Unlocking Capital for Jobs Program

Unlocking Capital For Jobs

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What is Unlocking Capital for Jobs?

• The $50 million Unlocking Capital for Jobs Program is the first of its kind in Australia.

• The objective of the program to accelerate business growth to create jobs.

• Under this program, the South Australian Government will consider providing partial guarantees for eligible SME loan applications that meet normal bank credit criteria, except for adequate security/collateral.
How the Program works

• The Program can provide a partial guarantee for eligible SME lending applications between $500,000 and $10 million that meet all of the bank’s normal commercial credit criteria, but have insufficient security/collateral.

• Program Guarantees are limited to 20% of the principal amount of new funding being provided by the bank. For example, if the new funding is for $1 million, the maximum Program Guarantee available is $200,000.

• Program Guarantees have a maximum term of 5 years.

• Participating banks make an application for a Program Guarantee to the Department of State Development on behalf of the SME.

• Program Guarantees are issued by the State Government in favour of the participating bank.
Eligibility

• SMEs are actively trading businesses employing less than 200 FTEs.
• The SME needs to:
  • have been established in South Australia
  • have carried on its business in South Australia continuously for at least 12 months
  • be incorporated (Pty Ltd or Ltd)
• New lending must be for an eligible purpose related to a Business Expansion Plan or Business Transformation Plan.
  • Business Expansion Plans - growth, progression or expansion of the products or services offered by the business.
  • Business Transformation Plans - transformation or diversification of the current products and services offered by the business.
Eligibility cont.

- Eligible purposes include:
  - purchases of or improvements to equipment
  - purchase of property
  - construction or renovation of buildings and other improvements
  - working capital
- Plans need to be implemented within 12 months and create or sustain jobs in SA.
- The Government retains absolute discretion as to whether, and in which circumstances, it provides a Program Guarantee, even where an application meets the Program’s eligibility criteria.
Guarantee fee

- Successful applicants pay a fixed guarantee fee to the State Government during the 5 year guarantee term:
  - 2% per annum for the first 3 years
  - 3% for the remaining 2 years
- The guarantee fee is calculated on the amount of the Program Guarantee provided.
- The guarantee fee is paid quarterly and collected by the applicant’s bank.

Other costs

- Successful applicants are responsible for all fees associated with the establishment of the lending with their preferred bank and the issue of the Program Guarantee, including the preparation and execution of documentation.
Unlocking Capital for Jobs flowchart

START
Applicant submits lending application with Participating Bank

Bank funds project - no Program Guarantee required

Yes

Does the funding application meet all bank lending criteria?

Yes

Does the project and the applicant meet the Program’s eligibility requirements?

No

Consider alternative funding options

No

Application deemed eligible by Department of State Development, the South Australian Government Financing Authority, and the Treasurer

Yes

Proceed to formal documentation

No

Funding application does not meet bank lending requirements

No

Does the funding application meet all bank lending criteria other than collateral/security?
Pilot Case – Australian Fashion Labels

- Australian Fashion Labels (AFL) is a rapidly growing global fashion business based in the Adelaide CBD.
- AFL employs 85 staff in SA and is looking to grow its Adelaide head office to more than 140 staff by 2016.
Pilot Case – Australian Fashion Labels

- The business demonstrates significant growth and export potential that will create new jobs in South Australia.

- Through its involvement in the program, AFL has unlocked additional capital to accelerate its growth, establish the business as an iconic and uniquely South Australian global fashion label, and create up to 50 new jobs in SA.
Recap

- New lending between $500k and $10 million
- SMEs – actively trading, based in SA, with less than 200 employees (FTEs)
- Funding must be needed to expand or transform the business, resulting in job creation or retention in SA
- Guarantee up to 20% of lending (principal), max term 5 years
Where to from here?

• The program is open for applications until 30 March 2018, unless fully subscribed ($50m provided in guarantees or $250m in bank lending) or closed earlier.

• Applications are submitted to the Department of State Development by the applicant’s preferred participating bank - SMEs seeking guidance on their eligibility for the program should refer to their bank in the first instance.

Contact

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