



MINISTRY OF SCIENCE, TECHNOLOGY AND INNOVATION, MALAYSIA

**TECHNOFUND
GUIDELINES FOR APPLICANTS**

(Revised January 2016)

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**PRE COMMERCIALIZATION FUND (TECHNOFUND)
GUIDELINES FOR APPLICANTS**

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1. INTRODUCTION

This document provides an overview of the pre commercialization fund (TechnoFund) under the Ministry of Science, Technology and Innovation (MOSTI). It intends to assist interested applicants in fulfilling the requirements under this fund. Therefore, all applicants are required to read and understand fully this guideline prior to completing the TechnoFund application.

2. OBJECTIVE

TechnoFund is established to render assistance in the form of grants towards generating economic wealth for the nation through technology development. This fund covers technology development up to pre commercialisation stage. The technology to be developed under this scheme must be viable with potential for commercialization.

The objectives of the Pre Commercialization Fund (TechnoFund) are as follows:

- i. to undertake the development of new or cutting edge technologies or further develop/value add existing technologies/products in specific areas for the creation of new businesses and generation of economic wealth for Malaysia;
- ii. to undertake market driven R&D towards commercialization 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. from companies that have obtained the InnoCert recognition.

3.3 Definition of small and medium enterprises are as per Guidelines for SME Definition issued by SME Corporation Malaysia.

4. ELIGIBILITY CRITERIA

- 4.1 All categories of companies must have a minimum of **51% equity held by Malaysians**;
- 4.2 Company must be in operation for at least 2 years from date of application. Company shall provide audited financial report as proof.
- 4.3 All IHL / RI / STI Agencies should be registered in Malaysia.
- 4.4 Government reserves the right to request the involvement of appropriate MOSTI agencies as collaborators. A Memorandum of Agreement between the collaborating agencies must accompany the application, clearly stating the respective scope of work, IP agreement and ownership and ownership of all equipment purchased during the tenure of the project. The agreement must be stamped by entity.
- 4.5 Applicant must have **minimum paid up capital in cash of RM10,000.00**.
- 4.6 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;
- 4.7 The proposed project must contain elements of **technological innovation leading to commercialization** of innovative products, processes and services;
- 4.8 The proposed project should be in the **pre commercialization stage** with established working Proof of Concept (POC);
- 4.9 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.
- 4.10 The following are **not eligible** for funding under the Pre Commercialization Fund (TechnoFund):
 - i. Projects already undertaken , 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.
- 4.11 The proposed project must be implemented in Malaysia.

5. QUANTUM AND DURATION

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

Entity	Quantum	Maximum Duration
<ul style="list-style-type: none"> • Small & Medium Companies • Institutions of Higher Learning • Research Institutes • STI Agencies 	Up to RM3.0 million	24 months*

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

6. SCOPE OF FUNDING

6.1 The Pre Commercialization (TechnoFund) will cover:

- i. Technology acquisition (foreign and/ or local)
 - a. Must be further enhanced;
 - b. Must provide the **acquisition agreement**, or if such an agreement is not in place, must provide details of the technology to be acquired; and
 - c. Total technology acquisition not more than 50% of total approved project cost.
- ii. the up-scaling of laboratory-scale prototype or the development of commercial ready prototype; or
- iii. pre-clinical testing/clinical testing/field trials.

6.2 The funding can be used for the following **(all items must be supported with relevant documents)**:

- i. pilot plant/ prototype – equipment and supporting infrastructure which is directly related to the pilot plant;
- ii. New 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 applied**;
- vi. contract expenditure applicable to IHLs and GRIs only (research assistant);
- vii. raw materials/consumables; and
- viii. technology/ IP acquisition (if applicable) **not exceeding 50% of project cost applied**.

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 for RA as stated for IHLs, and RIs (as an entity only)]; and
- vi. collateral or loan for any purpose.

7. RESEARCH AREAS

TechnoFund focuses on the following areas:

- i. Life Sciences;
- ii. Computer Sciences and Information and Communication;
- iii. Technology (ICT);
- iv. Agriculture Sciences / Agricultural Engineering;
- v. Environmental Sciences;
- vi. Advanced Materials Science;
- vii. Chemical Sciences;
- viii. Physical and Mathematical Sciences;
- ix. Engineering;
- x. Medical and Health Sciences; and
- xi. Social Sciences and Humanities.

Project proposal eligible for consideration must fall under research priority areas as in Appendix 1: **Table 1**.

8. MAIN 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, a new patented 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. **Proof of Concept (POC)**
Evaluation of the Proof of Concept will be made to establish viability, technical issues and overall direction, supported by technical and scientific data.

iv. **Competency of the Project Team**

- a. Project teams should consist of qualified and competent members with respect to technical and commercialization 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 Commercialization 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 information (clear sequence of stages & phases of the proposed methodology) for the evaluator to determine whether the chose 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 commercialization of new/innovative technologies and/or new IPs derived from the project.

viii. **Sustainability**

The project proposal must provide evidence that the project can be sustained during and beyond the funding duration.

- ix. **Commercialization Prospect**
The applicant should be able to indicate clearly the type of output expected and able to demonstrate potential for commercialization of new or innovative technologies.
- x. **Financial Capability**
Applicants should show proof of financial capability to finance any portion of project cost not funded by Pre Commercialization Fund (TechnoFund).
- xi. **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, as in para 11.7 (ii) of the Pre Commercialization Fund (TechnoFund) guideline must be included in the project proposals for evaluation.
- xii. **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.
- xiii. **Applicant and collaborator(s) must provide the following documents, where appropriate:**
- a. Companies who apply and/or collaborate must provide :
- Latest Forms 9, 24 and 49 (Companies Act 1965);
 - Latest Annual Report; and
 - Latest Memorandum and Article of Association (MoA)
- All documents **should be certified by the Companies Commission of Malaysia (CCM)**. Foreign collaborators should provide equivalent documents.
- b. Companies who apply and/or collaborate and all team members must provide the latest Insolvency Certificate from the Malaysian Department of Insolvency (MDI) and must not have been declared a bankrupt; and
- c. The Project Leader must submit the signed Statutory Declaration in the TechnoFund Form witnessed by a Commissioner for Oaths.
- xiv. **Others**
The applicant and collaborator(s) must fulfil other conditions stipulated under the guidelines and policies of the Pre Commercialization Fund (TechnoFund).

9. FUND AGREEMENT

- 9.1 The Pre Commercialization 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 **21 working days** upon receipt of Letter of Acceptance from applicant, failing which MOSTI has the right to withdraw the offer.
- 9.2 The recipient is not to commence any of the activities stipulated in the project until the Pre Commercialization 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 Commercialization Fund (TechnoFund) Agreement (If applicable).
- 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 Commercialization 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 Commercialization 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 funding 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 Commercialization Fund (TechnoFund) Agreement.

11. FUND DISBURSEMENT

- 11.1 The first payment will be disbursed upon execution of the Agreement. The subsequent payments will be disbursed based on:
 - i. Successful completion of milestones **(Reimbursable Basis)** upon MOSTI verification and satisfaction; and
 - ii. End of Project Report (EOPR) must be submitted within the stipulated time. Final payment (5%) will be disbursed after MOSTI is satisfied of the EOPR.
- 11.2 The up-front initial payment of 20% of the total grant will be disbursed to cover activities in order to achieve the milestone.
- 11.3 The Government has the absolute discretion for the review of the grant approval or the aggregate amount to be paid to the project.
- 11.4 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.
- 11.5 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.

11.6 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.

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

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

11.9 The virement of allocation from one component to another of the project is subjected to the approval of MOSTI.

12. INTELLECTUAL PROPERTY (IP) RIGHTS

- 12.1 The end product and processes developed under the Pre Commercialization Fund (TechnoFund) is **encouraged to be patented and registered for IP Rights**. The grant recipient has to inform the Pre Commercialization (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 Commercialization Fund (TechnoFund) Agreement.
- 12.3 Any provisional activities using the output of the project should acknowledge MOSTI as the fund provider.

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**. The allocation for the IP incentive **must be included** in the total grant applied.

- 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.

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 Commercialization 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

- 17.1 Application for Pre Commercialization Fund (TechnoFund) must be made through the website <http://edana.mosti.gov.my> .

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

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