

***Victoria-Israel Science and
Technology Research and
Development Fund***

(VISTECH R&D Fund)



Handbook

**This handbook provides guidance for Victorian Applicants on
Preparing and Submitting Proposals**

**Israeli companies please refer to
<http://www2.matimop.org.il/1/foreign/vistech.asp>
for application forms and guidance**



State of Victoria



State of Israel

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1. INTRODUCTION

1.1 Purpose of Handbook

- 1.1.1 This Handbook informs Victorian companies of the opportunity to submit joint applications for funding under the Victoria-Israel Science and Technology Research and Development Fund (VISTECH R&D Fund). It also describes the program, application process and selection criteria, and provides other information to assist companies in preparing applications for financial support.

1.2 Background

- 1.2.1 In February 2005 the State of Victoria and the State of Israel signed a Cooperation Agreement for the purposes of:
- Sharing experiences in research and development (R&D) policies and programs of each State;
 - Facilitating the identification of specific projects or partnerships between Victorian and Israeli companies that could lead to bilateral industrial R&D cooperation and the commercialisation of new technologies; and
 - Giving expression to the initiative through the establishment of a VISTECH R&D Fund to strengthen Victoria-Israel industrial science and technology cooperation by supporting joint commercially-focused R&D projects between the two States.
- 1.2.2 Both Victoria and Israel will make available a sum of US\$1 million each year for a three year period to the VISTECH R&D Fund.
- 1.2.3 The VISTECH R&D Fund is administered through the Science and Biomedical Programs Branch within the Victorian Department of Innovation, Industry and Regional Development (DIIRD) and the Office of the Chief Scientist (OCS) of the Israeli Ministry of Industry, Trade and Labor (MOITAL) which operates through the executive agency for international activities (Matimop) in Israel. The VISTECH R&D Fund is managed by a Committee comprising equal representation of members from Victoria and Israel.
- 1.2.4 A full-time Manager located in DIIRD is responsible for promotion of the VISTECH R&D Fund, provision of assistance to companies, initial screening of project submissions for compliance against the program's criteria, and other administrative duties. (Contact vistech.manager@iird.vic.gov.au) Assistance to Israeli companies is provided through the OCS and Matimop.

1.3 Program Purpose

- 1.3.1 The purpose of the VISTECH R&D Program is to support market oriented collaborative research and development projects by Victorian and Israeli companies whose technologies have commercial applications that will contribute to the economic development of the two States.
- 1.3.2 Projects must be directed towards achieving commercialisation of new or improved products, processes or services.

2. APPLICATION AND SELECTION PROCESS REQUIREMENTS

2.1 Overview

- 2.1.1 At least one contestable round of funding will be implemented each year. Funding will be provided on a competitive basis. Applicants are advised to follow the call for application dates which will be updated on VISTECH website regularly.
- 2.1.2 Both DIIRD and OCS will individually review submitted projects. In Victoria initial review will be conducted by the VISTECH manager to ensure compliance with application requirements. Individual Expert Assessors with relevant technical expertise and a Selection Panel comprising experts with relevant interdisciplinary expertise will assess each Victorian application and recommend selected projects to the VISTECH Management Committee. The VISTECH Management Committee, consisting of representatives of both States, will make recommendations to the Minister for Innovation on which projects to support.
- 2.1.3 Successful Victorian applicants will enter into a Grant Funding Agreement with the State Government of Victoria through DIIRD. Successful Israeli applicants will enter into a Funding Agreement with MOITAL Israel. In addition successful applicants will enter into a collaboration agreement with each other.
- 2.1.4 The VISTECH offices will monitor the performance of all funded projects.
- 2.1.5 A diagram of the application and assessment process for projects submitted under the VISTECH R&D Program is provided on page 14.

2.2 Targeted Areas

- 2.2.1 Areas identified as high priority for project funding will include but not be limited to: Biotechnology and wider Life Sciences (including stem cell, plant, animal, human and industrial biotech), medical devices, nanotechnology, microtechnology, water technology, information and communication technology, advanced manufacturing technology, environmental technologies (CleanTech), Synchrotron and agriculture.
- 2.2.2 Within these areas, proponents might seek funding for product or service development, technology and knowledge applications, product testing, systems integration, near commercialisation activities or for new market creation.

2.3 Location

- 2.3.1 Science and Technology businesses that are incorporated, have significant operations in and/or are headquartered in Victoria or Israel are eligible for VISTECH R&D funding. Subsidiary companies of firms headquartered or owned outside of Victoria and Israel will generally not be eligible for funding unless the VISTECH Committee is satisfied that the subsidiary has a global product mandate for the technology to be developed in the course of the project and that the project will be predominantly carried out in, and manufactured products exported from, either Victoria or Israel.

2.4 Funding and Expenses

- 2.4.1 Under the VISTECH R&D Fund, the maximum funding support to a project will be limited to US\$500,000 (with a total approved project budget of at least US\$1,000,000). The maximum contribution to any project in any year will be US\$350,000. Deviations may be considered by the Committee in cases which demonstrate exceptional potential.

However, company applicants should use AU\$ as the working currency (NOT US\$) in VISTECH application documents such as the cooperation form, budget and cash flow. Section 1.5 of the cooperation form requests both the Au\$ and US\$ equivalents (and

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exchange rate) at the date of application. At DIIRD's discretion, the budget / award amount may be reviewed prior to signing a funding agreement if there are significant currency / budgetary shifts.

- 2.4.2 VISTECH R&D funding will not exceed 50% of total eligible project costs. Applicants are encouraged to provide more than 50% of total eligible project costs and greater contributions of cash than in-kind support.
- 2.4.3 Contributions from other sources that were allocated for the project according to the business plan submitted to VISTECH as part of the application must be dedicated to the project and will be audited as specified in the VISTECH Funding Agreement.
- 2.4.4 Although projects can start prior to application, generally, costs incurred before an offer of funding is made and accepted are not eligible (refer 5.2.4).
- 2.4.5 As a guide, eligible project costs for VISTECH R&D funding may include:
- Personnel costs (specialist research or technical support staff employed directly on the project) including salaries and related employment benefits, but excluding any bonus payments whether performance related or otherwise;
 - Cost of leasing or rental of equipment or instrumentation, or the relevant part of the yearly depreciation on the cost of purchase, for the time it is used for the project. (*Note: approval for the purchase of capital assets will only be given in exceptional circumstances*);
 - Cost of sub-contracting and consultancy services used exclusively for the project, including project management and evaluation, professional services (legal, accounting) as well as patents or other intellectual property licensed from external sources; and
 - Other operating expenses (e.g. cost of materials, consumables and other supplies; pre-marketing expenses; outlays to meet regulatory requirements; business planning; knowledge transfer to industry and other end users and necessary travel). (*Note: Corporate overheads as well as financial charges are not eligible for funding support*).
- 2.4.6 VISTECH funding cannot be used for the substitution of existing operational costs by firms nor for the costs of manufacturing, sales or marketing of products.
- 2.4.7 Project costs should be calculated in Australian dollars and funding is offered and paid in Australian dollars. The offer is made upon project approval.

2.5 Repayments

- 2.5.1 When a project is successful in achieving sales of a product or process, the financial support provided by the VISTECH R&D Fund shall be repayable up to 100% of the originally funded amount (refer clause 4.4). The repayment rate will be 3.5% of the Gross Sales for that year.

2.6 The Applicants

- 2.6.1 For a project to be eligible for funding it must involve at least one Victorian and one Israeli company each of which should have a fairly balanced contributing role.
- 2.6.2 The project may involve more than one company from each side. Academic and Research institutions are not eligible to apply for funding directly, however, they may be sub-contracted by the companies to undertake part of the project for which funding is sought.
- 2.6.3 The companies should cooperate in joint, market driven, science and technology driven research and development of a new product, process or service.
- 2.6.5 Companies applying for VISTECH R&D funding must demonstrate that they have ready access to the infrastructure and resources needed to complete their proposed R&D project

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as well as having the capability of manufacturing and marketing newly developed technologies.

2.7 The Product

2.7.1 The product should be highly innovative with significant commercial potential.

2.8 IP and Commercialisation

2.8.1 The partner companies should agree in advance on the IP rights and on the commercialisation strategy of the product.

2.8.2 The application must include preparation of marketing plans between the businesses in Victoria and Israel. These plans must include provisions for the downstream commercialisation and distribution of the product or process to be developed and for the protection of intellectual property and other tangible or intangible assets created by the project.

2.8.3 Applications should include a letter of intent expressing a desire to enter into an agreement based on the terms provided in the application.

2.8.4 Successful applicants must enter into a binding legal collaboration agreement with their partner company setting out clearly the means by which they will govern and manage the project, including intellectual property management, licensing, location of activities such as research and manufacturing, respective responsibilities and future repayments to the VISTECH R&D Fund.

3. SELECTION CRITERIA

3.1 Mandatory and Desirable

3.1.1 The following mandatory selection criteria **must be demonstrated** by all projects:

- The applicants and the project must be located in Victoria and Israel and be ready to commence within three months of the initial payment;
- The partner companies must demonstrate financial viability (see Section 4.3.4) and in particular their ability to fund at least 50% of the eligible project costs;
- A comprehensive application must be submitted which addresses all the evaluation criteria (see Section 3.2) including a market analysis for proposed products and services as well as indicative local and regional economic benefits;
- Project applications must be endorsed by the Managing Director or Chief Executive of each partner company.

3.1.2 Desirable selection criteria include:

- Demonstration of previous experience in project management, reporting on project delivery, and evaluating project results; and
- Previous experience in partnering to achieve successful commercialisation outcomes.

3.2 Assessing and Recommending Funding Applications by the Expert Assessors and the Selection Panel

3.2.1 The Selection Panel and independent Expert Assessors who review and assess the funding applications will examine, rank and recommend to approve or reject applications according to relevant guidelines whilst considering the following criteria:

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	Evaluation Criteria	Points for Consideration
1.	Technical Strength	<ul style="list-style-type: none"> • the level of innovation and novelty of the product • the technological barriers, risks and opportunities of the development • the creation of intellectual property • the ability of the collaboration to achieve the intended results • other
2.a	Business – commercial potential	<ul style="list-style-type: none"> • the commercial potential • the path to adoption (commercialisation/utilisation) will achieve the identified outcomes • the funding sought will generate a return on investment • the solution answers market needs • the global market size • the expected market share for the company • a demonstrated strategic competitive advantage based on a thorough comparison of competitor companies and their products • other
2.b	Business - company capabilities	<ul style="list-style-type: none"> • the position of the companies in the sector • the capabilities of the management and research and development teams • financial capability • past performance • other
3.	Contribution to the economy	<ul style="list-style-type: none"> • the potential contribution of the technology to the economy and society (including, for example, health outcomes from a biotech project) • the outcomes will contribute substantially to Victoria's industrial, commercial and economic growth • commercialisation activities to occur in the State (New IP generated) • additional employment opportunities (Number of New / Secured Jobs) • a contribution to Victorian exports (Value of Exports) • the support of an industry sector or other end user group to achieve productivity gains • the development of new markets or achievement of institutional benefits • other added value

3.2.2 The selection panel will make one of the following recommendations for each project:

- Full or partial approval of the application;
- Rejection of the application;
- Conditional approval of the application; and
- Postponing the discussion for clarifications, additional information or for any other reason.

3.2.3 In addition to the above, projects will be assessed and ranked on comparative basis to other applications

4. PROGRAM PROCESS AND APPLICATION FORMS

4.1 General

- 4.1.1 Applications must be made in the format requested. All completed applications must be received by the deadline for submissions as set out on the VISTECH R&D Fund website (see: <http://www.business.vic.gov.au/vistech>). VISTECH reserves the right to introduce changes to reporting requirements prior to the final submission date. Applicants must follow any updating notices on the VISTECH website or communications from the VISTECH Manager.
- 4.1.2 Whilst the VISTECH Managers in each State may assist eligible companies to identify suitable partner companies from the other State, development of collaborative partnerships is the responsibility of each company.
- 4.1.3 Collaborative projects submitted for funding will be assessed on merit against the eligibility and selection criteria (outlined in Section 3), initially in Israel and Victoria by expert assessors and a selection panel, who will then make funding recommendations to the Joint Management Committee.
- 4.1.4 Supporting documentation accompanying applications for VISTECH R&D funding should be provided as detailed in this handbook. This information can be supported by additional documentation such as relevant company brochures, reports and the latest company annual report. The VISTECH Manager may seek further information from applicants relevant to assessment against the selection criteria.

4.2 Application Forms and Process

- 4.2.1 Applications should be written on the application, cooperation, budget and cash flow templates provided and include the relevant appendices.
- 4.2.2 Applicants will likely be invited to an interview and be visited by the expert assessors and VISTECH as part of the evaluation process. These interviews will provide an opportunity to seek clarification on issues raised or not covered by the applicants' documentation.
- 4.2.3 Successful applicants will enter into a Funding Agreement either with the Victorian State Government (for Victorian-based companies) or with MOITAL (for Israeli-based companies). The terms and conditions of funding will be the same for each Agreement. A Funding Agreement template will be available on the website.

4.3 Conditions of Funding

- 4.3.1 Prior to funding being approved, it is a requirement that partner companies:
- Submit to the VISTECH Manager a final signed collaboration agreement; and
 - Undergo a financial risk assessment by DIIRD.
- 4.3.2 *Collaboration Agreement:* In the event of a successful application, companies will be required to enter into a formal collaboration agreement with each other (e.g. a joint venture agreement). This agreement should address all relevant issues for the project rights and responsibilities including repayment of financial support, place of manufacture, share of commercial outcome, licensing, royalties, etc. Partner companies, and their professional advisers, should take care to ensure that adequate attention is paid to this requirement. *(Note: the VISTECH Managers and any other Victorian or Israeli Government staff, will limit their involvement at this stage to providing only arms-length advice).*
- 4.3.3 The binding legal agreement should establish a clear financial relationship and define the respective contributions to the project, the background intellectual property rights (IPR) already owned by the parties, the ownership and/or licensing of foreground IPR resulting from the partnership, and include terms covering possible dissolution or termination of the

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partnership including but not limited to any change of ownership, liquidation or receivership of either party.

- 4.3.4 *Financial Risk Assessment:* Victorian companies will be required to submit, with their application, copies of audited accounts covering three previous years (when available). Where the annual accounts are more than six months old, up to date interim accounts will be required. In case of publicly listed corporations, a copy of the latest half yearly report will also be required. (*Note: the provision of financial statements will apply only to the recipient companies, not to their parent or affiliated companies.*)

4.4 Repayment of Funding

- 4.4.1 If an application is successful and a product or service is subsequently commercialised, the VISTECH R&D funding will be repaid from a percentage of commercial revenue, capped at 100% of the original funding. Further details on funding repayments are provided in clause 3 of the Funding Agreement.

4.5 Project Delays

- 4.5.1 In case of project delays, variations to the schedule will be negotiated between the VISTECH Manager in Victoria, DIIRD and the project partners.

4.6 Further Funding and Cost Over-Runs

- 4.6.1 Requests for ongoing VISTECH R&D Fund support for the same project will not be considered. Project cost overruns must be funded by project partners out of their own additional funds.

5. FUNDING AGREEMENTS AND SCHEDULES

5.1 The Offer of Funding

- 5.1.1 Once the VISTECH Committee has approved the proposal and the partner companies have executed a collaboration agreement, separate parallel Funding Agreements will be entered into between DIIRD and the Victorian company and between MOITAL Israel and the Israeli company. (See website for a sample of the funding agreement).
- 5.1.2 Special terms and conditions may be required in particular cases.
- 5.1.3 In circumstances which result in the acquisition of either or both of the partner companies, the new owners must be unconditionally bound to the terms of the Funding Agreement and, at the absolute discretion of the VISTECH R&D Fund Committee, may be required to repay any funds already received or royalty payments due up to a total sum not exceeding 100% of the funds received by the partners, and any outstanding offers of funding may be withdrawn.
- 5.1.4 Once signed, the title of the project and its nature, the length of the project, the names of the partner companies who are signatories to the Funding Agreement, and the amount of project approved budget and funding will be made public. However, the content of all applications, including Business Plans, will be treated as confidential.

5.2 Payment of Funds

- 5.2.1 All payments to the Victorian company will be made against claims to be submitted by the company to the VISTECH Office in accordance with the schedules set out in the Funding Agreement. Israeli companies should refer to the MOITAL guidelines for payment conditions.

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- 5.2.2 No funds will be paid until a binding legal collaboration agreement between all partner companies has been executed and a copy provided to the VISTECH Manager.
- 5.2.3 Payments to Victorian companies shall be advanced following receipt of a Tax Invoice and the acceptance by DIIRD of the requisite evidence, reports and documentation as set out in the payment schedule of the Funding Agreement.
- 5.2.4 An initial payment may be made at the commencement of the project to cover expenditure incurred in the initial phase of the project. VISTECH's funding of the project, if approved, begins from the effective start date of the VISTECH project, which can be no earlier than the first day of the month in which the final proposal is received at VISTECH headquarters, signed by an authorized official of each company. Expenses incurred by the companies prior to the effective start date cannot be recognized by VISTECH.
- 5.2.5 All claims for funding instalments (with the exception of the initial payment) must be accompanied by a Statutory Declaration evidencing expenditure on the project to the VISTECH Office's satisfaction.

6. SUBMISSION DATES AND TIMETABLE

6.1 Application Process

6.1.1 Applications must be submitted in hard copy and on CD as follows:

A final application form should be submitted in **seven single-sided, bound hard copies and two soft copies** (CD or memory stick) comprising the following:

Part A – Applicant Details

Part B1 – Mandatory Components:

- Co-operation Form – (to be completed **jointly** with the Israeli partner)
- CV of principal investigator (Detailed CV – up to 2 pages long)
- 1 paragraph CV for other **key** personnel is **optional**
- Cash Flow Statement
- Project Budget

Part B2 – Additional Attachments

Part C – Declaration signed by the Managing Director or CEO

In addition **one stand alone, bound hard copy** of the following is required:

Financial statements for the previous three financial years, and interim accounts for the current financial year (and consolidated financial accounts, if part of a group) (refer to section **4.3.4** of handbook for detail).

All documents must be bound and clearly indexed including seven (7) **bound** copies of the completed forms and all the attachments, plus one (1) **bound** copy of the financial statements. Wire or plastic coil binding will be suitable.

- 6.1.3 The applications should be addressed to the VISTECH office and delivered in person to the Tender Box of the Department of Innovation Industry and Regional Development, at the following address:

Roland Diggins, VISTECH Manager,
Department of Innovation, Industry and Regional Development
Basement, 121 Exhibition Street
Melbourne VIC 3000, AUSTRALIA

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6.2 Timetable

- 6.2.1 Applications can be delivered between 09:00 and 16:00 from Monday to Friday. Applications must be received by no later than 4:00pm (Australian Eastern Standard Time) on the due date.
- 6.2.2 The time of receipt of the hard copies in VISTECH office will be the official time of receipt.
- 6.2.3 The Victorian company and the Israeli company will each submit their application to the VISTECH office in their state. In order for an application to be considered as submitted on time, both companies should submit their application before the closing time on the due date in their state. The time of submission of the last applicant will be considered the official time for the submission of the joint application.
- 6.2.4 The deadlines for submission of applications can be obtained from the VISTECH R&D Fund website (www.business.vic.gov.au/vistech).

6.3 Language

- 6.3.1 The working language is English although the Israeli VISTECH Office may make facilities available for assisting Hebrew-speaking participants.

7. REPORTING FORMATS

7.1 General

- 7.1.1 Technical and financial reports must be submitted to and approved by the VISTECH Manager prior to the transfer of each funding instalment, except for the initial funding instalment, which will be paid upon execution of the Funding Agreement if applicable.
- 7.1.2 Technical, financial and commercialisation (if applicable) reports are to be submitted every six months during the term of the project, coinciding with the date of project commencement. Interim technical and fiscal reports are to be submitted within 30 days following the expiration of each interim segment of the project. Final reports are due at the completion of the project. These reports are to be submitted within 60 days following termination of the Project Development. Information pertaining to the preparation of Commercialization Reports will be available in the explanatory notes on reports on the website.
- 7.1.3 Reports submitted to the VISTECH Office will be treated as commercial-in-confidence. However, proprietary or commercially sensitive information should be identified.
- 7.1.4 Six monthly reporting will enable the VISTECH Office to monitor project progress and monitor achievement of objectives over the duration of the project.
- 7.1.5 In addition, if significant results arise between standard reporting periods which present a public relations opportunity, or, conversely, if a problem arises for which early intervention is required, informal reports on these matters should be forwarded to the VISTECH Manager.
- 7.1.6 Final reports must be submitted 3 months prior to payment of the last funding instalment.
- 7.1.7 Although the technical report outline and the fiscal report forms are available as "soft copies" and can be provided by e-mail, the reports must be submitted to the VISTECH Manager in both "soft / email" copy and "hard / post mail copy". Do not send reports by fax.

7.2 Technical Progress Report

- 7.2.1 Technical reports will enable the VISTECH Office to monitor project progress and approve payments of funding instalments. Provision of funding instalments is dependent on achievement of milestones.

7.3 Financial Report

- 7.3.1 The purpose of the financial reports is to enable the VISTECH Office to monitor actual expenditures against projected budgets. All expenses incurred on VISTECH R&D funded projects must be itemised. Expenditures in all categories should be shown along with the approved project budget for the relevant segment, as per Annex A of the Funding Agreement.
- 7.3.2 The VISTECH Office should be informed of variations from the approved budget which exceed 5% of total eligible project costs within any of the major budget categories (Personnel, Subcontractors, Consultants, etc), and a request for an amendment to the budget must be submitted. Reasons for this request should be provided.

7.4 Commercialisation Report

- 7.4.1 The purpose of the commercialisation report is to record the gross sales derived from the sale, leasing, licensing, or other marketing or commercial exploitation of the project's technology, including service or maintenance contracts, commencing with the first commercial transaction.
- 7.4.2 All payments due to the VISTECH R&D Fund will be calculated on a half yearly basis and the information will be furnished in the commercialisation report.

7.5 Final Reports

- 7.5.1 The final report, to be submitted 3 months prior to payment of the last funding instalment, should be in two parts:
- 7.5.2 **Part 1** should consist of Technical Progress and a full, final Financial Report.
- 7.5.3 **Part 2** should describe the results of the project in commercial terms, including market acceptance of products and processes developed, current sales and cash flow forecasts, new product opportunities and any further activities planned. Current sales should be compared with the cash flow forecasts made in the initial proposal together with an explanation of any differences.

7.6 Informal Reports

- 7.6.1 In addition to the formal reports required under the Funding Agreement, the VISTECH Office welcomes prompt informal reporting of significant project events, positive and negative. In the event of a favourable result or unforeseen problem, early awareness will enable the VISTECH Office / DIIRD, in conjunction with the project partners, to either promote a major outcome or work with the project partners in any necessary rescheduling of the program.

8. VISTECH APPLICATION AND ASSESSMENT PROCESS

