The Key Criteria for an Activity to be Considered as R&D

13/02/2024 7:33 am GMT

The Frascati Manual for Research & Experimental Development is considered as one of the leading manuals for the classification of R&D. Originating from Frascati, Italy, this OECD manual has been revised many times (latest 2015)

According to the Frascati Manual, there are Five key criteria for the classification of an activity to be considered R&D. These classifications have been adapted and adopted across the globe and OECD member states, to understand, define and measure innovation and R&D, including impact.



What is R&D? Criteria

The criteria for defining R&D:

- 1. Novel
- 2. Creative
- 3. Uncertain in its outcome
- 4. Systematic
- 5. Transferable or reproducible

Novel: to be aimed at new findings

New knowledge is a requirement in an R&D project.

Creative: to be based on original concepts & hypotheses

The R&D work must have objectives of new concepts or ideas that improves the existing body of knowledge (state-of-the-art). It is also noted that human input is inherent to creativity in R&D - R&D projects require the contribution of a researcher.

Uncertain: to be uncertain about final outcome

The outcome & cost (including time allocation) of a project cannot be precisely determined relative to the goals of the project.

Systematic: to be planned & budgeted

R&D must be performed systematically – conducted in a planned way, with records kept of both the process followed & the outcome.

Transferable: reproducibility of results

An R&D project should result in the potential for the transfer of new knowledge, ensuring its use & allowing other researchers to reproduce the results as part of their own R&D activities.

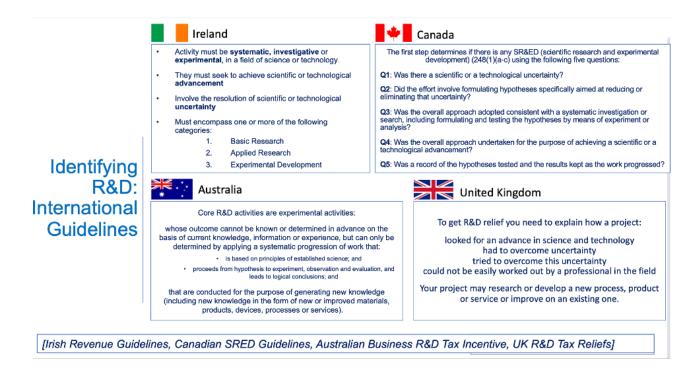
Results cannot remain tacit (i.e. remain solely in the minds of researchers) - the purpose of R&D is to increase the

stock of knowledge! It is important to note that while R&D knowledge must be transfer<u>able</u>, it need not be transferr<u>ed</u> from those who undertook the work.

Impact of the Five Criteria on International R&D Incentives

Different member states of the OECD have used the Frascati definitions for what comprises qualifying R&D, to design their RD&I incentive programmes, such as R&D tax credit incentives and legislation.

In the below image, we can see a comparison of the guidelines for what constitutes qualifying R&D (in companies), to be incentivised for R&D tax credits.



While there are differences and nuances between members states as to what constitutes qualifying R&D, each have a root (or genesis) in the Frascati criteria.