

**Commonwealth of Australia**

*Industry Research and Development Act 1986*  
**Innovation Investment Follow-on Fund Program**  
**Direction No. 1 of 2009**

I, **KIM JOHN CARR**, Minister for Innovation, Industry, Science and Research, acting under subsections 18(A), 19 and 20(1) of the *Industry Research and Development Act 1986*, issue the following explanatory statement on the Direction to Innovation Australia.

Dated: 22 05 09

KIM CARR

Minister for Innovation, Industry, Science and Research

**Explanatory Statement**

Issued by the authority of the Minister for Innovation, Industry, Science and Research

*Industry Research and Development Act 1986*

**Innovation Investment Follow-on Fund Program Direction No 1 of 2009**

**General Outline**

The Innovation Investment Follow-on Fund Program (the **IIFF Program**) is a measure to address the constraint on early stage innovative companies accessing capital as a result of the global financial crisis. The IIFF Program is a competitive, merit based program designed to provide capital (through the fund manager) to selected investee companies with high potential (as identified by the fund manager). This will assist those companies to continue to develop and to build value through the global financial crisis. Selected fund managers will be provided funding to invest in the selected companies and will receive a share in any profits.

To be eligible an applicant must either be:

- (a) a fund manager licensed under the Innovation Investment Fund program (Rounds 1 and 2), the Pre-Seed Fund program, the Renewable Energy Equity Fund program; or
- (b) an incubator under the ICT Incubators program.

Applicants (fund managers) may submit a prioritised proposal for funding to be provided to selected investee companies within their portfolio. The IIFF Committee, a committee of Innovation Australia (the **Board**) appointed by the Minister, will assess and determine the technical merit of each eligible application against merit criteria

outlined in the *Direction* and will advise the Program Delegate of the outcome of the assessment process. The Program Delegate, taking into account the assessment and advice provided by the IIFF Committee, the available IIFF Program funding, and the policy objectives of the IIFF Program, will determine which eligible applications will receive funding and the amount of funding to be provided by the Commonwealth.

#### ***Legislative authority***

The *Direction* is issued to the Board by the Minister for Innovation, Industry, Science and Research (the **Minister**) acting under sections 18A, 19 and 20 (1) of the *Industry Research and Development Act 1986*.

#### ***Consultation***

The Minister consulted the Board during the development of the *Direction*, as required under section 20 (2) of the *Industry Research and Development Act 1986*.

#### ***Financial Implications***

The *Direction* itself has no financial impact. The *Direction* provides a framework by which the IIFF Committee provides assessments and merit ranking of eligible applications. The Program Delegate makes the final decision in determining the quantum, terms and conditions of funding agreements entered into under the IIFF Program.

#### ***Date of effect***

The *Direction* commences on and from the day on which particulars of the *Direction* is published in the Gazette and registered in the Federal Register of Legislative Instruments.

#### ***Meaning of certain terms***

Capitalised terms not defined in this Explanatory Statement have the meanings given to them in the *Direction*.

### **Notes on Provisions of the Direction**

## **PART 1 – PRELIMINARY**

### **Name of Direction**

#### **Clause 1**

The *Direction* constitutes the *Innovation Investment Follow-on Fund Program, Direction No 1 of 2009*.

### **Commencement**

#### **Clause 2**

The *Direction* commences on and from the day on which particulars of the *Direction* are published in the Gazette and registered in the Federal Register of Legislative Instruments.

## **Object of these Directions**

### **Clause 3**

The object of the *Direction* is to provide the Board with instructions in relation to an additional function of the Board namely, the administration of the IIFF Program, including the provision of merit assessments and technical assessments of eligible applications under the IIFF Program, and the policies and practices that the Board must follow in the performance of this function.

### **Introduction**

### **Clause 4**

This clause provides an outline of the IIFF Program.

### **Interpretation**

### **Clauses 5 - 11**

These clauses explain key terms used in the *Direction*.

## **PART 2 – CONSIDERATION OF APPLICATIONS TO PARTICIPATE IN THE PROGRAM**

### **Board to have regard to certain policy objectives**

### **Clause 12**

This clause sets out the policy objectives of the IIFF Program to which the Board must have regard in giving effect to the *Direction*.

### **Eligibility**

### **Clause 13**

Applicants must meet specified eligibility criteria.

### **Clause 14**

To be eligible for funding an investee company must satisfy specified eligibility criteria.

## **PART 3 – MERIT ASSESSMENT OF APPLICATIONS**

### **Assessment of applications**

#### **Clause 15**

The Program Delegate may refer an application for funding to the IIFF Committee for merit assessment but may elect not to do so if an application fails to meet the eligibility criteria set out in the IIFF Program Guidelines.

#### **Clause 16**

The IIFF Committee assesses the merit of each application against the merit criteria set out in the *Direction* and provides a technical assessment to the Program Delegate.

#### **Clause 17**

This clause provides that the IIFF Committee may assess an application according to clause 16 but decline to provide a technical assessment if it is not satisfied with the merit of the application in relation to one or more of the merit criteria.

#### **Clause 18**

The IIFF Committee may attribute a higher or lower level of importance to one or more of the merit criteria. It need not notify applicants of the relative importance of merit criteria.

#### **Clause 19**

The IIFF Committee may request additional information from, or interview, an applicant after the lodgement of an application.

#### **Clause 20**

The IIFF Committee or the Program Delegate may have regard to additional information and undertake other enquiries in order to consider the suitability of applicants and the suitability and eligibility of investee companies.

#### **Clause 21**

The *IIFF Committee* may advise the *Program Delegate* to approve an application:

- (a) in respect of the applicant's portfolio investee companies, consistently with the applicant's prioritisation; and/or
- (b) for an amount of funding less than that for which the applicant has applied,

and may recommend a limit on the maximum level of investment in a portfolio investee company.

**Merit Criteria****Clause 22**

This clause sets out the merit criteria for the IIFF Program. There are separate merit criteria in respect of the applicant and the follow-on funding proposal.

**PART 4 – BOARD TO PROVIDE ADVICE ON POLICIES AND OPERATION OF THE PROGRAM****Clause 23**

The Board may advise the Minister, or the Minister may request advice from the Board, on non-financial administration matters relating to the Program, including the extent to which the IIFF Program is meeting its objectives.

**Clause 24**

The Board may collect and analyse data on the performance of the IIFF Program and provide advice to the Minister on that performance, and must cooperate with any independent evaluation of the IIFF Program.

**Clause 25**

Where the Board advises the Program Delegate on a matter in respect of which the Program Delegate is to advise the Minister, the Program Delegate must consider the Board's advice and, in his advice to the Minister, disclose the advice received from the Board.