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Economic and Business Growth Fund Guidelines

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Budget and Performance Branch

Department of Treasury and Finance

State Administration Centre

200 Victoria Square

Adelaide SA 5000

www.treasury.sa.gov.au

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1 Introduction

The new framework for industry assistance sets out a clear set of priorities for industry development that favours a broad approach to growing the economy by addressing fundamental issues such as the cost of taxation imposed on business, reducing red tape and improving infrastructure, supplemented by targeted initiatives supported through a new streamlined set of industry funds.

These guidelines outline the process, criteria and required information for access to funding under the Economic and Business Growth Fund (the Fund). The Fund looks to target proposals that have a significant impact on the South Australian economy and have broader benefits to the South Australian economy than the growth of an individual company. Criteria for eligibility have been established (Section 2.1 below).

The other two State Government funds that are providing targeted direct financial assistance to support economic and industry development in South Australia are:

- Research, Commercialisation and Start-Up Fund

The Research, Commercialisation and Start-Up Fund supports South Australian businesses to collaborate with researchers and universities to solve industrial problems, commercialise new products and services, attract research infrastructure investment into the state; and encourage the establishment and growth of start-ups.

- Regional Growth Fund

The Regional Growth Fund pursues new economic opportunities for regional South Australia, and aims to build and strengthen regional communities.

2 Eligibility

2.1 Criteria

The Fund is targeted to support initiatives and projects across nine priority sectors identified as part of the Growth State partnership between the South Australian Government and industry.¹

- Defence industry
- Space industry
- The Hi-Tech sector
- Food, wine and agribusiness
- International education
- Tourism
- Energy and mining
- Health and medical industries
- Creative industries

These nine sectors have been identified as ones of comparative advantages, having strong potential to meet increasing interstate and global demand, and attract investors.

Funding will be primarily targeted to support industry or sector wide led initiatives which improve the overall productivity, capacity and competitiveness of at least one of the priority sectors.

Economic development agencies will engage with industry groups to identify initiatives, which may include investment in infrastructure, new technologies, information, logistics, market access or other initiatives that create sector wide benefits, enhancing efficiency and growth prospects.

The lead agencies responsible for the nine sectors are:

- Department for Trade and Investment: International Education; Health and Medical Industries
- Department for Innovation and Skills: The Hi-Tech Sector; Creative Industries
- Department of Primary Industries and Regions: Food, Wine and Agribusiness
- Department for Energy and Mining: Energy and Mining
- Defence SA: Defence; Space Industries
- South Australian Tourism Commission: Tourism

In limited circumstances, direct assistance to individual companies may also be provided through the Fund.

A Governance Group will assess the extent to which projects seeking funding meet the following criteria:

1. The project is focussed on at least one of the nine identified growth sectors. The project will enable at least one of the following:

¹ Growth State – Our plan for prosperity can be found at: <https://www.growthstate.sa.gov.au/>

- Drive high paying and sustainable jobs;
 - Attract and retain young wealth creators;
 - Lead to the growth or creation of value-added products and service industries; or
 - Drive export industries' productivity efficiency and capacity.
2. The investment would not otherwise occur without financial support from the State Government;
 3. There should not be displacement of existing businesses as a result of the project proceeding;
 4. The financial support is transitional and the project is financially sustainable over time, leveraging private capital and commitment without the need for further State Government financial support;
 5. The quantum of financial support required is appropriate given the economic benefits that are delivered;
 6. The financial support is conditional on the recipient meeting agreed milestones and outcomes.

The South Australian Government Financing Authority will also conduct due diligence on both the proponent and the proposal and provide a recommendation with respect to funding sought.

In considering whether to approve proposals seeking funding through the Fund, the Economic Growth Cabinet Committee (EGCC) will consider the advice of the Governance Group and any other relevant factors.

3 Assistance Provided

Financial assistance may be provided through direct expenditure by State government agencies (e.g. for infrastructure), or grants and (in some instances) loans to external infrastructure providers, industry associations, companies, universities, other research institutions or not-for-profit organisations.

In limited circumstances, funding may be provided to State government agencies to develop business cases related to significant Growth State opportunities that would not otherwise occur.

Financial assistance will not be provided in the form of exemptions from taxes or charges.

Assistance provided through the Fund is not intended to be ongoing, and is intended to be provided to projects that meet the underlying criteria of the Fund (outlined in section 2.1 above).

Funding will generally be provided for a project from one of the three funds (Research, Commercialisation and Start-Up Fund, the Regional Growth Fund or the Economic and Business Growth Fund). Approval can be given for funding from more than one fund where project scale and public benefit are increased and the application for funding clearly articulates the rationale and benefits for why access to more than one fund is being requested and this rationale is supported by the agency which is leading the project.

Industry contributions to sector reforms will be assessed/determined on a case-by-case basis, reflecting the nature of the proposed reforms. It will generally be expected that the amount sought by the applicant from the Fund will be at least matched by the applicant.

External contributions may contribute to the cost of the project but not towards the matched funding requirement. External contributions may include:

- Commonwealth Government contributions;
- Local Government contributions;
- Other contributions from non-State Government entities.

Some services contributed as an in-kind contribution may be considered as a matched funding contribution, on the basis that they are clearly articulated and can be proven with satisfactory evidence to the acceptance of the South Australian Government Financing Authority (SAFA). However, preference will be given to proposals where contributions represent an additional cost commitment by the organisation that can be clearly identified and valued.

Requests for ongoing assistance (including ongoing tax relief), or proposals with significant risk of needing ongoing assistance, will not be approved.

There is no maximum or minimum amount for a grant application to the Fund.

Applications for loans may be considered in some instances. As with grant applications, the Governance Group will assess the extent to which loan applications meet the criteria. Additional criteria outlined by the South Australian Government Financing Authority will apply to loan applications and will be determined on a case-by-case basis.

Loans will be provided through the South Australian Government Financing Authority.

Interest rates will reflect the Government's cost of funds, risk profile of the project and SAFA's administration costs.

Preferred loan terms are between 2-7 years (or as negotiated).

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Agreements with all recipients of funding will be structured so that they contain clear and measurable performance indicators and milestones, and where applicable will also include:

- payments being made only after successful achievement of milestones;
- partial and full clawback mechanisms which take sustained benefit into account, in addition to non-performance related repayment obligations; and
- reporting obligations that outline how the benefits from project have progressed.

The South Australian Government Financing Authority will provide recommendations on milestones, clawback mechanisms and reporting obligations that will need to be adhered to by any successful applicant.

4 External Parties Seeking Assistance

Entities seeking financial assistance must demonstrate that:

- they are a legal entity with which the South Australian Government can enter into a legally binding funding agreement. The State may require related entities (for example, holding companies) to be a party to the funding agreement as Guarantor of both performance obligations and the repayment amount should a repayment event occur;
- they are financially viable, as evidenced through independently prepared financial statements to be reviewed by SAFA;
- the proposal does not engage in an industry sector or activity that involves the speculative purchase of land or buildings, or illegal activity;
- they have an Australian Business Number; and
- they are registered for GST.

Proposals will not be considered where:

- the project is already committed;
- the project seeks or requires an ongoing funding commitment from Government;
- the project has previously received assistance from other relevant funds to achieve the same project outcomes;
- the project is solely transactional in nature and does not lead to any significant outcomes for the South Australian economy;
- funding is sought for feasibility or concept studies or activities;
- funding is sought for ongoing operating costs (e.g. salaries);
- the project is being undertaken to directly or indirectly meet a legal or contractual requirement; or
- the project will not achieve long term profitability in isolation of any government grant funding.

Costs associated with preparing applications and project management fees and costs to submit an application to the Fund will not be considered for funding.

5 Decision Making Process, Assessment and Approval

5.1 Submission Making Process

Submissions for funding will be made by the following South Australian Government agencies individually or jointly on behalf of proponents:

- Department for Innovation and Skills;
- Department for Trade and Investment;
- Department of Primary Industries and Regions South Australia;
- Department of the Premier and Cabinet;
- any other relevant South Australian State Government Agency.

The Economic and Business Growth Fund Secretariat will provide a template (copy in section 6.1) to the sponsoring agency, which will need to be completed for all submissions to summarise the proposal, the benefits, risks, any independent analysis and due diligence undertaken and to provide a preliminary assessment of the proposal against the eligibility criteria.

The sponsoring agency/ies will submit the completed template and all supporting information provided by the proponent to the Secretariat, who will progress the submission to the Governance Group subject to all relevant information being provided in the submission.

Where relevant, sponsoring agencies will need to ensure that proposals being developed for the consideration of funding from the Fund meet the requirements of the South Australian Industry Participation Policy (the Policy). Any further information can be provided by the Office of the Industry Advocate.

The Policy requires that private projects which receive more than \$2.5 million in monetary support (or value-in-kind) from the Government of South Australia need to apply the Policy. The details of the Policy can be found at: saipp.sa.gov.au

5.2 Assessment and Approval

The Governance Group will assess the extent to which proposals meet the eligibility criteria and align with the Government's broader Industry Financial Assistance Principles, taking into account the evidence provided in the submission, and will provide advice to the Economic Growth Cabinet Committee (EGCC).

In putting a proposal forward for consideration, in addition to ensuring there is a business case that supports the proposal (as required under section 6 of these guidelines), the sponsoring agency is also required to justify any initiative on economic grounds.

The advice to EGCC from the Governance Group will include advice as to whether or not the Governance Group believes that any further detailed (external) economic analysis of the proposal, in addition to any that may have already been provided, is warranted to assist EGCC in its decision-making process.

Subject to its support, the EGCC can then progress the proposal to Cabinet or the Treasurer for consideration.

The Governance Group is comprised of the Chief Executives of the Department of Treasury and Finance (chair of the Governance Group), the Department of the Premier and Cabinet, and the Department for Trade and Investment.

Final decisions as to which projects and initiatives will be supported through the program will be made by the South Australian Cabinet or Treasurer. There is no obligation to approve any assistance.

Cabinet may consider or accept (at the Cabinet's sole discretion) any submission including without limitation a submission that is not in accordance with these guidelines. No approval of a submission, nor any notification to a proponent that their submission is successful, nor any invitation to negotiate will constitute a contract or create any legitimate expectation unless a formal written contract is executed by both parties.

DTF will provide the funding to successful proponents. To access the grant or loan funding, successful proponents will be required to sign an Agreement with DTF stipulating obligations of the applicant and the conditions under which assistance is given. DTF will be responsible for ensuring appropriate contract execution, administration and monitoring in consultation with the appropriate agencies (agency who submitted the application and/or who holds the current client relationship account for the project).

5.3 Performance Milestones

All funding approved through the Fund will be subject to measurable performance milestones.

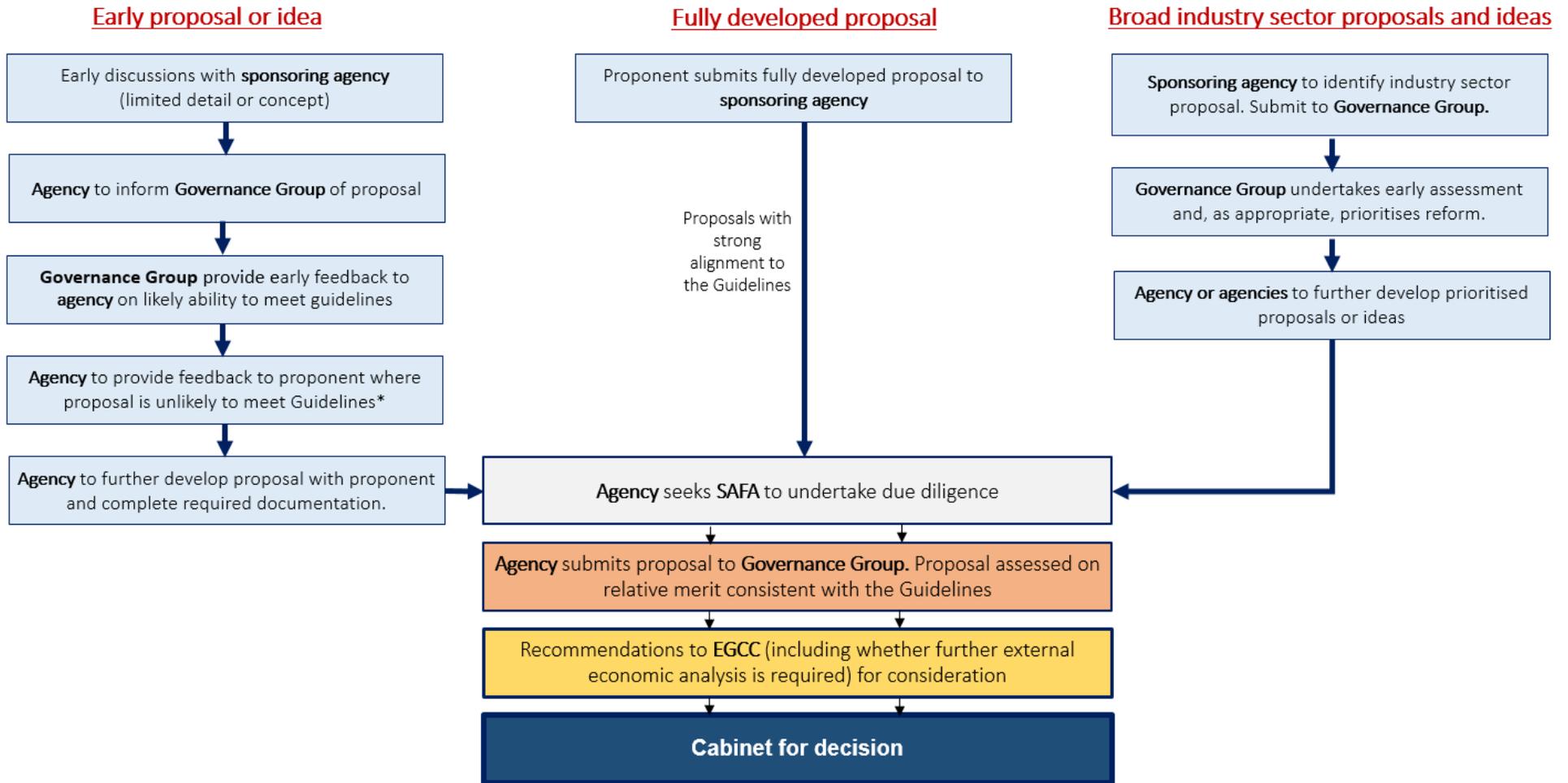
It is expected that all projects approved under the Fund will be evaluated to assess the long-term impact of the State Government's investment. Responsibility for due diligence and contract administration will be centralised in the Department of Treasury and Finance, through the South Australian Government Finance Authority.

Agreements with all recipients of funding will be structured so that they contain clear and measurable performance milestones, and where applicable will also include:

- payments being made only after successful achievement of milestones;
- partial and full clawback mechanisms which take sustained benefit into account in addition to non-performance related repayment obligations; and
- reporting obligations (potentially including beyond the payment schedule) that outline how the benefits from the project have progressed.

5.4 Process Map

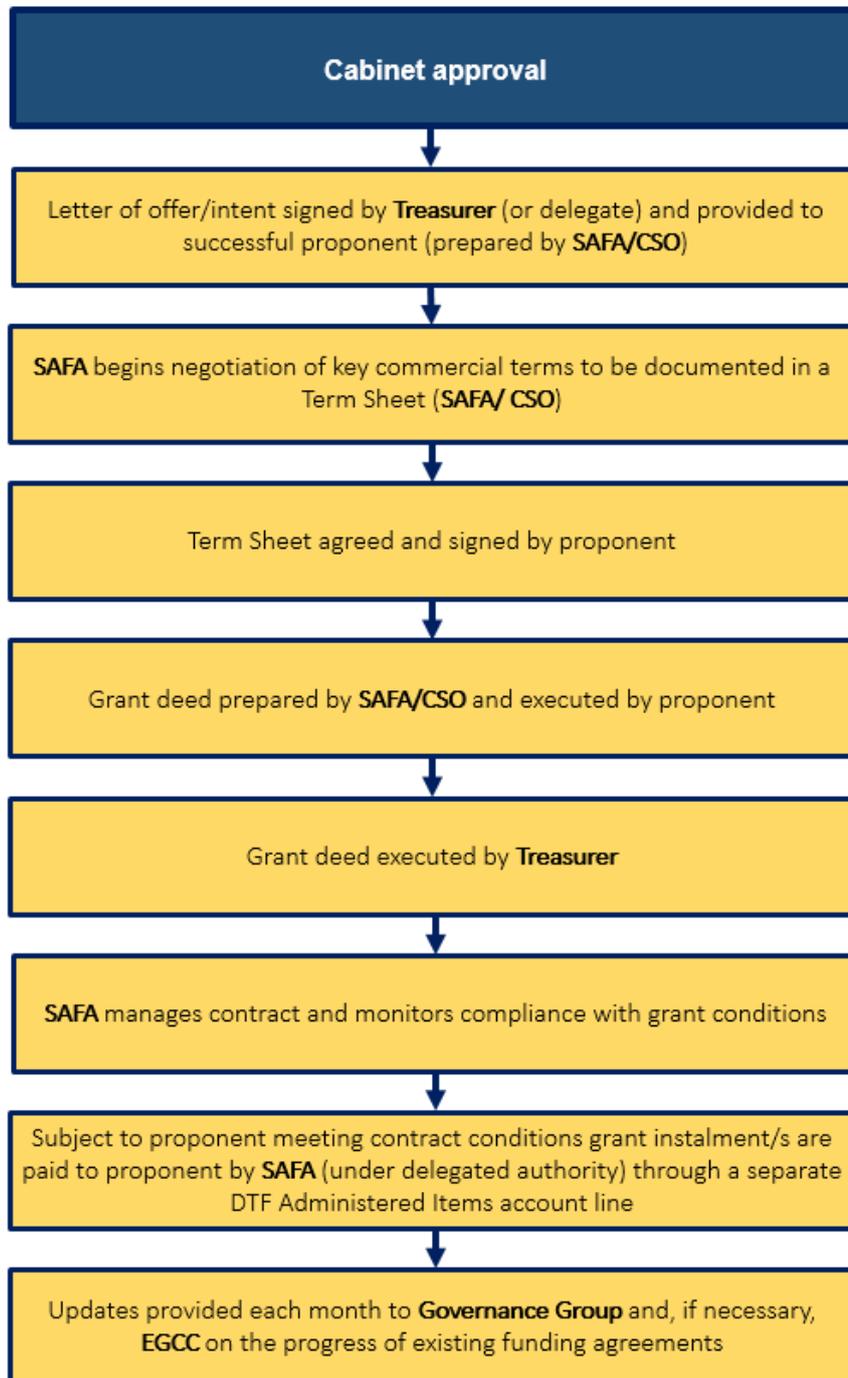
Economic and Business Growth Fund – Process Map



*Note this does not prevent the proposal from progressing to EGCC but gives the proponent a clear indication of the Governance Group’s likely view

5.5 Post Cabinet Approval Process

Economic and Business Growth Fund – Post Cabinet Approval



6 Required Information

The information required for the South Australian government to assess a proposal against the funding criteria includes but is not limited to the following:

- a summary of the project, its rationale, linkage to the identified priority sector(s) and the extent to which: it drives high paying and sustainable jobs; it enables the retention and attraction of young wealth creators; it leads to growth or creation of value-added products and service industries; or drives export industries' productivity, efficiency and capacity;
- a business case, including profit and loss, cash flow, and balance sheet projections for the construction and operation phase for at least three years including any other grants and contributions to the project. These projections must demonstrate ongoing viability beyond the grant funded phase;
- where possible and/or appropriate historical financial accounts for at least three years (including profit and loss, balance sheet and cash flow statement);
- the direct impacts on employment and type of employment;
- the broader benefits to the South Australian economy;
- the quantum of financial support sought from the South Australian government and the rationale;
- the source of other funding for the project;
- whether the proponent is considering alternative locations for the project and the cost and benefits of each of the alternatives;
- the market for the project and the impacts on other local competitors;
- the financial and managerial capacity of the proponent to deliver the project;
- the key milestones and outcomes to be achieved which funding will be conditional upon; and
- any further requests for information on the proponent or proposal requested by the State Government.

In recognition that an industry-wide proposal may have broader effects on the South Australian economy as a whole and to facilitate industry-wide development of a proposal, not all the criteria above will necessarily be required for the assessment of an industry-wide proposal.

The following template sets out the information requirements and assessment as part of the approval process.

6.1 Summary of Information Requirements and Assessment Template

Economic and Business Growth Fund

Organisation name:	<i>Full organisation name</i>	Project Region:	<i>Detailed as possible</i>
Project name:	<i>Full project name</i>	Start date:	<i>Detailed as possible</i>
Priority sector(s):	<i>Identified Growth State priority sector(s)</i>	End Date:	<i>Detailed as possible</i>

Project Summary:

- *Brief description of project*
- *Key benefits of project*
- *Background information on proponent (where relevant)*

Key Financial Metrics

Total Project Cost:	<i>Include a breakdown of operating and capital costs</i>	Support Requested:	<i>Dollar amount requested from SA Gov.</i>
Direct ongoing employment:	<i>Where applicable</i>	Cost per job to SA Government:	<i>Where applicable</i>

Economic and Business Growth Fund - Eligibility Criteria

	Achieves (Yes/No)	Comments / Evidence
<p>Criteria 1:</p> <p><i>Is the project focussed on at least one of the 9 identified growth sectors?</i></p> <p><i>Will the project enable at least one of the following?</i></p> <ul style="list-style-type: none"> • <i>drive high paying and sustainable jobs;</i> • <i>the retention and attraction of young wealth creators;</i> • <i>lead to growth or creation of value-added products and service industries; or</i> • <i>drive export industries' productivity efficiency and capacity.</i> 	<p>✓</p> <p>X</p> <p>??</p>	<ul style="list-style-type: none"> • <i>Identify priority sector(s) and how the project enables one or more of the four required elements</i> • <i>Project Summary/Rationale</i> • <i>Summary Business case</i> • <i>Direct additional employment</i> • <i>Type of employment</i> • <i>Overview of broader benefits to the State (note this does not include input-output multiplier effects)</i>

<p>Criteria 2:</p> <p><i>Would the investment otherwise occur without financial support from the State Government?</i></p>	<p>✓ X ??</p>	<ul style="list-style-type: none"> • <i>Demonstration of funding gap</i> • <i>Alternative (non South Australian) locations under consideration and comparison of South Australian versus alternative location costs and benefits</i>
<p>Criteria 3:</p> <p><i>Is there any displacement of existing businesses as a result of the project proceeding?</i></p>	<p>✓ X ??</p>	<ul style="list-style-type: none"> • <i>Existence of businesses in SA already providing same product/service.</i> • <i>Market analysis for proposal and impact on other competitors</i>
<p>Criteria 4:</p> <p><i>Is the financial support transitional and is the project financially sustainable over time, leveraging private capital and commitment without the need for further State Government financial support?</i></p>	<p>✓ X ??</p>	<ul style="list-style-type: none"> • <i>SAFA due diligence report including historical financials, business case, credit worthiness, corporate structure and ownership, financial forecasts, project funding and security</i> • <i>Engagement with stakeholders indicates a commitment to the ongoing viability of the proposal</i>
<p>Criteria 5:</p> <p><i>Is the quantum of financial support provided appropriate given the economic benefits that are delivered?</i></p>	<p>✓ X ??</p>	<ul style="list-style-type: none"> • <i>Cost per direct additional and ongoing FTE</i> <p><u>Additional information</u></p> <ul style="list-style-type: none"> • <i>Contribution to an industry sector or value chain (note this does not include input-output multiplier impacts)</i>
<p>Criteria 6:</p> <p><i>Is the financial support conditional on the recipient meeting agreed milestones and outcomes?</i></p>	<p>✓ X ??</p>	<ul style="list-style-type: none"> • <i>SAFA due diligence report</i> • <i>Agreed milestones and outcomes.</i> • <i>Timeline of project</i> • <i>Linkage between payment schedule and milestones</i> • <i>Funding preconditions</i> • <i>Clawback provisions / risk mitigation strategies</i>

Summary Comments for EGCC

<ul style="list-style-type: none"> • <i>To be agreed upon by Governance Group</i>
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Attachments

<ul style="list-style-type: none"> • <i>List of attachments to the proposals</i>

Submissions for grant or loan funding will be made by the following South Australian Government agencies on behalf of proponents:

- Department for Innovation and Skills (Ph: 8226 3821);
- Department for Trade and Investment (Ph: 8303 2400);
- Department of Primary Industries and Regions South Australia (Ph: 8226 0995);
- Department of the Premier and Cabinet (Ph: 8226 3500);
- any other relevant South Australian State Government Agency.

The sponsoring agency will submit all relevant information provided by the proponent to the Economic and Business Growth Fund Secretariat, who will progress the submission to the Governance Group. Agencies are required to ensure that the SAFA due diligence is undertaken prior to, and included in, the submission. Further requests for information may be required for the submission to progress.

6.2 Confidentiality and Commercial-In-Confidence Considerations

If a proponent believes that any information provided in their submission is confidential or commercial-in-confidence, the proponent must clearly identify such information and the reason for its confidentiality.

The proponent should be aware that DTF is subject to certain legislative and administrative accountability and transparency requirements of the Australian Government and Government of South Australia, including public disclosure in accordance with Department of the Premier and Cabinet policy.

DTF will treat all information provided by applicants sensitively. Any information contained in, or relating to, an application, including information identified by an applicant as confidential, may be disclosed by DTF:

- to its employees, advisers or third-parties in order to evaluate and assess an application;
- within the Government of South Australia or other entities where this serves the legitimate interest of DTF;
- in response to a request by a House or Committee of the Parliament of the Commonwealth of Australia or South Australia;
- if the application is successful, for promotion of project activities and outcomes;
- where information is authorised or permitted by law to be disclosed;
- where the information is already in the public domain.

It is the intent of the State Government to be transparent with regards to financial assistance provided to industry. The Government intends to publicly disclose details of all financial assistance provided by the Government from the Fund.

6.3 Copyright

By applying for funding an applicant will be taken to:

- license the Government of South Australia to reproduce for the purpose of this process, the whole or any portion of an application despite any copyright or other intellectual property right that may subsist; and
- transfer ownership in the documents and any other materials constituting the application to the Minister.