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The Budget 2006's allocation holds great promise for the biotechnology sector.

# A TIMELY MOVE

**W**hile the new budget means many things to many people, biotechnology has definitely received a boost as the growth sector for the Malaysian economy. How does this translate, on the ground, for those who are 'hands-on' in the business of biotechnology?

The Budget has been significant in the Asian Pacific context especially when Malaysia is saddled strategically within this region, whose biotech market is projected to grow at a compounded annual growth rate of 8.9% between 2004 and 2009, based on figures from the Datamonitor Market Research Profiles.

When we discuss about being 'hands-on' in the biotechnology market, we have to include the much-needed research and development (R&D), manufacturing at economies of scale and marketing of products based on advanced biotechnology sciences.

It is obvious that the biotech sector is one of high competition. To keep the country in the right stead, it is highly essential to develop the right niche within a global market.

The latest budget has addressed some of these issues in its most succinct manner by providing basic tools for the young and growing industry to achieve its objectives. To begin with, Budget 2006 provides an initial RM100 million from the Government in the form of the Malaysian Life Sciences Capital Fund. This is essentially a venture capital fund to be managed and dispensed by the Malaysian Technology Development Corporation (MTDC).

Opinions vary on whether the size of the fund is adequate. While biotech may be a capital-intensive affair, a fund of this magnitude can indeed be very valuable to kick off many good projects. What is crucial however, is the dispensing of the fund to well-deserved projects that can generate good returns.

A RM1 billion fund is also being provided through MTDC for companies involved in biotechnology and life sciences projects. Fourteen biotech projects have been approved and commercialised, utilising RM88.9 million from the fund. Another 65 commercialisation projects costing some RM615.5 million are currently being evaluated.

Some of these projects that deserve mention include the pan malaria test kit, natural anti-mosquito punch, production of Vitamin A-rich rice, essential fatty acids, aquaculture of tiger prawns and low protein-powdered or powder-free rubber gloves.

New projects that are being evaluated include plant-derived pharmaceutical products for hypertension and environment-friendly paper from palm industry waste.

Biotechnopreneurs can also tap the Commercialisation of Research and Development Fund (CRDF) and the Technology Acquisition Fund (TAF) to commercialise their products. Various tax incentives are also provided in the form of group tax relief, double deductions for qualifying capital and R&D investments. Other incentives include Pioneer Status, Investment Tax Allowances, automatic exemption of import duties and sales tax on equipment and materials used, double deductions on expenses for the promotion of exports and tax-exempt dividends paid to shareholders.

The prospects for Malaysian biotechnology is to leverage on its comparative advantages be it in the biodiversity of its ecosystem or the downstream processing of its current agricultural resources using biotechnology for added value. Based on the recent *Economic Report*, Malaysian biotechnology is expected to generate revenue of RM270 billion, creating approximately 280,000 jobs and aims to establish 100 companies by the year 2020.

The country's biodiversity holds great potential to generate valuable biopharmaceuticals especially with the global market value for such products estimated to reach US\$ 200 billion in 2008. Bioactive compounds from indigenous plants such as *pegaga*, *misai kucing*, *tongkat ali* and *senduduk* are being researched for the treatment of cancer, eczema, diabetes and hypertension. This holds great promise for the segment of medical biotechnology.

The Government's commitment to biotechnology is also evident from the setting up of the Malaysian Biotechnology Corporation (MBC) as a one-stop agency. This agency is going as far as Boston and San Francisco to set up its branch offices where they will promote Malaysian biotechnology to prospective foreign investors.

MBC is expected to facilitate market-driven R&D and commercialisation through funding and industry development.

It is wise of the Government to tighten its belt in the last couple of years to reduce deficits. Today, it is timely to relax some rules for sectors such as biotechnology to stride forward into the future. **mb-e**