



Australian Government
**Department of Industry,
Science and Resources**

Industry Growth Program

Consultation paper

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Introduction

The Industry Growth Program is designed to support innovative small and medium enterprises (SMEs) to expand their businesses.

The program will complement the National Reconstruction Fund (NRF) by driving early-stage investment in NRF priority areas:

- value-add in resources
- value-add in the agriculture, forestry and fisheries sectors
- transport
- medical science
- renewables and low emission technologies
- defence capability
- enabling capabilities.

The Department of Industry, Science and Resources (DISR) will engage expert advisers to work with participating businesses to directly help them achieve their potential with multilayered support. A second source of expert advice and support will also be available from industry partner organisations. Some innovative SMEs will also be able to apply for grants under the program, ranging from \$50,000 to \$5 million.

We are seeking your views on the development and implementation of the Industry Growth Program.

Please submit your response via the survey on our consultation hub:

<https://consult.industry.gov.au/industry-growth-program>

Context

Rebuilding industrial and manufacturing capability and resilience is a key priority for the Australian Government.

That's why the government is building a new program designed to help innovative SMEs overcome growth challenges that usually confront young businesses.

The 'valley of death' is an early stage of business development where a new business will often experience a substantial period of negative cash flow. They require time and financial outlay to successfully bring their new product or process to market before they make money.

The new Industry Growth Program is designed to provide a bridge during this challenging period.

Domestically and internationally, expert advice combined with matched grants has been proven to enable early-stage companies to:

- increase revenue
- grow their workforce
- attract investment.

That's what the Industry Growth Program is designed to do.

The program will help put innovative, early-stage Australian businesses on a sustainable path to growth. This will better position them to seek potential funding through the National Reconstruction Fund or gain other investment interest in the future.

Governments around the world are increasingly looking to boost commercialisation and entrepreneurship to increase innovation, employment, economic complexity, tax revenue and productivity.

The Australian Government wants to ensure it has a competitive program to nurture innovative companies to become the big employers of the future.

The program's strong focus on commercialisation and early-stage business growth advice, combined with grants, aims to be a high-impact, cost-effective way to back Australian ideas and build capability.

Vision and overarching program design

The following sets out the Industry Growth Program features. This gives context for the rest of this document, where we ask for your advice on the design of program elements.

Purpose

- Support innovative Australian SMEs undertaking projects in NRF priority areas to:
 - commercialise their innovative ideas into new-to-market products or processes; or
 - transform, grow and scale their business operations.
- Become more competitive in domestic and global markets.
- Deliver increased capability to trade in Australian markets and/or markets in other countries.
- Better position them to seek NRF or other investment in the future.

Entity eligibility – advice and grants

Eligible entities will be:

- a company incorporated in Australia
- non tax-exempt
- registered for the Goods and Services Tax (GST)
- seeking to engage in or increase their interstate and/or international trading operations.

We propose that the service and grant opportunities will be open continuously for applications.

Project eligibility – grant

The government will only accept a grant application for a project where proponents satisfy the following:

- can demonstrate the project aligns with an NRF priority area
- have received an invitation to apply for an Industry Growth Program grant for the project from an Industry Growth Program Adviser, industry partner organisation or the Executive Director for this program.
- can provide evidence of the ability to fund at least 50% of eligible project expenditure, with potential matched funding concessions for applicants from underrepresented groups.

Only the most promising projects proposed by innovative SMEs that have received advisory services will be invited to apply for grant funding.

Funding mechanism and amount

- Grants will be awarded to innovative SMEs that meet the program's eligibility and merit-based selection criteria for funding support.
- Grants will range from \$50,000 to \$5 million in matched funding. The project period will be up to 24 months.
- Very early-stage commercialisation grants will range from \$50,000 to \$250,000. The remainder of the grant program will range from \$100,000 to \$5 million.

Priority areas

Only projects aligned with the 7 NRF priority areas will be eligible for Industry Growth Program:

- value-add in resources
- value-add in the agriculture, forestry and fisheries sectors
- transport
- medical science
- renewables and low emission technologies
- defence capability
- enabling capabilities.

Read details on the priority areas of the Australian economy in the National Reconstruction Fund Corporation (Priority Areas) Declaration 2023 (available at <https://www.legislation.gov.au/Details/F2023L00716>).

Industry Growth Program Advisers

- DISR will directly engage experienced advisers to provide guidance on commercialisation and SME growth to all eligible businesses.
- Tailored advice and guidance can include:
 - validation of a business model
 - networking and collaboration
 - seeking investment
 - market testing
 - developing compelling value propositions.
- Advisers will need to specialise in one or more NRF priority areas.
- The Executive Director with industry experience, appointed for this program, will provide managerial oversight across Industry Growth Program Advisers.

Industry partner organisations

- The program will enable participants to work with industry partner organisations and draw on their expertise and connections.
- These partners will complement advice from Industry Growth Program Advisers.
- Their role is to strengthen support for innovative SMEs. This may include:
 - building industry connections
 - exploring co-funding or partnering agreements
 - developing commercially viable growth propositions.
- The Executive Director will provide oversight of the services carried out by industry partner organisations.

Program design features for consideration

Eligibility of innovative SMEs

Industry Growth Program applicants must meet eligibility criteria to access advisory services and matched grant funding. (See the criteria under the *Vision and overarching program design* heading.)

Industry Growth Program eligibility will include innovative SMEs looking to scale-up and commercialise their operations. While industry research collaborations are still potentially eligible under this program, the main focus will be on industry-led activities.

Questions:

- What objective criteria should determine eligible innovative SMEs? For example, annual turnover of \$20 million or less, employee cap and/or net asset cap?
- What level of grant matching is appropriate? Should there be a variation for earlier stage Technology Readiness Levels (TRLs) programs and the size of the grant?

Eligibility of projects

Many innovative SMEs lack the necessary expertise, experience, networks or resources to overcome the challenge of progressing from proof-of-concept and prototyping stage. Their difficulty accessing traditional sources of capital is linked to their higher risk profile and lack of collateral for loans. This difficulty can be acute during commercialisation and the initial period of scaling up post-commercialisation. For example, high-growth potential startups often rely on a finite angel investor or venture capital market to commercialise or scale their products and services.

We intend the program to focus on those that will benefit the most from advice and financial support. This may be due to their difficulty accessing expertise, networks, finance or other causes. The commercialisation element of this program will focus on encouraging innovative SMEs to get their unique ideas to market and achieve first sales. The early-stage growth element of this program is expected to focus on pre-profit SMEs with novel ideas and are now seeking to scale their operations.

Questions:

- Are there barriers beyond pre-profit stage that the program should consider supporting?
- Should Technology Readiness Levels (TRLs) be used to determine eligibility of a project? If so, what are appropriate TRLs for commercialisation and/or early-stage growth phases?
- How should we determine which projects have the most potential for future growth and market impact?
- Should it be necessary that the applicant has the legal ownership, or effective ownership, of the know-how, intellectual property or other similar results arising from the project?
- Is 'need for funding' (i.e. why applicants are unable to access sufficient funding for the project from other sources) a useful merit criterion for assessing grant applications? If so, how should this be measured?

Diversity and inclusion

Despite the known benefits of diversity, particular groups remain underrepresented in Australia's ecosystem of innovative SMEs. Accessibility of the program to traditionally underrepresented groups will be considered to improve diversity outcomes.

Questions:

- What are the potential barriers to accessing the Industry Growth Program?
- How can we help overcome these barriers to expand the reach of the program?
- Should the program consider more specific merit criteria for traditionally underrepresented groups?

Industry partner organisations

Industry partner organisations will provide industry-led specialised advisory and support services to select program participants to support their commercialisation and early-stage growth performance.

They may support participants in multiple ways, for example to:

- develop and commercialise products and processes in one or more priority area
- undertake transformative growth activities in one or more priority area
- build and use connections across industry, markets, investors and lenders, and/or governments to deliver outcomes such as collaboration and co-funding opportunities
- provide access to equipment, resources, services and/or support to diverse businesses located across Australia, including in regional and remote areas.

To maximise the impact of industry partner organisations, it is important to understand where these specialised advisory and support services should prioritise their resources.

We propose that organisations wanting to be classified as an industry partner organisation will need to apply and be considered through government selection processes.

Questions:

- What core capabilities and resources would be most useful from industry partner organisations to improve commercialisation and early-stage growth performance for participants of this program?
- What services and support should industry partner organisations provide to participants?

Program governance and grant assessment

A new committee will be established under the delegation of the Industry Innovation and Science Australia Board to provide program oversight and recommendations on grant assessment to DISR.

The committee will have:

- expertise in commercialisation, SME growth, venture capital and financing early-stage firms
- knowledge of NRF priority areas.

Questions:

- Are there other skills and expertise that should be represented on the committee?

Program design to meet intended outcomes

The intent of the Industry Growth Program is to support innovative Australian SMEs operating in NRF priority areas through the high-risk commercialisation and early-stage growth phases of the innovation chain. This will help these SMEs grow, and better position them to seek NRF or other investment interest in the future.

To achieve these aims, the program will need to be well delivered and ultimately provide value to businesses and the broader economy. To assess these aims, the Industry Growth Program will be subject to ongoing monitoring and analysis of outcomes as part of an evaluation process in the future.

We expect that the effectiveness of the Industry Growth Program will be tracked with a suite of metrics, such as:

- participant stage-of-development
- participant satisfaction with support provided
- change in capability and capacity to commercialise
- level of private sector investment attracted
- incidence of innovative products or processes brought to market
- improvements in business performance and business outcomes.

Questions:

- What other design elements could be considered to ensure a quality, positive business experience and outcomes?
- Are the proposed project periods (up to 24 months) reasonable?
- How should we measure the success of the Industry Growth Program, for the economy and for participating businesses?

Post-grant period reporting obligations

The department collects data from participants to monitor grant activity and evaluate the effectiveness of its programs. A critical part of the evaluation process involves end-of-project reporting and longer-term reporting following completion of the grant.

Questions:

- What information would be important to seek during the follow-up (post-grant or post-advice) period?
- Over what timeframe should the program follow up with grantees and advise recipients to collect data on their business?
- How can the reporting burden be kept to the minimum required to best support a future evaluation of the program?
- What other opportunities (including those beyond data) could be explored as part of the post-grant period?

Alignment with other initiatives

The department will explore opportunities to better link the Industry Growth Program with other initiatives like:

- Cooperative Research Centres
- university-led commercialisation under Australia's Economic Accelerator
- state and university-led programs.

This will ensure support along the value chain and across sectors.

Questions:

- How can the program complement other university, industry and government initiatives?
- How could the program support better connections from industry to universities and entrepreneurial students?

Next steps

The outcomes of this process will be used to inform final program design features. At the same time, we will hold targeted consultation sessions with selected stakeholders.