the enterprise has yet to make, but the enterprise proposes specific valorisation paths. Especially in the case of considerable funding or follow-up projects, it is possible that conditions are imposed with regard to the application of the results, that offer a greater degree of certainty in terms of valorisation in Flanders (e.g. regarding employment or investments in Flanders). Those are then incorporated as specific conditions in the agreement.

Track record (credibility of the valorisation plan)

Fulfilling past intentions and valorisation promises (for Flanders) can be an important parameter to evaluate the credibility of the chances for future valorisation in Flanders.

(Socio-economical and) societal impact (please also refer to additional clarification further in this annex)

On top of economic effects, the project can contribute to positive societal effects. What is assessed here, in particular, is the project's potential contribution to sustainable development (SD). Following conditions must be met for this criterion:

- If the project clearly shows negative aspects with regard to sustainable development (e.g. it involves using a technology which is worse than the best available technology) it will score as "critical" here and will not receive funding.
- Projects which do not present specific concerns about sustainable development will obtain a neutral score.
- Projects involving a substantial contribution to sustainable development (see relevant specific criteria) will get an advantage in the selection.

Stimulating effect of funding

This criterion is meant to select those projects where the funding can effectively make a difference. Next to the minimum requirements of Europe (additionality in the form of more, faster or more profound R&D; SME-projects), this criterion also takes into account the possibly stimulating effect of the funding to support projects with more than average challenges and risks (not limited to technical aspects of project implementation). Projects with breakthrough potential and multiplicator effect have an advantage in the selection.

Bonus points

Bonus points are cumulative with respect to the other criteria:

- **Cooperation during the project implementation**

Priority is given to projects in which there is cooperation (> 30%) with other independent enterprises or knowledge partners (at the level of partners within the funded project).

- **SME's**

Priority is given to SME's younger than 10 years (when their contribution is at least 30% of the total (approved) budget.

Financial capacity

The partners should at least be able to carry out the project. This means that they must have the financial capacity to carry out their industrial activities as usual during the project period while bearing their share of the costs. For this reason, funding approval will be subject to determining whether there are obstacles in this respect. This analysis has three possible outcomes:

- there are no contraindications regarding the financial capacity of the enterprise
- the enterprise is clearly not able to bear the burden of the project
- specific financial conditions are imposed with respect to the available financial resources, such as an increase in capital or debt rescheduling; the funding and the advances will only be paid if these conditions are met.

For existing enterprises with sufficient history, the financial analysis is initially performed on the basis of the information in the annual accounts filed and the data available through Graydon. However, this can be supplemented with all the information that reaches the Agency.

For start-ups or if there is a strong deviation from the current industrial operations, the analysis will be based on an overall business plan.

In general, this financial analysis does not deal with the post-project stages.

Furthermore, the partners must have the necessary licenses to be able to carry out the activities during the project. In general this will be based on the applicants' statements, but in specific cases conditions may also be imposed.

Clarification : Economic leverage

- The added value in Flanders is calculated as the sum of employment (labour costs) and the investments which will take place in Flanders and on which the project results will have a potential impact.

- The term potential implies that there is an understanding of the various risks inherent in research and development, and possibly product development and marketing. In other words, the expected valorisation is not an obligation.

- The intention is not to calculate the added value exactly; rather, with the help of a clear back of the envelope estimate, it should be possible to situate the enterprise/project.

- The enterprises business model is used to determine the added value. Essentially, there are three main models:
  - The added value is created by the direct application of the results within the enterprise or affiliated enterprises in Flanders (this applies to enterprises which take care in-house of both development and production);
  - The enterprise valorises the results itself, but is rather a knowledge provider which spends the income from that knowledge on employment and investments in Flanders;
  - The project is rather defensive and focuses on efficiency improvements, for instance, without a substantial increase in sales, but does contribute to continuing employment. The added value created will include the impact on that employment and possible investments.

- When determining the added value, first of all, the beneficiary of the funding is examined. Then, it is possible to consider the added value from suppliers and knowledge partners.

- The jobs and investments directly concerned are taken into account for the purpose of estimating the added value (in the whole chain of further development, production, and marketing) and also any related jobs and investments in the organisation under consideration, as long as there is a reasonable connection/relationship with the project.

- If the partners form a consortium, the added value will first be examined for each individual enterprise. However, the evaluation is done on the totality of the project, whilst specific conditions may be imposed for each enterprise.

- The potential is calculated over a realistic valorisation period, which covers five years of valorisation in principle. It is possible to take into account the period between the end of the project and the start of the valorisation, but any further funding during that period will have to be counted. If there are clear grounds to take the business case into account over a longer period, that is a possible consideration (up to 10 years).

- In determining the potential added value in Flanders, the risk should be analysed. In particular for projects with a very high potential but a very low success rate, a reasonable valorisation scenario will be used.

Clarification : Sustainable development

- Projects with an SD (sustainable development) label are projects with additional public benefits through a significant positive impact on one or more of the following objectives:

    1. raw material savings
    2. energy saving
    3. emissions reduction
    4. reduction of waste and other environmental nuisances
    5. increased use of renewable resources (materials and energy)
    6. reuse of recycling of raw materials
    7. extension of the lifespan of products and process technology
    8. occupational safety and health

- Such projects receive a selection bonus.

- On the other hand, projects will not be considered for funding if problems are likely to arise with the current or future standards during the valorisation or an obvious negative impact on the environment or the occupational safety and health is expected.

- To determine whether a project contributes (sufficiently), there are several possible criteria. The following projects get an SD label :

    1. The project is primarily aimed at the development/application of renewable energy or raw materials.
    2. The project pursues a feasible and significant improvement according to BAT (Best Available Technology).
    3. Using the Ecolizer 2.0 method, the project is able to demonstrate adequate environmental impact by calculating eco-points.

- If previous methods are insufficient, other arguments may be accepted, especially if there are core issues in the project objectives, such as meeting future stricter standards (energy performance standards, emission standards, recycling targets, etc.), which are applicable after completion of the project, or if the project's main goal is to have a significant impact on occupational health and safety. However, the motivation should go beyond the qualitative criterion and allow an estimate of potential profits in relation to the funding.

- Furthermore, an appraisal of the positive and negative effects should always be performed and where possible the (environmental) advantages over the current market situation should be quantified. In determining the environmental impact, all the life stages of a product will be considered (production, transport, use, and disposal).

Further clarification concerning the Ecolizer 2.0 method

- For the quantification of environmental benefits, we use the Ecolizer 2.0 ecodesign tool, available online through the OVAM website in Dutch and English (for more info about the Ecolizer: www.ovam.be/ecolizer).

- When applied to innovation projects, the following reasoning can be followed for a rapid screening of the innovation's potential environmental benefits:

    1. The first step consists in determining the baseline and the technologies or activities to substitute. The effects of an innovation should always be interpreted in relation to a given baseline. This is BAT or the most current technology or service in the market or, if not applicable, the enterprises current technology or service provision. The term 'functional unit' indicates that products or services are assessed per quantity of output performance, and therefore not per product quantity. This is particularly important for comparisons, for example between two product alternatives or when comparing products with product/service systems. For example, two different types of paint are compared on the basis of the painted surface, and not per litre of paint. The quality of the paint may also vary. As a result, the lifespan of the paint coat should also be included in the assessment. This is also what happens in the functional unit (see www.rivm.nl).
    2. Then, all relevant environmental aspects which can be influenced by the innovation of a product or service should be analysed, taking into account the total life cycle. This can be done by generating a schematic overview of the lifecycle of a product with a focus on production, use and disposal, possible transport and recycling.
    3. In a next step, it is possible to form an idea of the overall environmental benefits of the innovation by recording all necessary materials and processes for each (functional) unit and producing estimates for the missing data. The eco-indicator values can be searched via the Ecolizer 2.0 tool and should be multiplied by the required amounts. The Ecolizer matrix can be downloaded as a worksheet (Excel or Calc) from the OVAM website. Only the differences between the baseline and innovation are important and should be calculated. This data can also be used to redirect the innovation path by highlighting the major environmental impact of a technology or service. For example, in the case of many electrical appliances, it is clear that the electricity consumption in the usage stage will be decisive for the total environment impact of the product.
    4. Finally, the environmental benefits per unit expressed in eco-points must be multiplied by the average number of commercialized units per year and the valorisation period (the same as for determining the economic added value). Because of this, it is also apparent that the scope of the valorisation plays an important role in the calculation of the environmental benefits.

- In order to obtain the SD label, the number of eco-points (Ptn) must be greater than twice the total project grant.

SD study activities
For many projects, the environmental benefits of the innovation will be assessed gradually, as the research results become available, and at the start of the project and in the context of a funding application, only a limited SD analysis will be feasible. In that case, the applicants may choose to carry out SD study activities within the work plan which may lead to a review of the innovation process. These are acceptable costs for the project.

Annex 3 : Distribution of property rights in a cooperation with a research partner

The European legislation on State Aid to Research, Development and Innovation establishes the principles for cooperation between enterprises and research organisations. In this respect, it is essential that the recipient enterprises should not get indirect support and that there should not be any market distortion. Two forms of cooperation with a research organisation can be distinguished.

In the first form, it concerns a **subcontracting** by the enterprise and the research organisation acts as a subcontractor. The enterprise pays the market price, or has to cover the full costs incurred plus a reasonable margin in exchange for the service delivered by the research organisation.

In the second form, the **cooperation** between the enterprise and the research organisation is substantive and the research organisation acts as a research partner; the project results stemming from the research carried out by the latter are subject to intellectual property rights. In this case, the enterprise covers the actual cost of the service provided and, on top of that, an arrangement is made as to the participation in the ownership of these project results.

This participation may take the following forms, for instance :

- all ownership rights are held by the enterprise with a fair compensation to the research organisation if/when the project results are exploited;
- division of the property rights whereby the enterprise and the research organisation each hold property rights to a different group of partial results with the granting of domains for (autonomous) exploitation. Should it prove impossible to divide the project results, this granting of domains for (autonomous) exploitation is also possible within a regime of shared ownership rights;
- the property rights to the project results are held by the research institution, with at least a user right on the required project results for the enterprise;
- there is an arrangement of undivided joint property rights to the project results held by the enterprise and the research institute.

The above-mentioned options are only examples. Various combinations of the sample situations and other options where the property rights to the project results from activities performed by the research institute are shared are acceptable, as long as these are not inconsistent with the goals of the funding of industrial R&D projects and provided that any participation in the project results stemming from the research of the research organisation is regulated. It is essential that the enterprise should have at least the necessary freedom to carry out the planned valorisation.

The partners must inform the Agency of the basic agreements on the subject upon submitting the project application. Initially, however, it is up to the research organisation to ensure that the correct market price is applied for a service provided by this research organisation. In the case of outsourcing, it is recommended to indicate in the tender if necessary that the service to be supplied by the research institution will be remunerated at the market price.

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