October 22, 2022

Internal—for Discussion

Israel-UAE R&D Foundation—in the Spirit of the Times

General Remarks

The State of Israel operates four binational R&D foundations today (with the United States, Singapore, South Korea, and Canada). These programs enable Israeli companies and those from the partner country to develop innovative products jointly and to collaborate in R&D, business development, and sales.

The Israel-UAE R&D Foundation will encourage Israeli and Emerati companies to work together to find partners (in each other’s countries), submit joint funding applications, and collaborate from the R&D stage to the sales stage.

Both countries are keenly interested in partnerships of these kinds, which may focus on areas of interest that they seek to promote jointly, such as:

* Food security
* Agro technology
* Environmental protection
* Cyber
* FinTech
* Anti-desertification

It is possible to choose areas on which the Foundation will focus and review them each year in order to adjust them to changing needs.

Israel and Binational Foundation Programs Today[[1]](#footnote-1)

Today, the programs are run by the Innovation Authority at the Ministry of Science and Technology. They provide support for Israeli companies that work with counterparts in the United States, India, Singapore, and South Korea on R&D projects for new technological products or for substantial upgrading of existing technology. The programs provide a financial incentive with funding from the binational foundations, making it possible to spread the risk of project funding. They also provide help in searching for technological partners abroad.

There are four binational funds:

* Israel-U.S. Binational Industrial Research and Development Foundation (BIRD)
* India-Israel Industrial R&D and Technological Innovation Fund (I4F)
* Singapore-Israel Industrial Research and Development Foundation (SIIRD)
* Korea-Israel Industrial R&D Foundation (KORIL)

The program promotes international collaboration for the development and application of innovative technologies in all fields, along with viability testing, in order to help Israeli companies grow by forming international strategic relations for their products in international markets. Generally speaking, the program targets Israeli technology firms, in all industries, that seek to develop products and technologies, or make a major upgrade in existing ones, with an international partner in the United States, India, Singapore, or South Korea. However, there are times when some parties will advocate giving preference to specific technology areas.

What Do Approved Applicants Receive?

* Financial support of up to 50% of approved R&D expenditure.
* Assistance in finding a partner abroad.

Why Is It Worthwhile?

* **Leveraging via access to international resources:** R&D collaboration with a foreign company gives access to knowledge, technology, and development and testing infrastructures that do not exist in Israel, thereby significantly deepening the quality of the R&D processes and bringing the product closer to market.

 International collaboration may also help an Israeli company grow by recruiting local partners, adjusting to foreign regulation, and creating a marketing, financial, or business advantage.

* **An attractive funding model:** Companies whose applications are approved by the foundations receive sizable financial grants provided the collaboration is realized, irrespective of profits or future success, and with no transfer of intellectual property rights to the supporting governments. An Israeli company that receives support pays the foundation royalties at 2.5–5% of sales only if the project reaches the commercialization stage.
* **Support that constitutes a badge of quality in Israel and abroad:** The foundations’ support is given only after comprehensive professional evaluation of the project. Therefore, this support gives manufacturing companies a badge of quality and makes it easier for them to find investors and market their products locally and abroad. This certification may also be helpful in offering value to strategic partners abroad, creating a basis for long-term collaboration and penetration of foreign markets.

What Terms Must Applicants Meet?

To receive support, companies must comply with the foundations’ procedures, including:

* The product or process developed within the framework of civilian collaboration must be innovative, ready for commercialization, and of added value to the economies of Israel and the foreign country.
* The partnering companies must be able to implement the project, complete the requisite R&D processes, and finance their share of the process that needs to be completed in order to realize the project.
* Research institutes and academic entities are entitled to participate in collaboration only as subcontractors and not as full partners, with the exception of SIIRD, in which the Singaporean side may be a research entity.
* The partnering companies must demonstrate the necessity of collaboration for the development of a technology that gives added value as the result of sharing between the companies of knowledge, resources, infrastructures, or commercial connections, innovative application of existing technologies in new markets, and more.
* The partnering companies must sign a commercial agreement that determines the ownership of all intellectual property generated in the course of the project and its commercialization.
* Please read carefully the full list of conditions that pertain to the company’s obligations and entitlements, which can be viewed at the foundations’ web sites.

Criteria for Evaluation of Application

Information about the criteria appears on the foundations’ websites and includes:

* **Innovativeness** of the product or process developed in the course of the collaboration.
* The program submitted must respond to a **high-risk challenge** or a financing-related **market failure that necessitates government funding.**
* **Relevance for commercial application** in the target markets and **economic added value** for Israel and the partner’s country.
* **The partnering companies’ ability to implement and fund** the project and the R&D processes that are needed to complete it.
* **The quality and synergy of the collaboration** should be expressed in **a binding reciprocal joint work plan with the foreign company,** so that each side makes a clear and essential contribution to the development of a technology that creates added value resulting from the sharing of knowledge, resources, infrastructures, or commercial connections in accordance with a comparative advantage, innovative application of existing technologies in new markets, and more. The program must include concrete actions on the part of both side, market validity, and shared objectives (with KPIs) for the completion of the programs and the commercialization stages that ensue after the project is over.

Points for Discussion—the Israel-UAE R&D Foundation

1. Scope of the Foundation and sources of funding:
* Two different models exist:
* Annual funding: Each year, each country allocates approximately $5 million to the Foundation, which uses these sums to finance its activities (overhead[[2]](#footnote-2) and distribution of grants). In the future, there will also be royalties from sales generated by successful projects.
* Advantages: Easy to apply, no strain on the budget.
* Disadvantages: Annual rediscussion with the Budget Division. Furthermore, the market may treat the foundation as a small-scale and non-serious player, making it difficult to recruit projects.

— Financing by providing the Foundation a larger nonrecurrent principal (a model that the BIRD Foundation uses with the Americans): The Foundation will earn annual interest with which it will cover its overhead and fund the projects.

* Advantages: No annual questions about the Foundation’s activity, credibility in the market; the possibility of refunding the underlying principal to the state treasury at the end of the Foundation’s term of activity.[[3]](#footnote-3)
* Disadvantages: Difficult to implement unless the government passes an orderly resolution about the matter.
* Funding in annual predetermined sums spread over the lifetime of the Foundation:
* Advantages: It is easier to absorb in budgetary terms. It allows the Foundation to present itself to the market as a large and serious entity.
* Disadvantages: Annual risk of cancellation in the budget discussions.
* The following sources of funding are conceivable:
* The Innovation Authority budget: This entails a government resolution and the consent of the Ministry of Science and Technology.
* An external budget in coordination with the Ministry of Finance (Budget Division).
1. The Foundation’s Operations:
* Autonomous operation like all the other foundations, which are run by the Innovation Authority at the Ministry of Science and Technology.
* Operation under the BIRD Foundation. (In the past, there was an attempt to set up a trilateral U.S.–Israel–Jordan foundation; it was established and was run by BIRD, but did not succeed.)
* The question of whether we want American involvement at this stage needs to be examined.
* The failure of the foundation with Jordan (stemming from lack of genuine interest by the parties, among other factors) may have an impact on the Foundation we intend to establish.

To Be Discussed and Implemented:

1. Adopting and ratifying a decision by the parties (foreign ministers + Minister of Science + Minister of Finance).
2. Agreeing on the operating model and the funding model.
3. Establishing Foundation administrations in both countries.
4. Agreeing on how the Foundation will operate and whether it will focus on specific matters or be open to all sectors.
5. Establishing a strict schedule.
6. Writing procedures.
7. Activation.

**A “twist in the plot,” or how it can be done differently, more correctly, and in stronger concordance with the needs and the spirit of the times:**

To align our proposal with the spirit of the times and to the needs, action should be taken to establish:

**An Israel-UAE Bilateral Innovation Accelerator**

General Remarks

Large multinational firms around the world are moving over to experiential collaboration for the promotion of their business affairs and their business relations with young companies that own relevant technology and that are relevant to their businesses.

Israel and the United Arab Emirates wish to draw companies closer to each other for collaboration that will enhance the prospects of their success and create a situation in which they learn to develop, work, and sell together; hire more workers; and pay more taxes in their home countries.

The fruits of peace should also be tied to young and small companies that have outstanding potential. This is the rationale for the proposal presented in this document.

The Idea

Establishing a binational accelerator that, in its initial stage, will be active in two main fields:

1. A binational mentoring program, to which firms in both countries that submit joint applications may turn.
2. The mentors, acting on a volunteer basis, will have expertise in the specific areas of the project and in the accelerator’s focal domains.
3. At first, the mentors will be paired by the program administration with the intention of ultimately creating a list of mentors whom the companies will choose.

Meetings:

Initially, the accelerator will operate on the basis of virtual meetings, but twice each year, the companies and the mentors will meet physically (in a different country each time) for discussions and support of the companies.

In the future, it will be possible to set up a bricks-and-mortar accelerator with offices; legal, economic, accounting, and business development assistance; and more.

1. Source: Israel Innovation Authority web site. [↑](#footnote-ref-1)
2. The Foundation's overhead will be the need to finance its administration and an apparatus for review of applications that will include external examiners who submit professional opinions about the technology, its innovativeness, and the prospects of commercializing the project. [↑](#footnote-ref-2)
3. The lifetime of the Foundation should be set at five years + five additional years in order to send the market a message of seriousness. [↑](#footnote-ref-3)