

Research, Commercialisation and Startup Fund Guidelines

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1 INTRODUCTION

1.1 SOUTH AUSTRALIA'S INDUSTRY ASSISTANCE FRAMEWORK

South Australia's framework for industry assistance outlines a clear set of priorities for industry development that favors 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 three industry funds.

These guidelines outline the process, criteria and required information for access to funding under the Research, Commercialisation and Startup Fund. The Fund will support proposals that build industry research and development (R&D) capability in South Australia, advance scientific research, increase commercialisation of R&D and help South Australian entrepreneurs bring their ideas to market. Criteria for eligibility have been established (Section 3).

The Fund is managed by the Department for Innovation and Skills.

The Economic and Business Growth Fund and Regional Growth Fund also provide direct financial assistance to support economic and industry development in South Australia.

□ **Economic and Business Growth Fund**

The Economic and Business Growth Fund promotes economic growth by encouraging the growth of existing businesses, developing new industry sectors, building international connections, and attracting foreign and national direct investment. This fund is managed by the Department of Treasury and Finance.

□ **Regional Growth Fund**

The Regional Growth Fund pursues new economic opportunities for regional South Australia and aims to build and strengthen regional communities. This fund is managed by Primary Industries and Regions SA.

Funding will generally be provided from only one of the three funds, unless significant public benefit and project scale can be demonstrated. Proposals better suited to the Economic and Business Growth Fund or the Regional Growth Fund will not be considered for funding from the Research, Commercialisation and Startup Fund.

The South Australian Government recognises the benefits that a diverse and inclusive culture brings to our state. We encourage applications from all people regardless of nationality, gender, cultural or social background, sexuality, religion, age, or physical or intellectual ability.

1.2 INDUSTRY FINANCIAL ASSISTANCE PRINCIPLES

All projects funded through the Research, Commercialisation and Startup Fund must meet the following industry financial assistance principles:

- The project introduces significant new technologies, capabilities, capacities and expertise that broaden the base of the South Australian economy or creates net additional employment in industries aligned to the State's competitive and/or comparative advantages.

- The investment would not otherwise occur without financial support from the State Government.
- There should not be displacement of existing businesses as a result of the project proceeding.
- The financial support is transitional, and the project is financially sustainable over time without the need for further State Government financial support.
- The quantum of financial support provided is appropriate given the economic benefits that are delivered.
- The financial support is conditional on the recipient meeting agreed milestones and outcomes.

2 RESEARCH, COMMERCIALISATION AND STARTUP FUND

2.1 FUND OBJECTIVES

The objective of the Research, Commercialisation and Startup Fund is to contribute to economic growth by supporting collaboration between enterprise, researchers and universities and the commercialisation of new products and services, building research and research infrastructure capability in South Australia through increased investment and encourage the establishment and growth of startups.

The Fund includes the following streams:

- Stream 1: Strategic Research Initiatives
- Stream 2: Startup and Early Stage Business Incentives
- Stream 3: Entrepreneurship and Innovation Ecosystem Initiatives

Further information about these streams is included in Section 5 (funding streams).

2.2 FUND OUTCOMES

The success of the Fund's objective will be measured by the following outcomes:

- increased investment in South Australian research and research infrastructure
- increased business expenditure on research and development
- more commercialisation of research and intellectual property
- higher number of business startups per capita
- higher number of startup businesses that are growing (scale ups)
- more venture capital investment in South Australia.

3 ELIGIBILITY

3.1 ELIGIBLE APPLICANTS

Eligible applicants must be a South Australian-based legal entity that is one of the following:

- business (including not-for-profits)
- business / industry association
- university
- independent research institute
- South Australian Government research institute.

Applicants must be financially viable, registered for GST and have an Australian Business Number. If located outside South Australia, there may be special circumstances which merit consideration of the applicant and there is a commitment to relocate and maintain the relevant enterprise (in whole or part) in South Australia.

3.2 ELIGIBLE PROPOSALS

Eligible proposals include:

- initiatives that provide innovative solutions or translate research into commercial outcomes that address economy-wide challenges for South Australia
- initiatives that increase the level of national funding for South Australian research and research infrastructure
- research collaborations that result in new financial services technologies or products
- initiatives that support the establishment and growth of startups to scale-ups
- initiatives that encourage and promote investment into South Australia's startup and entrepreneurship ecosystem.

Proposals will not be considered where:

- they are conducted outside of South Australia, unless there are special circumstances
- there is no clear evidence of industry participation or involvement
- they are already committed, or retrospective funding is sought
- significant funding is sought towards the cost of developing a proposal
- they have already received funding from the South Australian Government, or require ongoing government funding
- they are better suited to any other funding sources.

3.3 FUNDING AVAILABLE

Unless stated elsewhere in these guidelines, applicants will need to provide matched funding at least equal to the grant amount sought from the Research, Commercialisation and Startup Fund. In-kind funding (other than sunk costs) may be considered as matched funding, however preference will be given to proposals that include a financial contribution.

Eligible expenditure includes:

- ✓ salaries and consumables directly attributed or critical to the delivery to the execution of the project
- ✓ accessing specialist professional services
- ✓ access to and acquisition of specialist equipment, hardware and software
- ✓ accessing or protecting intellectual property rights
- ✓ prototyping and development of a Minimum Viable Product
- ✓ scholarships, study tours, undertaking market research/testing and engaging with major customers and investors
- ✓ data procurement and efforts to obtain regulatory approval.

Ineligible expenditure includes:

- ✗ rent or other property fees
- ✗ salaries for business founders (unless these are essential to the execution of the project, for example unique technical skills/knowledge)
- ✗ recruitment and procurement fees
- ✗ basic office supplies and equipment
- ✗ grant application or administration costs
- ✗ university administration/infrastructure levies
- ✗ any other activities as determined by the South Australian Government that are the usual requirement of business.

4 APPLICATIONS, ASSESSMENT AND APPROVALS

4.1 APPLICATION PROCESS

Unless stated elsewhere in these guidelines, applicants are invited to email RCSFcontact@sa.gov.au within the Department for Innovation and Skills to discuss their proposal ahead of submitting an expression of interest or application.

Minimum information required as part of an expression of interest should include an outline of the research / project proposal, details of participants, benefits to the South Australian economy, justification for government financial assistance, and declaration of financial viability.

Expressions of interest will be assessed by the Department for Innovation and Skills in consultation with relevant government departments and organisations, including but not limited to Defence SA, Primary Industries and Regions SA and the South Australian Research and Development Institute.

Proposals shortlisted will then be invited to submit a full application that address the industry financial assistance principles, together with a detailed project plan, budget and financial information. For Stream 2, if a full application is not received within 90 days of invitation, a new expression of interest will be required.

The South Australian Government Financing Authority will conduct due diligence on the applicant and the proposal with respect to funding sought for streams 2 and 3, if the total amount of funding sought is more than \$100,000.

4.2 ASSESSMENT AND APPROVALS

An assessment panel will assess full applications against the industry financial assistance principles and the Fund objectives. The panel will also consider the South Australian Government's support for diversity and inclusion in its assessment of applications.

The assessment panel's recommendations will be provided to the Minister for Innovation and Skills. Final decisions to approve financial assistance will be made by the Minister. There is no obligation to approve any assistance. In exceptional circumstances, the Minister may consider or accept (at their sole discretion) any proposal, including without limitation a proposal that is not in accordance with these guidelines. In such circumstances proposals to the Fund may need to meet the requirements of the South Australian Industry Participation Policy. Further details can be found at www.saipp.sa.gov.au.

4.3 CONTRACT MANAGEMENT

To access funding, successful applicants will be required to sign an agreement in the form of a formal written contract with the South Australian Government which stipulates the obligations of the applicant and the conditions under which assistance is given. No approval of a proposal, nor any notification to an applicant that their proposal is successful, nor any invitation to negotiate will be effective to constitute a contract or to create any legitimate expectation unless the agreement is executed by both parties. Information received in connection with a proposal may be used and communicated outside the Government of South Australia for due diligence, monitoring, reporting and evaluation purposes.

4.4 PUBLIC DISCLOSURE

Project details estimated and actual economic outcomes, and amount of funding will be made public subject to the Government's consideration of any commercial and public interest factors.

5 FUNDING STREAMS

Stream 1: Strategic Research Initiatives

This stream aims to support research initiatives that will create innovative solutions or translate research into industry or commercial outcomes that address economy-wide challenges for South Australia. This could include (but is not limited to):

- initiatives that leverage investment to build R&D capabilities in South Australia from Commonwealth Government programs such as (but not limited to) the Cooperative Research Centre program, Australian Research Council Centre of Excellence program, Medical Research Future Fund Initiatives and Australian Renewable Energy Agency grants
- initiatives that leverage investment into South Australia from national research organisations including (but not limited to): Commonwealth Scientific and Industrial Research Organisation (CSIRO), Defence Science and Technology Group and Rural Research and Development Corporations (for example, Grains Research and Development Corporation)
- support for consortia to address research challenges of strategic importance and critical need for South Australia
- supporting research into the South Australian financial services sector (and encouraging interdisciplinary research), assisting the development of new financial services, technologies and products
- novel research translation and commercialisation initiatives or platforms.

Calls for proposals to address specific initiatives will be announced with details of timing and funding to be specified with each round.

Minimum grant:	\$50,000
Maximum grant:	\$2,000,000
Maximum project duration:	Four years

Additional eligibility criteria

Further requirements for funding including the amount of funding available will be detailed in each call for proposals.

Requirements for matched funding will be at the discretion of the Minister for Innovation and Skills, having regard to the public benefit of the strategic research initiative. This level of matched funding will be detailed when calls are made for proposals to address specific initiatives.

When required, eligible organisations will be further detailed in each call for proposals. For example, organisations seeking to leverage Commonwealth Government programs will only be eligible if suitable for relevant Commonwealth Government funding programs.

Bid or grant application support is ineligible for funding through this stream.

Stream 2: Startup and Early Stage Company Incentives

This stream provides participants with access to funding to grow their innovative early-stage business and has three entry pathways.

Applications can be submitted at any time. Prospective applicants are encouraged to engage with a Business Development Manager at the Office of the South Australian Chief Entrepreneur (OSACE) to determine their eligibility for grant funding and obtain referrals to:

- commercialisation and business development professional services
- skill development programs applicable to startup businesses
- business networks, mentors and investors.

Applicants are also encouraged to provide evidence that they have obtained advice and guidance from commercialisation and business development experts to strengthen their application.

The maximum duration for all funding pathways is three years (subject to negotiation).

Additional eligibility criteria

In addition to the eligibility criteria for the Research, Commercialisation and Startup Fund, applicants for this stream must meet all the following additional criteria:

1. The applicant's organisation should not have turnover exceeding \$1,000,000 per annum and must demonstrate that it is not able to fully fund the project.
2. The applicant's project must involve the development of a novel product, process or service that has potential markets beyond South Australia.
3. The applicant's proposal must demonstrate sustainable competitive advantage through high barriers to entry and uniqueness that cannot be easily replicated.
4. The applicant must provide evidence of technical and/or commercial feasibility of their project.
5. The applicant must demonstrate access to the relevant know how and/or existing and potential intellectual property (IP) that will be necessary for their proposal.

Royalty payment

The SA Government will not take equity in companies receiving grants, however, all grants awarded greater than \$100,000 in value will be contingently repayable by way of royalty. A royalty of 3 per cent will be calculated on the revenue derived from the project up until the value of the grant has been repaid. If no income has been earned after ten years from the project completion date, no repayment will be required.

TEMPORARY COVID-19 RESPONSE

In response to the COVID-19 pandemic, the Research, Commercialisation and Startup Fund requirement for matched funding for Stream 2 applicants will be temporarily waived on a case-by-case basis at the sole discretion of the Department for Innovation and Skills.

Applications will continue to be assessed on a competitive basis against the Fund's objectives, outcomes and eligibility criteria.

Prospective applicants seeking a waiver of the matched funding requirement will need to detail why they are unable to provide matched funding and how they will be able to progress their project beyond the Government's funding. The Department's decision to approve or refuse a waiver is final.

Bootstrap pathway

Founders can apply through this entry pathway for financial support to fund the early stages of their startup.

Grant amount:	Minimum \$20,000 up to \$100,000
Matching funding:	1:1
Applicant:	Founder/CEO

Incubator pathway

Founders can partner with incubators, accelerators or a value-add investor for financial support to fund the early stages of their startup.

Grant amount:	Minimum \$20,000 up to \$100,000
Matching funding:	2:1
Applicant:	Founder and partner (incubator, accelerator or value-add investor)
Specific Criteria:	Minimum partner investment of 50 per cent cash towards the matched funding

Scale-up pathway

This pathway provides co-investment alongside private funding and is designed for companies that are addressing a known gap in the market with significant private investment. This pathway is also open to applicants that have received previous funding through either the bootstrap or incubator pathway.

Grant amount:	Minimum \$100,001 up to \$1,000,000
Matched funding:	1:1 (at least 50 per cent provided by investors)
Applicant:	Founder and Investor(s)
Specific Criteria:	Signed investor agreement

Stream 3: Entrepreneurship and Innovation Ecosystem Initiatives

This stream aims to build South Australia's startup ecosystem by supporting programs, events and activities that have broad benefit to the startup community such as:

- attracting high calibre experts to serve as entrepreneurs-in-residence
- attracting accelerator/incubator support funding from the Commonwealth Government and/or the private sector
- facilitating startup delegations to visit key investor or customer markets
- raising awareness of startup investment amongst angel investment groups
- strengthening entrepreneurship learning and development
- hosting nationally significant conferences that recognise and showcase the work of startups, entrepreneurs and future industries
- growing regional startup communities.

Whilst this stream is open to expressions of interest on an ongoing basis, specific calls for proposals may be invited at any time by the Department for Innovation and Skills to address specific priorities or seek comprehensive proposals that address a number of initiatives.

Minimum grant:	\$20,000
Maximum grant:	\$500,000
Matched funding:	Determined on a case-by-case basis
Maximum project duration:	Three years

Additional eligibility criteria

In addition to the eligibility criteria for the Research, Commercialisation and Startup Fund, this stream will favour proposals that can demonstrate a sound financial model to achieve self-sustainability.