

RESEARCH, DEVELOPMENT AND INNOVATION FUNDING

**Aid schemes under the law
of 17 May 2017 relating to
the promotion of research,
development and innovation**

LU  EMBOURG

LET'S MAKE IT HAPPEN

Aid schemes under the law of 17 May 2017 relating to the promotion of research, development and innovation

PUBLIC AID: SUPPORTING RESEARCH AND INNOVATION IN LUXINNOVATION

The ambition of many entrepreneurs is to make a name for themselves and become known and renowned; they understand the necessity of competitiveness and want to generate decisive competitive advantages for their companies. Research and innovation are key instruments in their tool box. In order to help and stimulate them in these endeavours, the Luxembourg Government has made the 2009 legal framework more dynamic in order to provide support throughout the entire innovation process.

With this new law, the Government is clearly showing its desire to facilitate the involvement of the entire SME community in innovation activities. The text places a particular emphasis on SMEs which are the backbone of the economy and provides them with access to State aid through simplified schemes that cover consultancy fees as well the secondment of highly qualified staff and intellectual property protection. Another scheme for SMEs focuses on

process and organisational innovation. This latter is also available for large enterprises as long as they implement their innovation together with a small or medium-sized enterprise.

The Government also wishes to highlight the added value of collaborative research via two specific tools aiming to encourage cooperation between companies or between companies and public research organisations. The aid scheme dedicated to innovation clusters has thus been adapted to allow the granting of aid for a longer period of time. In parallel, a new scheme supporting the sharing of research equipment through infrastructure available to the scientific community has been created.

In addition, the Government has chosen to simplify the current process for aid applications, most notably for those regarding research and development or innovation projects as well as young innovative enterprises which no longer have to be approved by an interministerial commission as long as the amount of aid requested is below €200,000.

I hope that companies will take advantage of the opportunities offered to them through these measures in order to integrate innovation into the management of their daily operations. This brochure provides a detailed presentation of the aid schemes included in the new law, their implementation and applicable funding criteria. It provides project managers with a clear overview of state aid dedicated to research, development and innovation. On behalf of the Luxembourg Government, I encourage you to get involved and to persevere on the road that leads to innovation.

Francine Closener

Secretary of State of the Economy



Developing a successful innovation project takes three main ingredients: an excellent idea, the skills to transform that idea into action and the funding needed to turn that action into reality. With Luxembourg's new research, development and innovation aid schemes, companies with bright, innovative ideas – in particular small and medium-sized enterprises (SMEs) – are able to gain easy access to a range of attractive funding opportunities.

SMEs cannot only enjoy financial support for research and development projects and programmes, but also obtain specific innovation aid to strengthen their competitive position. In addition, the aid schemes include support for research infrastructures as well as for investments in and the operation of innovative clusters, which will give rise to national competence centres in key fields and thus strengthen Luxembourg's economy.

Knowing which aid scheme is the most appropriate for your projects is no easy task. This is where our specialists come into play. We can advise you on how to meet the funding criteria. We can also help with structuring your projects, finding external partners and deriving maximum long-term benefits from the project outcome. Please contact us – we are ready to help.

Raymond Schadeck

Board Chair, Luxinnovation



Funding criteria

THIS BROCHURE TARGETS COMPANIES THAT COULD POTENTIALLY BENEFIT FROM LUXEMBOURG RESEARCH, DEVELOPMENT AND INNOVATION (RDI) AID SCHEMES UNDER THE LAW OF 17 MAY 2017 RELATING TO THE PROMOTION OF RESEARCH, DEVELOPMENT AND INNOVATION

1 - INNOVATION

In this context, innovation means the implementation of a new or significantly improved product (good or service) or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations (Oslo Manual, 3rd edition). Applicants should aim at developing competitive advantages on their market and explain the innovation with respect to the state of the art.

2 - ECONOMIC IMPACT

The Luxembourg aid schemes are impact-driven. While it is in the very nature of RDI aids to cover part of the project risks, applicants have to explain the expected return on investment if the project is successful.

The expectations include notably that Luxembourg entities shall aim at being profit centres and developing additional substance.

3 - FINANCIAL CAPACITY

Any RDI project is an investment requiring available cash flows. While RDI aid schemes can be used to leverage the financial capacity of a company, applicants need to demonstrate the availability of funds to launch their projects and ensure the liquidity over the project duration and the existence of means to exploit the project results and bring them to the market.

4 - INCENTIVE EFFECT

No aid can be granted if the project can be carried out in the same way without aid. It is of utmost importance to apply for RDI aids before starting the project, meaning that the applicant should not take any prior commitment (i.e. signing a joint development agreement or taking any other irreversible step related to the project implementation). In the case of large enterprises, the incentive effect shall be documented, meaning that the company will have to explain how the aid will change the project scope.

5 - SCHEME SPECIFIC CRITERIA

The schemes of the Law of 17 May 2017 have different objectives. This brochure details the provisions of the law, while a guide for applicants, available on the “Guichet” portal and the Luxembourg Portal for Innovation and Research (see page 8), details the implementation of the individual aid schemes.

Please note that the funding rates presented in this brochure are maximum rates according to the law. The allocation of aids remains a competence of the Ministers of the Economy and of Finance. Aids are thus granted in a discretionary manner on a case by case basis.

How to prepare an aid application

The Ministry of the Economy has published guidelines for submitting applications for financial aid on the “Guichet” portal¹.

The Luxembourg Portal for Innovation and Research² also provides these guidelines under the section “Finance your innovation project”.

Businesses established **less than 3 years ago in Luxembourg are required to provide a business plan** in addition to the guidelines.

Undertakings that are subject to an **outstanding recovery order** following a previous Commission decision declaring an aid illegal and incompatible with the internal market (article 1(4) of the European Regulation 651/2014), as well as undertakings that can be qualified as **undertakings in difficulty** (Article 2 (18) of Regulation 651/2014), are excluded from receiving aid.

¹ www.guichet.public.lu/entreprises/en/financement-aides/aides-recherche-developpement/rdi/aides-rdi/index.html

² www.innovation.public.lu

Support available for preparing an aid application

Luxinnovation provides personalised assistance that takes into account the specificities of individual projects.

The role of Luxinnovation is to provide guidance to applicants when preparing their RDI investments. Luxinnovation allocates a dedicated multi-disciplinary team to your project and develops tailor-made solutions, while maintaining the strictest confidentiality. As part of this support, Luxinnovation will also assist applicants in meeting the funding criteria.

Before starting to prepare an aid application, it is strongly recommended to contact Luxinnovation in order to discuss the project and assess the possibility to receive aids granted under the law of 17 May 2017.

AVAILABLE FUNDING SCHEMES

Research and development projects / programmes

(Art. 3 to 5)

WHO IS ELIGIBLE?

All companies.

WHAT COSTS CAN BE COVERED?

Funding can be provided for companies entering into R&D projects or programmes.

R&D activities have to be classified either as experimental development or industrial research. A single project/programme may comprise different experimental development and/or industrial research activities.

All costs directly related to the R&D project or programme are admissible:

- personnel costs: researchers, technicians and other supporting staff to the extent that they are employed on the project;
- costs of instruments and equipment to the extent and for the period that they are used for the project. Where such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the life of the project,

as calculated on the basis of generally accepted accounting principles, are considered eligible;

- costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for the project;
- additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of the project.

The aid intensity may be increased by 15% if the project involves effective collaboration:

- with a research institute that bears at least 10 % of the eligible costs and have the right to publish their own research results;
- with a small and medium-sized enterprise or an independent company located in another European Union member state or in Iceland, Liechtenstein and Norway.

Max. aid intensities	Large enterprise	Medium-sized enterprise	Small enterprise
Experimental development	25%	35%	45%
Experimental development + collaboration	40%	50%	60%
Industrial research	50%	60%	70%
Industrial research + collaboration	65%	75%	80%

EXPLANATION OF TERMS

Industrial research means the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and notably for generic technology validation.

Experimental development means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services.

Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product and which is too expensive to produce for it to be used only for demonstration and validation purposes.

Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing processes, services and other operations in progress, even if those changes may represent improvements.

Feasibility studies

(Art. 6)

WHO IS ELIGIBLE?

All companies.

WHAT COSTS CAN BE COVERED?

All costs directly related to the feasibility study are admissible (the same categories of costs as for research and development projects).

EXPLANATION OF TERMS

A **feasibility study** means the evaluation and analysis of the potential of a project, which aims at supporting the process of decision-making by objectively and rationally uncovering its strengths and weaknesses, opportunities and threats, as well as identifying the resources required to carry it through and ultimately its prospects for success.

Max. aid intensities	Large enterprise	Medium-sized enterprise	Small enterprise
Feasibility studies	50%	60%	70%

Innovation aid for SMEs

(Art. 7)

WHO IS ELIGIBLE?

Small and medium-sized enterprises.

WHAT COSTS CAN BE COVERED?

Max. aid intensities	Medium-sized enterprise	Small enterprise
Consultancy services provided by external consultants	50%	
Costs for obtaining, validating and defending patents and other intangible assets	50%	
Costs for secondment of highly qualified personnel	50%	
Innovation advisory and support services	Up to 100% with a maximum of €200,000 per company within any 3-year period	

EXPLANATION OF TERMS

Consultancy services provided by external consultants: the services concerned shall not be a continuous or periodic activity nor relate to the undertaking's usual operating costs, such as routine tax consultancy services, regular legal services or advertising.

Admissible costs for **obtaining, validating and defending patents and other intangible assets**: intangible assets means assets that do not have a physical or financial embodiment such as patents, licences, know-how or other intellectual property.

Admissible costs for **secondment of highly qualified personnel are the staff costs seconded** from a research and knowledge-dissemination organisation or a large enterprise, working on research, development and innovation activities in a newly created function within the beneficiary and not replacing other personnel;

Secondment means the temporary employment of staff by a beneficiary with the right for the staff to return to the previous employer;

Highly qualified personnel means staff having a tertiary education degree and at least 5 years of relevant professional experience which may also include doctoral training.

Admissible costs for **innovation advisory and support services** comprise:

- **innovation advisory services:** consultancy, assistance and training in the fields of knowledge transfer, acquisition, protection and exploitation of intangible assets, use of standards and regulations embedding them;
- **innovation support services:** the provision of office space, data banks, libraries, market research, laboratories, quality labelling, testing and certification for the purpose of developing more effective products, processes or services.

Aid for young innovative enterprises

(Art. 8)

WHO IS ELIGIBLE?

Eligible companies shall be unlisted **small enterprises** up to **five years** following their registration, which have **not yet distributed profits** and have not been formed through a merger.

This definition applies to the aid applicant and to all partner companies and linked companies.

An **innovative enterprise** is a company:

- that can demonstrate, by means of an evaluation carried out by an external expert, that it will in the foreseeable future develop products, services or processes which are new or substantially improved compared to the state of the art in its industry, and which carry a risk of technological or industrial failure; or

- whose research and development costs represent at least 10 % of its total operating costs in at least one of the three years preceding the granting of the aid or, in the case of a start-up company without any financial history, in the audit of its current fiscal period, as certified by an external auditor.

WHAT COSTS CAN BE COVERED?

All expenses are admissible. Funding is capped to the amounts invested in cash in equity by the shareholders and will not exceed 50% of the total financing needs.

EXPLANATION OF TERMS

The aid for young innovative enterprises aid scheme is meant to support the growth of start-ups that can demonstrate market traction and a high expansion potential.

Max. aid

Aid for start-ups

Small enterprise

Up to €800,000, or up to €1,200,000 in the communes of Differdange and Dudelange.

Aid for process and organisational innovation

(Art. 9)

WHO IS ELIGIBLE?

Small and medium-sized enterprises.

Large enterprises under the condition of an effective collaboration with a small or medium-sized enterprise. Effective collaboration means that no company bears more than 70% of the total project costs.

WHAT COSTS CAN BE COVERED?

The eligible costs shall be the following:

- personnel costs;
- costs of instruments, equipment to the extent and for the period used for the project;
- costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions;
- additional overheads and other operating costs, including costs of materials, supplies and similar products, incurred directly as a result of the project.

EXPLANATION OF TERMS

Organisational innovation means the implementation of a new organisational method in an undertaking's business practices, workplace organisation or external relations, excluding changes that are based on organisational methods already in use in the undertaking, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products.

Process innovation means the implementation of a new or significantly improved production or delivery method (including significant changes in techniques, equipment or software), excluding minor changes or improvements, increases in production or service capabilities through the addition of manufacturing or logistical systems which are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved product.

Max. aid intensities	Large enterprise	Medium-sized enterprise	Small enterprise
Process and organisational innovation	15% if the large enterprise effectively collaborates with SMEs in the aided activity and the collaborating SMEs incur at least 30 % of the total eligible costs.	50%	50%

Investment aid for research infrastructures

(Art. 10)

WHO IS ELIGIBLE?

Companies or research institutions.

WHAT COSTS CAN BE COVERED?

Aid for the construction or upgrade of research infrastructures that perform economic activities.

The eligible costs shall be the investment costs in intangible and tangible assets.

EXPLANATION OF TERMS

Research infrastructure means facilities, resources and related services that are used by the scientific community to conduct research in their respective fields and covers scientific equipment or sets of instruments, knowledge-based resources such as collections, archives or structured scientific information, enabling information and communication technology-based infrastructures such as grid, computing, software and communication, or any other entity of a unique nature essential to conduct research.

Access to the infrastructure shall be open to several users and be granted on a transparent and non-discriminatory basis. Undertakings which have financed at least 10 % of the investment costs of the infrastructure may be granted preferential access under more favourable conditions. In order to avoid overcompensation, such access shall be proportional to the undertaking's contribution to the investment costs and these conditions shall be made publicly available.

The price charged for the operation or use of the infrastructure shall correspond to a market price.

Where a research infrastructure pursues both economic and non-economic activities, the financing, costs and revenues of each type of activity shall be accounted for separately on the basis of consistently applied and objectively justifiable cost accounting principles.

Max. aid intensities	Public research organisations, large enterprises, medium-sized enterprises, small enterprises. A research infrastructure may be single-sited or distributed.
Investment aid for research infrastructure	50%

Investment aid for innovation clusters

(Art. 11)

WHO IS ELIGIBLE?

Legal entities operating innovation clusters (cluster organisations).

WHAT COSTS CAN BE COVERED?

Investment aid may be granted for the construction or upgrade of innovation clusters. The eligible costs shall be the investment costs in intangible and tangible assets.

EXPLANATION OF TERMS

Innovation clusters are structures or organised groups of independent parties (such as innovative start-ups, small, medium-sized and large enterprises, as well as research and knowledge dissemination organisations, not-for-profit organisations and other related economic actors) designed to stimulate innovative activity through promotion, sharing of facilities and exchange of knowledge and expertise and by contributing effectively to knowledge transfer, networking, information dissemination and collaboration among the undertakings and other organisations in the cluster.

Access to the cluster's premises, facilities and activities shall be open to several users and be granted on a transparent and non-discriminatory basis. Undertakings which have financed at least 10 % of the investment costs of the innovation cluster may be granted preferential access under more favourable conditions. In order to avoid overcompensation, such access shall be proportional to the undertaking's contribution to the investment costs and these conditions shall be made publicly available. The fees charged for using the cluster's facilities and for participating in the cluster's activities shall correspond to the market price or reflect their costs.

Max. aid intensities

Investment aid for innovative clusters

Cluster organisation

50%, or 55% for cluster organisations located in the communes of Differdange or Dudelange.

Aid for the operation of innovation clusters

(Art. 12)

WHO IS ELIGIBLE?

Legal entities operating innovation clusters (cluster organisations).

WHAT COSTS CAN BE COVERED?

The eligible costs of operating aid for innovation clusters shall be the personnel and administrative costs (including overhead costs) relating to:

- management of the cluster to facilitate collaboration, information sharing and the provision or channelling of specialised and customised business support services;
- marketing of the cluster to increase participation of new undertakings or organisations and to increase visibility;
- management of the cluster's facilities; organisation of training programmes, workshops and conferences to support knowledge sharing and networking and transnational cooperation.

EXPLANATION OF TERMS

Innovation clusters are structures or organised groups of independent parties (such as innovative start-ups, small, medium-sized and large enterprises, as well as research and knowledge dissemination organisations, not-for-profit organisations and other related economic actors) designed to stimulate innovative activity through promotion, sharing of facilities and exchange of knowledge and expertise and by contributing effectively to knowledge transfer, networking, information dissemination and collaboration among the undertakings and other organisations in the cluster.

Max. aid intensities

Aid for the operation of innovative clusters

Cluster organisation

50%, or 55% for cluster organisations located in the communes of Differdange or Dudelange.



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of the Economy



LUXINNOVATION
TRUSTED PARTNER FOR BUSINESS



MINISTRY OF THE ECONOMY

Marco Valentiny

Director Research Development and Innovation

Ministry of the Economy | 19-21, boulevard Royal
L-2449 Luxembourg | Luxembourg
T +352 247 84 162 | marco.valentiny@eco.etat.lu



LUXINNOVATION

Pascal Fabing

Head of National Funding

Luxinnovation GIE | 5, avenue des Hauts-Fourneaux
L-4362 Esch-sur-Alzette | Luxembourg
T +352 43 62 63 - 872 | pascal.fabing@luxinnovation.lu