Sri Lanka Inventors Commission

Ministry of Science Technology and Research

Guidelines of utilization of

INNOVATION ACCELERATOR FUNDING MECHANISM FOR SRI LANKA

1. Introduction

As proposed in the Budget Speech 2016, the Ministry of Science, Technology and Research (MSTR) has set up an Innovation Accelerator Funding Mechanism for Sri Lanka (IAFM-SL) which will be managed and implemented by the Sri Lankan Inventors Commission (SLIC) being the Agency functioning under the MSTR with the primary objective of supporting Sri Lankan Inventors to bring their ideas into the market and supporting Sri Lankan researches to convert their research into rupees.

Thus, every investment that is made through the IAFM–Sri Lanka is expected to boost Sri Lanka's economy through commercial success while ensuring the sustainability of target sectors with clear deliverables directed towards three pillars of Sustainability; Economic Development, Social Justice and the Environment Quality.

2. Operationalizing the Innovation Accelerator Funding Mechanism of Sri Lanka

The Sri Lanka Inventors Commission, by Sri Lanka Inventors Incentives Act No. 53 of 1979, has been mandated to grant financial aid to inventors for their commercialization process which is one of the main objectives of the IAFM-SL. The SLIC being the Implementing Agency, will steer and disburse funds through Innovation Accelerator Funding Mechanism of Sri Lanka which will be a sub component of already established Inventors Fund that is being managed by the SLIC in line with the criteria given in *Section 4* and in line with government financial guidelines and procedures. The operationalization of the IAFM-SL will include following key functions-

- Identify priority sectors to support inventions and research commercialization through IAFM-SL.
- Establish a multi-disciplinary Technical Committee (TC) including a representative of the MSTR under SLIC to evaluate applications for funding.
- Provide adequate publicity and awareness about the IAFM-SL via print and electronic media so as to promote inventions nationally.
- Invite applications to utilize the allocated funds under IAFM-SL in line with the procedure given in *Section 4*.

- Develop a proper mechanism (web platform) which would enable an applicant to track the status of the application.
- Fund disbursement and sustainable fund monitoring.
- Facilitate enabling environment for applicants, who have successfully get through IAFM selection process, to develop their ideas into the market and to convert their research into rupees which may include support to develop business ideas, IPs, financing, costing, pilot testing incubator facilities etc.
- Organize dialogues with investors about market trends, hidden linkages and improving level of products.
- Network with researchers and innovators across Sri Lanka so as to establish and maintain a National Innovation Database.
- Undertake regular survey and technical and economical evaluation for innovations introduced by IAFM-SL to identify the economical and R & D significance of innovations that were contributed to economic development and social upliftment of the country.

3. Functions of the Technical Committee

A multi-disciplinary Technical Committee (TC) will be established under SLIC which will be chaired by the Commissioner/SLIC. It is recommended to have six (06) members for the Technical Committee (TC) as permanent members. While having a permanent TC, the SLIC will maintain a Pool of Experts to evaluate the applications based on the field/area of innovation. The TC will consist of eight (08) members that will include following six (06) permanent members and two (02) from the Pool of Experts based on the respective innovation nominated by the Chairperson of the TC.

Permanent members of the Technical Committee:

- Commissioner/SLIC (Chairperson)
- Director General, National Engineering Research and Development Centre (NERDC)
- Two Representatives from University Sector nominated by UGC
- Representative of National Chamber of Commerce

- Representative of Sri Lanka Chambers
- Representative of The Institute of Chartered Accountants of Sri Lanka

3.1. Terms of References of the Technical Committee

- Assisting the SLIC in identifying and selecting Pool of Experts based on the field/area of innovation in relation to identified areas of priorities.
- Create awareness on the IAFM-SL and its operational mechanism including pre-selection criteria and expected standards among Pool of Experts and among the Universities and Research Institutes, inventors and other relevant institutes (Government and Private)
- Evaluate and recommend applications for funding.
- Facilitate enabling environment for applicants, who have successfully get through IAFM selection process.
- Facilitate inventors in Intellectual Property (IP) protection to obtain or renew related IP rights locally or/and internationally.
- Assist SLIC in monitoring the projects that are supported through IAFM-SL.

4. Utilization of Innovation Accelerator Funding Mechanism of Sri Lanka

Innovation Accelerator Funding Mechanism (IAFM-SL) will fund innovation initiatives that are taking place in any part of Sri Lanka. Recipients of IAFM-SL funds may not encumber assign or cede the rights, title or interest in the intellectual property (without the prior written approval of National Intellectual Property organization (NIPO) and IAFM-SL.

4.1. Eligible Individuals/Groups

Following Individuals/Groups will be initially considered as eligible cluster and any additional group added to this will be done with a proper assessment in subsequent years with the recommendations of the TC and subject to availability of funds.

- Higher Education Institutions including Universities and Tertiary Educational Institutions
- Research and Development Institutes or any other Government Institute engaged in R & D
- Individual/Group of inventors

- Academia and Research Professionals
- Start-up companies
- Small, medium and micro-sized enterprises
- Large Sri Lankan companies

4.2. Non Eligibility

The following will be non-eligible for applying to IAFM-SL for financial assistance:

- Any business where trade is forbidden by the law of Sri Lanka
- Restricted suppliers and tender defaulters of Government of Sri Lanka
- Any religious organization
- Any political organization
- Parties that have previously defaulted/blacklisted by any Government Institution.
- Applicants seeking funding for co-funding where another government agency has undertaken the same project costs (double dipping).

4.3. Funding category

Multiple funding schemes are available in Sri Lanka for funding basic and applied researches, inventions and innovations based on the technology readiness level. Achieving the primary aim of IAFM-SL, it will fund only for the Innovation Readiness Levels (IRL) (Annexure 1) of:

- Capability to support development and design with a market driven business team (Product is available but no revenue)
- Capability to support limited production, full business team in place (Product is available with limited revenues)
- Capability to transition to full production and distribution (product and revenue available)

However with the justification and the recommendation of TC, special inventions and innovations that has high potential for commercialization and economic development will be considered for funding which may slightly vary from the readiness level. Thus, applicants are requested to adhere into the criteria mentioned before applying.

4.4. Priority Sectors of Funding

IAFM-SL is open for funding inventions/innovations in any sectors as mentioned below. However, it is necessary that the particular invention/innovation rationalizes and contributes to the economic development of Sri Lanka. Further, it would be much valued if the invention/innovation is environmental friendly and enhances the lives of people.

Below mentioned sectors will be considered for funding as general priority sectors.

- Public Safety, Welfare and National Defense
- Agriculture, livestock and aquaculture
- Food Technology
- Biotechnology
- Nanotechnology
- Applied Science and Technologies
- Information and Communication Technology
- Health
- Electronics and Robotics
- Advanced Designing and Manufacturing
- Mineral Resources
- Disaster Management
- Environmental Conservation

However, with the approval of the TC, additional sectors can be included into the IAFM-SL which may include but not limited to:

- Technologies for SMEs and rural development
- Advanced Materials
- Energy Security
- Export oriented high-tech industries, services and high-end value addition

4.5. Minimum Requirement

Applicants applying for financial assistance from IAFM-SL must fulfill the following requirements in addition to the IRL mentioned under funding category stated above:

- Applicants must be Sri Lankan citizens, but expatriate Sri Lankans those who are willing to establish a legal commercial business in Sri Lanka based on their innovations also eligible to apply.
- All primary business operations (projects, programs, enterprises, etc…) must be operated within Sri Lanka.
- The enterprise must be compliant with corporate governance practices, legal framework, environment and social concerns of Sri Lanka.
- Applicants must have the necessary contractual capacity to engage with IAFM-SL.
- The proposed project must be in nature or can be incorporated into tangible product.
- The Intellectual property rights should be registered / obtained under the country name of Sri Lanka.

4.6. Assessment Criteria

During the assessment, a transparency process will be highly embedded and assured. Criteria for all applications will consider the following, among others:

- Competence, capability and readiness of the team or entity to commercialize the opportunity.
- Attractiveness of the product or service in the targeted market.
- Alignment with Sri Lanka's national policy objectives
- The innovativeness of the technology and/or envisaged product/process/service.
- The current stage of technology development.
- The planned path of innovation.
- The feasibility and viability of the technology being developed.
- Viability of the business model.

4.7. Application procedure

The application procedure would involve following stages:

1. Initial application and Information gathering

2. Full application
3. Due diligence
4. Decision Panel
5. Funding agreement

4.7.1. Initial application and Information gathering

Essential information for the initial application is as follows:

- Curriculum Vitae of the Applicant or management and technical team
- Disclosure of the invention
- Supporting documents
- Technology transfer agreements
- Business Plan

The first step in applying to IAFM-SL required for all applicants to submit an initial application. This includes a short application form and may include brief description on the proposal either as a MS word document (2-4 pages) or a MS PowerPoint presentation (8-12 slides). As an optional, applicants are also welcome to submit a video (approximately 15 minutes) together with the application. At this time the SLIC will be able to accept application materials in Sinhala, Tamil and English.

The purpose of an initial application is for applicants to demonstrate how their invention/innovation is a good fit for the expectations of the IAFM-SL. The initial applications will be reviewed against the assessment criteria and reviewing process will assure integrity and transparency. Results of the reviewing process will be communicated to the applicant within 2-4 weeks of submitting the initial application.

If the application is successful in stage 1 and stage 2, the Technical Committee of the IAFM-SL would work with the applicant to finalize the full application through meetings and other communication methods. The status of the application could be traced through a web platform developed by the SLIC.

4.7.2. Submission of the Full application

If the Technical Committee satisfies that the proposed project is potentially a good match for the IAFM-SL, applicant will be invited to provide additional information through the submission of a full application. The full application must consist of a more detailed description of invention/innovation, respective plan, team composition, and supporting research/evidence with quantitative estimates. Applicant may also be asked for detailed budgetary projections and financial plans.

4.7.3. Due Diligence

The Technical Committee will undertake due diligence of the applicant's proposal at this point. This may include further interviews with the team, review with references, and input from external technical experts etc. The TC will provide further details on the due diligence process to applicants who reach this stage.

4.7.4. Decision Panel

Applicants who satisfy the requirements of IAFM-SL during the due diligence process will proceed to the SLIC. On the recommendations of the TC, the SLIC will consider the application in line with IAFM-SL application criteria and to decide whether this is a good investment for Sri Lankan economy.

4.7.5. Award Funding and Agreement

Once an application has been conditionally approved by the TC, will undertake financial and legal due diligence, as well as resolve any outstanding technical and social issues. Thereafter the final approval will be then granted by the SLIC for funding under the funding procedure. As long as no compliance issues arise, SLIC will negotiate a funding agreement with the applicant. There will be a grant agreement which may include milestones. For equity/royalty, there will be a valuation process and an investment agreement as mentioned under the Sri Lanka Incentives Act No. 53 of 1979.

Three major agreements to be concluded at the final stage of award are follows:

- Funding agreement with milestones

- Grant agreement (Milestone document) (Grants for milestones after the field visits/progress review)
- Investment agreement

5. Staff Allocation to operationalize the Innovation Accelerator Funding Mechanism of Sri Lanka

The SLIC will make necessary arrangements to recruit required human resources to operationalize the IAFM-SL and to ensure its sustainability in line with the approved government procedure. Since, the SLIC does not have the adequate human resources to deploy immediately for the operationalization, SLIC intends to outsource the preliminary work and documentation in relation to the operationalization of IAFM-SL in form a consultancy initially for a period of one year with the approval of the Board of Management of the SLIC. The SLIC will ensure to allocate a suitable and qualified official of SLIC to work with the proposed Consultant during the contract period ensuring institutionalization of the work undertaken by the outsourced Consultant.

Annexure 1: Innovation Readiness Level

Innovation Readiness Level (IRL)		Description
IRL 1	Inventor or team with a dream	Lowest level of readiness where the intention surfaces to translate an idea, of a space system application or a space technology transfer, into a business venture.
IRL 2	Paper studies produced	Once the basic ideas have been formulated, they are put down on paper in studies and analyses on the business opportunity.
IRL 3	Experimental evidence of business opportunity	Active research and development is initiated, including analytical / laboratory studies to validate predictions regarding the market, the competition and the technology.
IRL 4	Capability to work limited-scope programs with project teams	Basic technological and business components are developed to establish that they will work together; an initial business plan is available.
IRL 5	Capability to support project engineering development and design (no product, no revenues)	The basic technological and business components are integrated with reasonably realistic supporting elements. The business plan is credible, but still needs to be validated against the final product characteristics.
IRL 6	Capability to support development and design with a market-driven business team (product, no revenues)	A representative prototype system is tested in a relevant environment. The business team is still incomplete and the venture not yet ready for commercialization. A full business plan including market, operational, technological and financial aspects is available
IRL 7	Capability to support limited production; full business team in place (product and limited revenues)	The business can run on a limited scale. The full team is in place.
IRL 8	Capability to transition to full production & distribution (product and revenues)	The technology to be proved to work and the venture structure has proven to be able to support growing market shares.
IRL 9	Fully articulated business with appropriate infrastructure and staffing (growing market share)	The offering incorporating the new technology has been used in operational conditions and the business is running with a growing market share.