Netherlands Enterprise Agency

Innovation Credit
Business, project and funding plan

Guide to writing an application for the Innovation Credit

Practical guidance on writing your project proposal for the Innovation Credit

Are you planning to apply for the Innovation Credit? This guide can help you organise your application documentation: namely the business, project and funding plans. This is not a mandatory format – you are free to structure the proposal in a way that suits your business and way of working. However, this guide can be used as a starting point and/or checklist: have you included everything needed for your application to be fully assessed?

In this guide, we also explain how the components of your proposal align with the assessment criteria set out in the legislation. Your application will be assessed in accordance with the Innovation Credit Scheme and the Framework Decision on national EZK and LNV grants (both in Dutch). If your application does not meet the assessment criteria, we will reject it.

What does the Innovation Credit team expect from you?

Ensure that your application is sufficiently detailed from a technical (and, where relevant, clinical) perspective and has sufficient depth. A lack of depth is a common stumbling block in applications for the Innovation Credit and can cause delay in the application process. Present the content in such a way that it is readable for a specialist in your field, who does not (yet) have any knowledge of matters relating to the company's internal processes or business operations.

Why is this important?

The Innovation Credit is intended for innovative projects in the experimental development phase. This means the project is technically or clinically innovative and involves a high level of risk.

In the business plan, you convince us of your company's strategy, background and vision for the future. The plan demonstrates that you are capable of developing your innovative solution and bringing it to market in a structured, feasible manner – whilst taking economic value, social relevance and sustainable growth into account. Among other things, you will provide us with an insight into your company, the problem you are addressing, the unique solution you are developing, the market opportunities, the competitive landscape, and how you intend to embed the innovation commercially and socially.

In addition, the project plan should demonstrate that the project is being approached in a structured manner. The plan must be well-substantiated with existing or self-developed knowledge and experience, and must provide a clear understanding of the technical risks and how you will mitigate them. This must be approached in a structured manner, for example by translating risks into project milestones, project phasing and any alternative solutions. This will also be taken into account during the assessment.

Only fully funded projects are eligible for the Innovation Credit. In the funding plan, clearly set out the (co-)funding structure for the Innovation Credit project and your company's financial projections.

Finally

Please use this manual primarily as a practical guide. We hope it helps you to prepare a strong application. We wish you every success with your application for the Innovation Credit!

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Summary

Please provide a concise overview (maximum 1 page) of:

- The problem/gap in the market and how your innovation addresses it.
- The target audience and expected market impact.
- The stage of development and the technical risks.
- The reason for applying for the Innovation Credit.
- A brief description of your company and the team.
- An overview of the required and available funding.

Business plan

1 Company overview

Please provide a brief overview of your company's development to date so we can gain a clear picture of the organisation applying for the Innovation Credit, including any other developments and/or activities already undertaken.

If you are a startup, you will only be able to provide limited details on the points above. In any case, for both established and startup companies, we would like to see the following information included:

- Date of incorporation and a brief history.
- The company's mission and vision.
- Current activities and products (if applicable).
- Any other (R&D) projects currently in development.
- Organisational structure: overview of teams and roles.
- Description of the current management team and their relevant experience.
- Roles, responsibilities and governance.
- Other staff (number and expertise).
- Advisors, Board of Directors or Supervisory Board (where applicable).
- HR strategy: recruitment of key personnel and necessary expertise.
- Training, knowledge retention and continuity planning.

2 Problem statement and market need

In a rapidly changing world, existing systems, processes and products are increasingly confronted with structural shortcomings. Innovation is essential to respond to social, economic and technological challenges. Tell us what challenge or urgent problem is currently affecting your sector that cannot (or can no longer) be effectively resolved using traditional solutions.

How have you analysed the issue and what innovative solution – one that breaks through existing boundaries – have you devised? This section describes the nature and scale of the problem, how you identified it, its impact on the relevant target groups, and what economic benefit can be realised.

Please describe:

- Who is the end-user or customer?

  What is the problem they are experiencing?
- How did you identify this problem?
- Have you also verified this problem statement with the intended end-user or customer?
- Which existing solutions on the market address this problem?
- What financial benefit is there for the customer?

3 Solution and USPs

To tackle the problem outlined above in an innovative and impactful way, your organisation is developing a solution that stands out for its originality, effectiveness and practical applicability. Where existing alternatives fall short, your approach offers a fresh, forward-looking perspective that addresses the core issue.

In this chapter, you present the solution in detail and explain what makes it unique. Consider aspects such as technological innovation, scalability, user-friendliness, cost-efficiency and social value. The unique selling points (USPs) of this solution are the driving force behind the project and highlight why it is of great value to the target group, the wider sector in which you operate and the development of your own organisation.

Describe briefly and concisely:

- What solution does your innovation offer to the outlined problem?
- What makes your innovation unique compared to existing solutions and new approaches?
- Why is it distinctive enough to enable market-entry and (long-term) growth?
- Why is a government scheme such as the Innovation Credit necessary to realise your innovation?
- How does your product/solution contribute to the economic and social interests of the Netherlands?

4 Market and competition analysis

Strong innovation is crucial to its relevance and market positioning. For this reason, a thorough understanding of the playing field is essential to substantiate the feasibility and potential of your solution. In this chapter, you will analyse the market in which you operate, identify the needs and behaviours of the target group, and investigate which existing players and solutions are already active.

In this analysis, you highlight your opportunities, how your solution differs from existing and emerging alternatives, and why you are strategically positioned to make a successful contribution. By linking your unique value to specific market opportunities, you can emphasise the growth potential and sustainable impact of your project.

Provide an overview of the market in which your company operates:

- Description of market size and trends (in € or number of users).
- Primary target market (e.g. healthcare, agriculture, energy).
- Market validation: discussions with potential customers, pilot projects, Letters of Intent (LOIs).
- Competitors and alternatives.
- Objective comparison: how does the innovation fare in terms of price, performance, ease of use and sustainability (amongst other factors)?
- Your positioning relative to competitors and the above-mentioned factors.
- Revenue forecasts for 3-5 years.
- Assumptions underpinning growth expectations, including:
- TAM (Total Addressable Market) / SAM (Serviceable Available Market) / SOM.
- Justification of projected market share and turnover.

5 Marketing and sales strategy

An innovative solution only reaches its true potential when it is successfully translated into market impact. That is why a well-thought-out marketing and sales strategy is crucial for effectively introducing your solution to the right target groups and establishing a sustainable foothold in the market.

In this chapter, you describe how you will reach the target audience, which channels and resources you will use for the promotion and customer acquisition, and how you will create and capitalise on value. You will address positioning, pricing strategy, communication approach and the sales model. In doing so, you will demonstrate how the proposed solution is commercially viable and can build broad support, even after finishing the Innovation Credit project.

Please show how your business will generate revenue and how you will approach the market by addressing the following points:

- Revenue model (e.g. sales, licensing, subscription).
- Go-to-market strategy, market entry strategy (direct sales, partners, online, etc.).
- Pricing strategy.
- Analysis of the costs of your product/service:
- Breakdown of fixed and variable costs.
- Expected production/development costs per unit or per phase.
- Cost-saving strategies (e.g. economies of scale, automation).
- Margin analysis for different volumes.

6 Sustainability and Responsible Business Conduct (RBC)

In addition to technological or economic value, a project often focuses on creating a positive social impact. For example, does your solution address pressing social issues?

In this chapter, please describe how RBC has been integrated – if at all – into the design, implementation and application of your solution. You should address environmental impacts, social benefits and the contribution to broader objectives, such as the Sustainable Development Goals (SDGs). In doing so, you demonstrate that this project is not only innovative, but also forward-looking and responsible.

Demonstrate the extent to which your project is sustainable and has social value:

- Explain the impact your company and/or innovation (or future supply chain) has on people, animals, the environment and society. Consider, for example, topics such as health, climate change, water use and working conditions.
- What opportunities or positive effects do you see? List at least two.
- What risks do you see, and what are you doing to mitigate them? List at least two.
- For clinical projects, we would also like to know how you take the Ten Principles of Socially Responsible Licensing into account, as set out by the Dutch Federation of University Medical Centres.
- How is RBC embedded in policy or business operations?

Project plan

1 Project starting point

To properly assess your application for the Innovation Credit, it is important to provide a clear picture of your project's current status. Consider the following points:

- What technical/clinical achievements have you made until now (and what is the basis for the 'proof of concept/principle' for your product/service/process)?
- What makes your solution novel from a technical, procedural or clinical perspective?
- What makes your solution innovative in the context of existing alternatives?

This aspect is important because the Innovation Credit is intended for projects in the experimental development stage. This means: close to the market, with a realistic and well-founded prospect of success, but also still involving significant and/or clinical risks. The (investment) market is currently unwilling to fully finance these risks, thereby impeding investment. You must demonstrate that there is a sufficient foundation – in terms of knowledge, experience and work – to really get the project off the ground. The aim is for the end result to generate significant economic value for your company.

2 Technical and clinical challenges

Beyond the project's starting point, the Innovation Credit team also wants to gain a clear understanding of what still needs to be done – and what challenges or risks are involved. Please answer the following questions:

- What are the technical (and/or clinical) final specifications you are working towards? How far are you from achieving them?
- How did you establish these technical (and/or clinical) final specifications, which user(?) do you have in mind, and how did the user(s) indicate that they want or need these specifications? Explicitly link your business plan to the project plan and explain how it addresses a market need or gap.
- What are the main technical or clinical challenges you still need to tackle? And what are the biggest risks?
- What approach will you take to resolve these challenges? Describe the main potential solutions clearly and in sufficient technical and/or scientific detail.
- How significant are the risks associated with your approach? And how will you manage these at the project level?
- Do you have alternative plans in case a key component fails to meet expectations?
- What if you do not achieve all your objectives? Explain what this would mean for the technical (and/or clinical) final specifications and the market outlook. Relate this back to your business plan.
- Who carries out the work and who supervises it? And why is this a logical division of responsibilities?
- Are you dependent on partners and/or external partners (such as suppliers, clinical partners, certification bodies) for your development? If so, what expertise do they bring to the table, how secure is their commitment, and what agreements have been made?

- Does your innovation need to comply with specific regulations (such as CE marking, the MDR, EMA approval or ISO standards)? Briefly describe what is still required for this and what the critical steps are in the project.

Together with your starting point, this information will be used to assess whether there is sufficient confidence in your project's technical and economic feasibility.

3 Project planning

Your project must be structured logically. Show how you intend to achieve this:

- What specific deliverables do you aim to achieve during the project's duration and by when? Provide a general schedule of work packages, clearly indicating the deadlines by which critical elements (such as test results, certification and upscaling) must be completed.
- Describe how you organise your work: by sets of tasks, sprints, project periods or in another logical way. Ensure that the structure is clear and the described activities are sufficiently detailed.
- Specify who carries out or monitors which tasks.
- Ensure that the outcomes of your work (deliverables) are clearly defined by formulating them as SMART as possible.
- Use a visual schedule (e.g. a GANTT chart, PERT diagram or another diagram). Clearly indicate where the project phases start and end. Project phases typically last 6 to 12 months and culminate in overarching milestones.
- Define overarching and specific, concrete SMART milestone(s), based on the work packages and deliverables within a project phase. These milestone(s) must be viewed as logical steps in technical (and/or clinical) development and risk mitigation, in pursuit of the final technical (and/or clinical) specifications.

  Example:

- Not: ‘Accuracy report’
- Correct: ‘Report in which X has a 95 per cent confidence level and complies with ISO standard Y’
- Not: ‘Start of clinical phase IIa’
- Correct: ‘Approval from the EMA to commence clinical phase IIa’

- Describe a final milestone, namely the technical (and/or clinical) endpoint of the Innovation Credit project. Based on this definition, we will assess whether the Innovation Credit project has been technically (and/or clinically) successful. The final milestone aligns with the technical (and/or clinical) end specifications described earlier; the same applies here: be as specific (i.e., SMART) as possible.

  Example:

- Not: ‘An ISO-compliant product’
- Correct: ‘Final dossier submitted to authority Z following validation of A, B and C within a 95% confidence interval and use by the end user within a maximum of 20 minutes with a maximum of 2% user errors’

4 Risk analysis

As the Innovation Credit is aimed at high-risk projects, it is important to clearly demonstrate that you understand the risks and can manage them. Please specify:

- Which method you use for risk management at project level.
- What the main risks are (you may briefly mention standard risks, unless they are crucial to the planning or project phasing).
- At what stage of the project may the risks arise?
- For example, use an FMEA to provide insight into risks, severity and impact.
- How you mitigate these risks and make them manageable at project level – for example, through your project planning (e.g. via a go/no-go decision point between two project phases), deliverables or milestones (e.g. at least X, Y and Z must be achieved).

The Innovation Credit is intended for developments involving above-average technical and/or clinical risk. You should therefore be clear and open about the risks: a project can and may fail technically or clinically without this necessarily standing in the way of a successful application.

5 Project team

Who will carry out the project? Demonstrate that your team is up to the task:

- Who are the key figures in your team? What is their expertise and why are they suitable?
- What is the availability (FTE allocation) of the core team members during the project? Are they involved full-time, or do they combine this with other work?
- Who is responsible for overall project management and progress? How are tasks organised within the team?
- Is there a need to bring in external expertise? If so, why, when and how?
- Are there any vacant positions? How do you intend to fill them? And how will you minimise the risks if this causes delays?
- Do you outsource work to partners? If so, please specify what they do, the type of contract (e.g., consultancy or production supply), and how you monitor and manage the work. Please also demonstrate that you or your team have the expertise to manage this effectively.

6 Intellectual Property (IP) and business assets

Do you already hold any IP rights, or are you planning to apply for them? Please answer the following questions briefly and clearly:

- What is your IP strategy?
- Which patents are already granted or have already been applied for (please state the title, numbers, publication date and countries/procedures)?
- Which IP do you expect to apply for and approximately when?

- What other key resources are you using (for example, prototypes, machinery, software/code storage or an IMPD)?
- Who owns the IP (your company, a partner, a university)? Are there any license agreements, and what are the key terms of these agreements?
- Have you carried out (or are you planning to carry out) a Freedom to Operate (FTO) analysis? Demonstrate that you have the freedom to bring your technology to the market without infringing on existing patents held by others.
- Why is your IP essential to your competitive position or revenue model?
- How do you protect non-patentable knowledge, such as algorithms, recipes or test data (e.g. through NDAs, confidentiality clauses in contracts, etc.)?

7 Project budget

For the project budget, please use the mandatory Excel template available on the Innovation Credit website. Submit the completed Excel file as an attachment to your application. Furthermore:

- Allocate costs as specifically as possible to tasks or expected invoices. Only costs that *directly* contribute to technical (and/or clinical) development may be claimed as project costs.
- Avoid generic cost items. Only minor cost items that form part of a coherent whole may be grouped together. In such cases, clearly explain what is included and why it makes sense to group them.
- Unforeseen costs are not eligible for funding; you must cover these yourself.
- Explain the main cost items, both internal and external.
- Include quotations or refer to previous comparable costs as supporting evidence.

Examples of cost items that can/cannot be claimed as project costs

- **No**: CFO/accountant (carries out tasks relating to day-to-day operations but does not contribute directly to solving technical challenges).
- **Yes**: molecular biologist (directly involved in the development of medicine from within the lab).
- **Yes**: CEO, but only in relation to the active (management of) development work in the lab/test facility/etc. Hours spent on e.g. sales, client relationship management and business development cannot be included in the project budget.
- **No**: a lump sum for a (clinical) trial; break this down into internal and external costs, measurements, insurance or tools for conducting the trial, etc.
- **Yes**: IP costs. These are directly linked to the project's technical implementation and results.
- **No**: commuting costs.
- **Yes**: travel expenses for staff attending technical conferences.

Funding plan

1 Funding and details

A solid financial foundation is essential for the successful implementation and scaling up of a project. In this chapter, you will present an overview of the expected costs, revenues and financing structure. The financial plan underpins the (co-)financing of the Innovation Credit project and the economic viability of the innovative solution. It also demonstrates how you will manage the available resources responsibly.

You will provide insight into the financial situation, the use of own and external funding (including the Innovation Credit applied for) and the expected financial development in the short and medium term. In addition, you will address any risks and how you intend to keep these financially manageable.

In addition to submitting the mandatory funding model of the Netherlands Enterprise Agency, you must describe:

- *Funding details*
- Depending on the size of the business, the Innovation Credit funds up to 45% of the project if there is no collaboration involved (otherwise, up to 50%). The remainder of the project's funding must come either from the business's own resources or via other investors or private investment. This also includes the funding of non-eligible operating costs. When you submit your application, it is important that you already have a clear funding plan in place. The Innovation Credit will only be granted once the company's and the project's funding has been fully secured for the entire duration of the project. If, for example, the contracts with investors have not yet been signed, signing them will be included as a condition of the grant.

Keep the following points in mind when drawing up the financing plan:

- Legal structure (e.g. BV/limited company, VOF/general partnership).
- Shareholders and cap table (including founders and investors).
- Overview of funding already raised (own funds, grants, investors).
- Terms and conditions of this funding.
- Ongoing or future applications to other (government) bodies.
- Letters of intent from financiers or investors.
- Make the planned funding as specific as possible by providing funding agreements and/or ‘term sheets’.
- The funding must allow sufficient scope for project delays and/or cost overruns.
- *Turnover and customer agreements*
- If you wish to use revenue from sales as a source of funding, you must demonstrate that those sales will actually take place. For example, you can provide signed sales contracts or demonstrate the expected revenue over the project's duration based on recurring revenue from previous years. Are certain customers crucial to your revenue? In that case, we expect you to provide details of the agreements with these customers. If revenue contributes to financing the development process but is uncertain, a guarantee from the shareholders will be required.
- Current revenue (if applicable): to what extent does this relate to confirmed revenue?
- Letters of intent (LOI) or contracts with clients.

- Client contributions to pilot projects or co-funding.
- *Assumptions and scenarios*
- Please explain the key assumptions underlying the forecasts. With projects of this nature, it is important to think in terms of scenarios. Take into account typical setbacks relating to uncertain cash flow, budgeted development costs and the planned project duration.
- Financial assumptions (e.g. prices, quantities, production costs).
- Best-case, base-case and worst-case scenarios.
- What are the implications for liquidity and cash flow in each scenario?
- *Supplier and partner agreements*
- Describe the use of specialist suppliers. Is this use extensive? If so, please attach tenders, quotations or supply or collaboration agreements as additional attachments to your application.
- *Additional financial support and/or grants*
- The Innovation Credit is a grant that must be repaid. It is therefore not permitted to receive any other national or international grants for the same development in addition to the Innovation Credit.

2 Financial model

By submitting a profit and loss account, balance sheet and cash flow forecast, we will assess your company's current financial situation and future outlook. Use of the Excel file 'Financieel model' (in Dutch) of the Netherlands Enterprise Agency is strongly recommended, but not compulsory for these sections.

As described in Chapter 13 – Project budget, the use of the project budget ('Projectbegroting') template is, *however*, mandatory. You can find this template in the Excel file 'Financieel model'.

When completing the profit and loss account ('winst- en verliesrekening'), balance sheet ('balans') and cash flow forecast ('liquiditeitsprognose') in the Excel file 'Financieel model', please keep the following in mind:

- Throughout the project, provide a quarterly breakdown of financial performance. For the period following the project (commercialisation), this information may be provided annually.
- Provide a clear overview of the activities (and, subsequently, the revenue) of the Innovation Credit project and any other developments within your company. The Excel file 'Financieel model' clearly distinguishes between these.
- The project costs relating to the Innovation Credit, as shown in the profit and loss account/winst- en verliesrekening, must correspond to the scale and timing of these costs in the project budget.
- Include a breakdown of the other providers of borrowed capital in the balance sheet.
- In the cash flow forecast, no interest and/or repayment obligations for the Innovation Credit need to be included whilst the Innovation Credit is still underway. Once the project has been completed, repayment of the loan will normally commence within 6 months. Include a realistic repayment schedule in the cash flow forecast/liquiditeitsprognose.

- Please note: As long as the Innovation Credit has not been fully repaid, shareholders may not withdraw funds from your company in the form of interest payments and repayments on (subordinated) shareholder loans or dividend payments (or otherwise).
- Upon successful completion of the project, a one-off surcharge of the received loan amount will be charged. This one-off surcharge amounts to 15% for technical projects and 25% for clinical projects, and will form part of the regular repayment schedule.

Attachments

Where possible – and where applicable – support the business plan with:

- CVs of team members
- Market and competitive research
- Letters of intent (LOIs), other forms of market validation, etc.
- Quotations or letters of intent from (development) partners
- (Draft) term sheets, investment agreements
- Licenses or certifications
- Etc.