



KEMENTERIAN SAINS, TEKNOLOGI & INOVASI, MALAYSIA

PRE COMMERCIALISATION FUND (TECHNOFUND) GUIDELINES FOR APPLICANTS

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1. INTRODUCTION

R&D initiatives in Malaysia have significantly improved in the last few years, by adopting and pursuing enabling policies, through the concerted efforts of MOSTI and other Ministries, the Universities, Research Institutes and Industry. This was achieved by providing conducive research platforms and environment. Malaysia and even the international arena have thus witnessed a number of these products commercialised that have contributed to the corpus of knowledge and improvement of life. Many more have high potential for commercialisation but have not been able to do so because of certain constraints. MOSTI believes that it can work together with these researchers in Research Institutes, Universities and Industry to overcome some of these constraints, thus ensuring more R&D products are brought to the market, thus spurring economic returns for the country. Hence the introduction of this category of funds called Pre Commercialisation Funds.

2. OBJECTIVE

The objectives of the Pre Commercialisation Fund (TechnoFund) are as below:

- i. to undertake the development of new or cutting edge technologies or further develop/value add existing technologies/products in specific areas (Section 7) for the creation of new businesses and generation of economic wealth for Malaysia;*
- ii. to undertake market driven R&D towards commercialisation of R&D outputs;*
- iii. to encourage institutions, local companies and inventors to capitalise their intellectual work through intellectual property (IP) registration; and*
- iv. to stimulate the growth and increase capability and capacity of Malaysian technology-based enterprises, Malaysian Government Research Institutes (GRI) and Institutions of Higher Learning (IHL) through both local and international collaborations.*

3. ELIGIBLE APPLICANT

3.1 Eligible applicants can be researchers and other individuals from:

- i. *Small and Medium Enterprises;*
- ii. *Institutions of Higher Learning;*
- iii. *Research Institutes; and*
- iv. *Science, Technology and Innovation (STI) Agencies.*

3.2 Priority will be given to applications with projects

- i. *that have been supported by the ScienceFund and have the potential to be commercialised;*
- or*
- ii. *companies that have obtained the InnoCert recognition.*

3.3 Definition of micro, small and medium enterprises are as follows:

	Micro-Enterprise	Small Enterprise	Medium Enterprise
Manufacturing, Manufacturing-Related Services and Agro-based Industries	<i>Sales turnover of less than RM250,000 OR full time employees less than 5</i>	<i>Sales turnover between RM250,000 and less than RM10 million OR full time employees between 5 and 50</i>	<i>Sales turnover between RM10 million and RM25 million OR full time employees between 51 and 150</i>

	Micro-Enterprise	Small Enterprise	Medium Enterprise
Services, Primary Agriculture and Information & Communication Technology (ICT)	<i>Sales turnover of less than RM200,000 OR full time employees less than 5</i>	<i>Sales turnover between RM200,000 and less than RM1 million OR full time employees between 5 and 19</i>	<i>Sales turnover between RM1 million and RM5 million OR full time employees between 20 and 50</i>

4. ELIGIBILITY CRITERIA

- 4.1 *All categories of companies must have a minimum of **51% equity held by Malaysians**;*
- 4.2 *Applicant or collaborator under the small and medium company category must have minimum paid up capital in cash of RM10,000.00. However, **start-up companies are exempted from this stipulation** but must provide justification and supporting documents on the ability to sustain itself;*
- 4.3 *None of the **company directors or project team members** have been convicted of any fraudulent activities or the company been declared bankrupt, under liquidation or placed under receivership*
- 4.4 *The proposed project must contain elements of **technological innovation leading to commercialisation** of innovative products, processes and services;*
- 4.5 *The proposed project should be in the **pre commercialisation stage** with established Proof of Concept (POC);*
- 4.6 *The **project leader and team members must be competent** to undertake the proposed project. The resume and supporting documents of the project leader and each project team member must also be submitted.*

4.7 The following are not eligible for funding under the Pre Commercialisation Fund (TechnoFund):

- i. projects under the scope, responsibility or portfolio of certain Ministry, Department or Agency other than MOSTI; and
- ii. applications from Research Institutes with internal research funding such as CESS Fund.

5. QUANTUM OF FUNDING

The quantum and duration of funding approved under the Pre Commercialisation Fund (TechnoFund) will be based on merits of each application, not exceeding the limit as indicated in the following table:

Type of Fund	Maximum Duration	Entity	Quantum
Pre Commercialisation Fund (TechnoFund)	30 months*	Small & Medium Companies Institutions of Higher Learning Research Institutes STI Agencies	RM1.5 – RM3.0 million

*Additional 6 months is permitted for application involving IP acquisition.

An additional of 24 months from the maximum project duration of 30 months will be added for the post-evaluation purposes.

6. SCOPE OF FUNDING

6.1 The Pre Commercialisation (TechnoFund) will cover:

- i. the acquisition of technology (foreign and/ or local). Applicants should provide the **acquisition agreement** or if such an agreement is not in place, applicants shall provide details of the technology to be acquired;
- ii. the up-scaling of laboratory-scale prototype or the development of commercial ready prototype; and

iii. *pre-clinical testing/clinical testing/field trials.*

6.2 *The funding can be used for the following:*

- i. *pilot plant/ prototype – equipment and supporting infrastructure which is directly related to the pilot plant;*
- ii. *IP Preparation and Registration in Malaysia only (excluding maintenance)- existing and new IP;*
- iii. *market testing / assessment and/or evaluation;*
- iv. *regulatory and standards compliance;*
- v. *expenditure for services (consultancy/ testing) not exceeding 20% of project cost;*
- vi. *contract expenditure applicable to IHLs and GRIs only (research assistant);*
- vii. *raw materials/consumables; and*
- viii. *technology / IP acquisition (if applicable).*

6.3 *The funding cannot be used for the following:*

- i. *purchase or rental of capital assets such as building, vehicles and furniture;*
- ii. *construction of infrastructure which is not directly related to the pilot plant;*
- iii. *utilities;*
- iv. *travelling costs;*
- v. *salary or allowances of any personnel (except as stated for IHLs and GRIs); and*
- vi. *collateral or loan for any purpose.*

7. RESEARCH AND PRIORITY AREAS

TechnoFund focuses on the following areas:

- *Life Sciences,*
- *Computer Sciences and Information and Communication Technology (ICT),*
- *Agriculture Sciences / Agricultural Engineering,*
- *Environmental Sciences,*
- *Advanced Materials Science,*
- *Chemical Sciences,*
- *Physical and Mathematical Sciences,*
- *Engineering,*
- *Medical and Health Sciences, and*
- *Social Sciences and Humanities.*

*Project proposal eligible for consideration must fall under research priority areas as in **Appendix I: Table 1**. Consideration for funding will also be given to identified Flagship Programmes as in **Appendix I: Table 2**.*

8. APPROVAL CRITERIA

The following criteria will be taken into consideration in the evaluation of application:

i. Novelty

Project proposal must be able to show the uniqueness and novelty aspect of their technology/product in terms of new product, new technique, new process, modification of existing product/process, additional application, cutting edge technology, and/or patentable. Applicant must conduct a Prior Art Search to verify on the patentability aspect.

ii. Technical Feasibility

The applicant will be evaluated with respect to the applicant's ability to successfully complete the project within the stipulated time.

iii. **Laboratory Proof of Concept (POC)**

Evaluation of the Proof of Concept will be made to establish viability, technical issues and overall direction, as well as provide feedback for budgeting.

iv. **Competency of the Project Team**

a. *Project teams should consist of qualified and competent members with respect to technical and commercialisation aspects.*

b. *Roles and responsibilities of collaborators involved in the project should be clearly defined.*

c. *Core business of applicant must be related to area of research.*

d. *Project leader must be technically fluent & competent in the related project.*

e. *Involvement of consultants in the project should be justified and with details submitted.*

f. *Each member of the team should provide CV clearly stating their previous research as well as highlighting significant successes.*

v. **Credibility of Project Proposal**

The project proposal must be clear, accurate and consistent with the objectives of the Pre Commercialisation Fund (TechnoFund). The proposal must also have milestones and project activities that can be completed within the agreed time frame.

vi. **Appropriateness of Methodology**

The applicant should provide sufficient information (clear sequence of stages & phases of the proposed methodology) for the evaluator to determine whether the chosen methodology (new or established methods/techniques) is appropriate to achieve the project objectives.

vii. **Deliverables**

The applicant should be able to indicate clearly the type of output expected, market size and able to demonstrate its potential for commercialisation of new/innovative technologies and/or new IPs derived from the project.

viii. **Financial Capability**

Applicants should show proof of financial capability to finance any portion of project cost not funded by Pre Commercialisation Fund (TechnoFund).

ix. **Projection of the Project Costs**

Detailed projection of the project costs must be provided. As for purchase of equipment and acquisition of services, all the relevant documents referred to in para 11.7 (ii) of the Pre Commercialisation Fund (TechnoFund) guideline must be included in the project proposals for evaluation.

x. **Risk**

The applicant must state the possible risks (technology risk, financial risk and time risk) that may affect the implementation or completion of the project.

xi. **Applicant and collaborator(s) must provide the following documents, where appropriate:**

a. Companies who apply and/or collaborate must provide the latest

- Forms 9, 24 and 49 (Companies Act 1965) together with the latest Annual Report; and*
- Latest Memorandum and Article of Association (MoA).*

All documents should be certified by the Companies Commission of Malaysia. Foreign collaborators should provide equivalent documents.

b. All team members must provide the latest Insolvency certificate from Malaysian Department of Insolvency (Mdl); and

c. The Project Leader must submit the signed declaration in the TechnoFund Form witnessed by a Commissioner of Oaths.

xii. **Others**

The applicant and collaborator(s) must fulfil other conditions stipulated under the guidelines and policies of the Pre Commercialisation Fund (TechnoFund).

9. FUND AGREEMENT

- 9.1 *The Pre Commercialisation Fund (TechnoFund) Agreement of approved projects will be signed between the Government of Malaysia represented by MOSTI and the recipient detailing the terms and conditions of funding. The Agreement is to be signed by the recipient within **30 working days** upon receipt of Letter of Acceptance from MOSTI, failing which MOSTI has the right to revoke or terminate the Agreement.*
- 9.2 *The recipient is not to commence any of the activities stipulated in the project until the Pre Commercialisation Fund (TechnoFund) Agreement is duly signed and stamped. Any expenditure incurred for work carried out prior to signing of the Agreement will not be eligible for reimbursement.*
- 9.3 *The recipient must submit to MOSTI the following documents prior to the execution of the Pre Commercialisation Fund (TechnoFund) Agreement.*
- i. **Collaboration Agreement** between the recipient and collaborator(s) defining among others, the scope of work and contribution of the collaborator(s).*
 - ii. **Technology Transfer Agreement** between the recipient and the technology provider; and*
 - iii. **Consultancy Agreement** between the recipient and consultants defining among others the scope of work and contribution of the consultant(s). The consultant(s) are experts who are independent of the recipient and collaborator(s).*
- 9.4 *The Pre Commercialisation Fund (TechnoFund) Agreement shall preclude any other arrangements by the recipient which are not declared in the Agreement. In the course of the project, amendments may be made to the Agreement with the written consent of MOSTI and the recipient.*

10. PROJECT MONITORING

- 10.1 *Projects which are awarded the Pre Commercialisation Fund (TechnoFund) will be monitored and evaluated by the Project Monitoring Team (PMT) appointed by MOSTI to ensure that the Agreement is adhered to, including the timelines. MOSTI reserves the right to suspend or withdraw the support if there is non-compliance to the Agreement.*
- 10.2 *The recipient is required to submit periodic reports (including milestones and financial reports) and documents as specified in the Pre Commercialisation Fund (TechnoFund) Agreement.*

11. FUND DISBURSEMENT

- 11.1 *Payment will be made in stages according to the terms of the Award of the Pre Commercialisation Fund (TechnoFund).*
- 11.2 *Disbursements of the fund is usually made based on the percentage of work completed in the project according to the predetermined milestones and completion of due diligence by MOSTI.*
- 11.3 *An initial payment will be disbursed upon execution of the Pre Commercialisation Fund (TechnoFund) agreement, and the subsequent payments will be disbursed on milestones achieved upon the completion of due diligence exercised by MOSTI.*
- 11.4 *The up-front initial payment should strictly be used to cover activities in order to achieve the first milestone.*
- 11.5 *The Government has the absolute discretion for the review of the grant approval or the aggregate amount to be paid to the project.*
- 11.6 *Payment through **the collaborator is for procurement of equipment ONLY.** It may be made upon mutual agreement from both parties (collaborator and recipient) and official request by the recipient to MOSTI.*

11.7 Procedures for Purchasing of equipment and services

- i. Grant recipients must **submit quotations** or substantial proof of any purchase or acquisition of services such as Consultancy;*
- ii. Purchase of items or acquisition of services which costs more than RM100,000.00 **should be accompanied by 3 or more quotations** or substantial proof;*
- iii. Any financial transaction more than RM10,000.00 and above must be done through proper documentation (invoice, purchase order (PO), delivery order(DO), receipts etc).;*
- iv. Attempt to circumvent para 11.7(ii) by breaking down the purchase of items or acquisition of services, is prohibited;*
- v. Purchase of items or acquisition of services **should not be from the same vendor** (fairness in dealings and benefit to various vendors);*
- vi. Purchase or acquisition of services from within the recipient's **company/institution, subsidiaries or associated companies** is not permitted;*
- vii. The allocation given for projects involving IT facilities (except Computer Sciences related projects) **should not be used to purchase more than 1 desktop or laptop**;*
- viii. Purchase order/quotation submitted must be based on current market prices. **Mark-up from the original price is not allowed**; and*
- ix. The supplier of research materials, equipment and services for the project **must not have any conflict of interest** with the recipient.*

11.8 Contract Expenditure

- i. Contract expenditure is allowed for IHL and GRI to employ two (2) Research Assistants for the project;*

- ii. *The maximum monthly salary for Research Assistants are as follows:*

Degree : RM2,300.00 only

Master : RM2,500.00 only

PhD : RM2,800.00 only

- iii. *Resume or Curriculum Vitae of prospective Research Assistants are to be submitted together with the proposals.*

11.9 *As the project progresses, MOSTI has the absolute discretion for any review of the grant or aggregate to be paid to the recipient.*

11.10 *Virement (transfer of allocations) of grants awarded either from one project to another or from one company to another is not permitted.*

11.11 *The virement of allocation from one component to another of the project is subject to the approval of MOSTI.*

12. INTELLECTUAL PROPERTY (IP) RIGHTS

12.1 *The end product and processes developed under the Pre Commercialisation Fund (TechnoFund) is **encouraged to be patented and registered for IP Rights**. The grant recipient has to inform the Pre Commercialisation (TechnoFund) Secretariat in writing upon the successful registration of the IP.*

12.2 *The IP rights of the project shall **be wholly owned by the recipient** as specified in the Pre Commercialisation Fund (TechnoFund) Agreement.*

13. INCENTIVE FOR INTELLECTUAL PROPERTY

13.1 *The applicant may apply for the following incentives:*

- i. *Incentive for **disclosure** of the Project Intellectual Property; RM500.00;*
- ii. *Incentive for **filing of patent** of the Project Intellectual Property; RM5,000.00;*

- iii. Incentive for **granting of patent** Project Intellectual Property: RM10,000.00.

Payment of this incentive shall be on a **one off basis**.

13.2 The Ministry shall pay

- i. The incentive for disclosure of the Project Intellectual Property upon **disclosure** of the Project Intellectual Property;
- ii. The incentive for filing of patent of the Project Intellectual Property upon **receipt of the proof of patent filing** of the Project Intellectual Property; and
- iii. The incentive for granting of patent Project Intellectual Property upon **receipt of the proof of patent granted** of the Project Intellectual Property.

13.3 Applicant shall disclose to the Government (MOSTI) in writing, of the existence of the Project Intellectual Property not later than **60 days from the Project Completion Date**.

14. ACCESS TO PILOT PLANT

Upon the completion of the project, the recipient shall allow access to the pilot plant to public scientists/researchers for the purpose of research studies.

15. PROJECT COMPLETION

- i. The recipient shall submit to MOSTI the End of Project Report within **three (3) months after the date of completion of the project**.
- ii. The Project Completion Letter will then be issued to the recipient upon complete verification by MOSTI.

- iii. *The recipient shall provide any additional information upon request in writing by MOSTI after the date of completion of the project.*

16. TERMINATION

- i. *MOSTI reserves the right to withdraw the grant should any of the following should arise:*
 - a. *Any false information provided by the recipient;*
 - b. *Change of grant recipient without the prior consent of MOSTI;*
 - c. *Change of Principal Researcher of the project without the prior consent of MOSTI;*
 - d. *Any misuse of the grant provided;*
 - e. *Non achievement/slow progress of the milestones as stipulated in the Pre Commercialisation Fund (TechnoFund) Agreement; or*
 - f. *Any breach of agreement.*
- ii. *MOSTI reserves the right, at any time, to review, suspend or withdraw any grant approval(s) or payments if such measures are deemed necessary.*
- iii. *MOSTI shall claim against the recipient for any damages suffered as a result of any defaults by the recipient as stipulated in the agreement.*

17. APPLICATION AND SUBMISSION

16.1 Applications are open throughout the year. However, evaluation of the applications will be carried out quarterly. Information on the Pre Commercialisation Fund (TechnoFund) is available in MOSTI's website (<http://www.mosti.gov.my>). Applicants can download the latest version of the application forms and the guidelines for the Pre Commercialisation Fund (TechnoFund).

- 16.2 Applications (with all relevant documents) from GRIs and IHLs must be submitted through their **respective Research Management Centres (RMCs)** for vetting and recommendations.
- 16.3 All complete applications shall be acknowledged and assigned a reference number. Incomplete or ineligible applications will not be forwarded for evaluation.
- 16.4 MOSTI reserves the right not to process the application if there is any false information found in it.
- 16.5 An applicant **can only be a project leader of one Pre Commercialisation Fund (TechnoFund) grant or any other R&D grant under MOSTI at any one time.**
- 16.6 **Ethical and/or other regulatory approvals** must be submitted with the application where necessary.
- 16.7 All applications/enquiries pertaining to the Pre Commercialisation Fund (TechnoFund) should be directed to:

**Pre Commercialisation Fund (TechnoFund) Secretariat,
Fund Section, Planning Division,
Ministry of Science, Technology and Innovation (MOSTI)
Level 3, Block C5, Complex C,
Federal Government Administrative Centre,
62662 PUTRAJAYA
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