



Department of
**Jobs, Tourism, Science
and Innovation**



Western Australian Venture Support (WAVES) 2022-2025 Pilot Program Guidelines

New Industries Fund

WAVES



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1. Introduction

The Western Australian Government initially allocated \$16.7 million to the New Industries Fund (NIF) for the period 2017-2021. As a result of the successful outcomes from that funding round the State Government allocated an additional \$16.7 million to the NIF for the following four years.

The NIF aims to support and accelerate new and emerging businesses to help diversify the Western Australian (WA) economy and create new WA jobs and industries through innovation.

The NIF is administered by the Western Australian Department of Jobs, Tourism, Science and Innovation (JTSI) and provides funding for a number of programs and initiatives.

This document is written for organisations that wish to apply for the three (3) year Western Australia Venture Support (WAVES) pilot program (2022-2025).

If you have any questions about the NIF or the WAVES pilot program please contact the innovation staff at innovation@jtsi.wa.gov.au.

2. The objectives of the New Industries Fund

The NIF focusses on the following four 'pillars':

1. **Talent, Skills and Entrepreneurship**

A sustainable innovation environment requires the right people with the right skills. Western Australia needs to develop, attract and retain the right people.

2. **Investment and Infrastructure**

Infrastructure and capital are important to innovation to enable the collaboration and funding necessary for startups, emerging businesses and small to medium-sized enterprises (SMEs) to grow, commercialise and create new jobs.

3. **Culture and Collaboration**

Western Australia has significant human, natural and infrastructure assets. By fostering the right culture, and facilitating collaboration, the State Government can maximise their value.

4. **Marketing and Promotion**

Raising the State's profile on the global stage is essential. Positioning the State's brand will allow WA's strengths to become synonymous with innovation, and enable critical global networks to be forged.



3. Early Stage Venture Industry

It has become apparent that WA does not have an established early stage venture industry.

Some relevant facts:

- The WA economy is 17% of the Australian economy (GDP), however the early stage venture industry in WA is just 1.5% of the total in the country¹,
- \$11 billion was invested in WA companies in 2020/21, but only 0.4% (approximately \$50 million) was invested in early-stage private, startup and tech companies²;
- On a per capita basis, WA invests about 20% to 25% of that of Victoria and NSW respectively³;
- There are 113 early stage venture capital limited partnership (ESVCLP) firms in Australia, however, not one is headquartered, nor has an on-the-ground presence, in WA⁴;
- Currently, there is only one active, sizable early-stage fund in WA – RAC’s \$23 million BetterLabs Ventures fund, which has been running since 2016, making 20 investment announcements, for a total of \$17 million invested so far.
- While there are several ‘angel’ investors, angel investing groups and high net worth individuals that invest in early stage ventures for amounts below \$200,000, it has proved extremely challenging for early stage ventures to raise money above that amount.

While there is investment capital in WA, there is a clear funding gap in WA for early stage innovation.

While not every startup business or innovator is looking for funding, the level of total available private sector funding and funders in Western Australia lies well below levels required to sustain a flourishing early stage innovative sector.

3.1. Contributing towards management fees

One barrier for new venture firms is establishing a new venture fund large enough to operate from the usual annual 2% administration fees. This is known as the ‘2 and 20’ model of venture capital investing, whereby:

¹ Western Australian Economic Profile, November 2021

² Business News ‘Data and Insights’, July 2021; Techboard funding report 2020/21

³ StartupWA report, 2021

⁴ Business.gov.au website: <https://business.gov.au/grants-and-programs/early-stage-venture-capital-limited-partnerships/list-of-early-stage-venture-capital-limited-partnerships>, as at 12 August 2022



- 2% administration fees are used to pay for the annual operational costs of running the venture fund; and
- 20% of the profits from the fund's investments are retained, while providing 80% back to their investors.

Using this '2 and 20' fee arrangement as an example, a \$10 million fund would have an operational budget of only \$200,000 a year. As a result, it is likely that a fund would need to raise several times that amount to resource a WA office that could:

- promote and run the fund efficiently;
- screen the deals / investment opportunities and determine the best ones; and
- manage the approved investments and all relevant partners and investors involved.

Without any prior record of success, setting up a new early stage venture fund could be difficult.

Through the WAVES program the State Government will help support the administration and operational costs of new venture funds investing in WA early-stage innovators and startups. The program aims to encourage the establishment of these new venture funds and ensure that more of the fund's capital is directed towards investing in WA companies.

The WAVES program aims to act as a catalyst to encourage tens or hundreds of millions of dollars of new investment into WA's early stage innovative sector.

4. The WAVES Approach

The WAVES program focus is designed to attract:

- new early stage venture funds to headquarter/establish an office in WA and invest in WA-owned and run early stage innovative companies;
- and/or
- existing Australian early stage venture funds to place an active on-the-ground presence/representative in WA to focus on investing in WA-owned and run early stage innovative companies.

The ESVCLP structure is not the only model early stage venture funds can take, as Managed Investment Schemes and other funding forms may also apply.



4.1. WAVES Pilot Program

The NIF will fund the WAVES pilot program at a total of \$300,000 per year over three (3) years (2022-2025) (up to an overall total of \$900,000) towards selected recipient venture funds' ongoing operational costs (**WAVES Funding**).

It is a competitive co-investment grant program, on a 1:1 basis, that will provide up to a maximum of three (3) selected venture funds up to \$100,000 per year each over the three (3) years.

5. Eligibility criteria

The WAVES pilot program supports venture funds that are **established in Western Australia for the first time** and/or **existing funds in other Australian states that physically locate an employee in WA for the first time**.

Preference will be given to new venture funds that set up and operate in WA and invest a majority of their funds into WA-based early stage, innovative companies and scalable SMEs.

Applications must also meet the following criteria:

- have an Australian Business Number (ABN) and/or Australian Company Number (ACN);
- be a registered Early Stage Venture Capital Limited Partnership (**ESVCLP**) or similar entity - such as a Managed Investment Scheme mentioned above - set up for the first time and headquartered in WA, with the intent of investing in WA's early stage startups and scalable SMEs;
 - or
 - have the intent to set up such a venture fund, or be in the process of doing so, with the expectation of being operational during the 2022/23 financial year and beyond;
 - or
 - being an established venture fund that is located in Australia, but will place an employee in WA for the first time;
- be made by a valid legal entity that can enter into a funding agreement with the Western Australian Government; and
- be a solvent Australian-based non-government fund.



Applications will be deemed ineligible if:

- received after the specified closing time and date (See 8.1 below)
- not submitted via the WAVES online grant platform (See 8.1 below)

Employees and officers of JTSI, and/or their immediate families, are not eligible to apply.

6. Evaluation criteria

Applications must address the following Evaluation Criteria keeping within the word count for each section.

Applications will be scored (out of 100, 20 points per item) against the Evaluation Criteria to determine the extent to which they meet the investment requirements of government, whether they offer value for money as an investment, and against other applications.

Applications will be assessed using the following **Evaluation Criteria**:

1. **TEAM**: the quality, experience and track record of the applicant fund's managers, general partners and team behind the fund;
2. **COMMITMENT**: the commitment, preparedness and readiness of the fund's manager/s to invest in WA-based early stage innovative companies and scalable SMEs, over the cited three years and beyond;
3. **SIZE**: the size of the total fund, availability of funds committed, with expected timelines; any specialisations (e.g. in medtech, or fintech) or whether industry-agnostic;
4. **WA FUNDING**: the proposed proportion (%) and quantum (in millions of dollars) of the fund that will be specific to WA deals only, over the (3) three years; whether the fund is established in WA for the first time (preferable) or an Australian fund from other states putting someone on the ground in WA for the first time;
5. **VIABILITY**: the commercial viability of the fund including organisational structure, business plan, cash position, ability to at least match with co-funding, the funds allocated through WAVES.

6.1. Reporting Requirements

The recipients will be a required to report to JTSI twice a year on:

- deals concluded, including breakdowns of companies, amounts; and



- investments into female-founded, regional and Indigenous innovators and businesses.

All such deals will be published on '[Dealroom](#)', an online public database of deals in WA (which was launched in WA in September 2022).

Please note:

- preference will be given to new WA-based funding entities that establish in WA for the first time, and commit a majority of their funds to investing in WA-headquartered and run early-stage startups and scalable businesses;
- WAVES supports venture funds that have strategic merit consistent with the NIF;
- WAVES Funding is subject to available funds. All funding decisions are final and at JTSI's absolute discretion;
- a valid application does not necessarily entitle an applicant to WAVES Funding;
- applications seeking funding in excess of \$100,000 per annum for the term will not be considered;
- continuation of recipients' WAVES Funding for years two (2) and three (3) is pursuant to the selected venture fund(s) continuing to meet the relevant eligibility, competitive criteria and reporting commitments; and
- as a pilot program WAVES effectiveness in achieving its goals will be assessed during and at the end of the term. There is no guarantee that the program will continue beyond its third year.

7. Co-investment

Successful applicants are required to at least match, on a cash or equivalent basis, the up to \$100,000 annual cash commitment WAVES provides towards the operational costs of the venture fund, or to fund an employee, over the three (3) years.

Recipients are required to provide evidence to JTSI of their co-investment contribution before any WAVES Funding is paid.

The co-investment cannot comprise or include funds, sponsorship or otherwise from the Western Australian Government.



8. Application and Evaluation Process

Proposed Timeline

Applications OPEN	From 13 October 2022
Applications CLOSE	11am AWST Wednesday 9 November 2022. Applications received after this time will not be considered
Eligibility checks	November 2022
Evaluation	November - December 2022 (subject to change)
Funding offers	January 2023 (subject to change)
Funding	Commences on execution of the Funding Agreement between JTSI and the recipient

8.1. Stage 1: Develop and submit your application

Applicants should consider the *Western Australian Venture Support (WAVES) 2022-2025 Pilot Program Guidelines - New Industries Fund* prior to submitting their written application.

In order to be considered eligible for the evaluation process, a full and complete WAVES application (with relevant attachments) must be received, **via the WAVES online grant platform (<https://waventuresupport.grantplatform.com/>) no later than 11am AWST Wednesday 9 November 2022.**

Applications will automatically be deemed ineligible if:

- received after the specified closing time and date
- not submitted via the WAVES online grant platform.

Employees and officers of JTSI, and/or their immediate families, are not eligible to apply.

JTSI officers cannot review and quality check applications. However, you are able to ask questions of JTSI officers, especially if you require clarification of requirements.



8.2. Stage 2: Eligibility checks

All eligible applications will initially be assessed by JTSI to ensure the information provided meets the program's eligibility criteria.

If the application does not meet the eligibility criteria, it will not be assessed further. Applicants will be notified via email at the end of the evaluation process.

In some circumstances, for example if a minor point needs to be clarified, a JTSI officer may contact the applicant for additional information. See Section 5 for '*Eligibility Criteria*'.

8.3. Stage 3: Evaluation

Eligible applications will be evaluated by an external panel to determine the extent to which each application meets the investment requirements of government and if it offers value for money as an investment of public funds.

Evaluation panel members will be required to complete a conflict of interest declaration and any conflicts will be managed by panel members and JTSI.

The pool of funds available for WAVES is finite so allocation will be determined by a competitive assessment to identify the strongest applications.

JTSI and/or the panel could draw on a range of information to assess each application, which could include but not be limited to, information available in the public domain, from referees and/or financial due diligence checks.

All applications will be evaluated against the Evaluation Criteria cited above (Section 6).

A score (out of 20) will be allocated to each response in the application form. The panel will refer to these scores when providing advice to JTSI on the strengths and weaknesses of each application. JTSI will make the final decisions regarding the awarding of funds.

JTSI reserves the right to subject any application to a competitive process, or not proceed, should the proposal fail to meet any of the above criteria to JTSI's satisfaction at any point during the assessment process outlined in this document.

8.4. Stage 4: Notification of Outcome

Applicants will be advised of the outcome of their application by emailed letter once JTSI has made a decision. JTSI's decision is final and no further correspondence will be entered into.



9. How the funding works

Successful applicants will receive an offer of WAVES funding.

The funding, to be matched at 1:1 by the recipient, will be formalised then managed under a Financial Assistance Agreement (**FAA**), which will link payments to agreed milestones and key performance indicators.

JTSI reserves the right to check the financial viability of all selected applicants before funding agreements are finally executed.

No rights to financial assistance accrue until such time as the FAA has been executed by JTSI.

Successful applicants will be funded for the value, specified purpose and duration described above.

Successful applicants without a registered business address in the State of Western Australia will be required to show proof of their WA business address before funding is released.

The WAVES Funding is a specified annual amount for three (3) years. At the end of year one (1), recipients will be required to demonstrate they remain eligible, have been reporting promptly on their venture fund's activities and are fulfilling the objectives of the WAVES pilot program.

Funding in years two (2) and three (3) will be subject to:

- achievement of deliverables and key performance indicators that are stated in the funding agreement;
- evaluation of outcomes;
- available funds; and
- the absolute discretion of JTSI.

10. Other terms and conditions

10.1. Reporting

Recipients of WAVES Funding will be required to deliver to JTSI six-monthly reports of activities and deals done as part of milestone (annual) payments.

Continuation of funding in years two (2) and three (3) of the WAVES pilot program is also contingent on the reporting being completed, as requested.



10.2. Freedom of Information Act 1992

JTSI is subject to the [Freedom of Information Act 1992](#), which provides a general right of access to records held by Western Australian State and Local Government agencies.

Information that relates to the receipt of State Government financial support may be tabled in the Western Australian Parliament. This information could include names of recipients, the amounts of financial support, the name of the project/activity and, possibly, a brief description of the project/s funded. This could result in requests for more detail to be released publicly.

Further information on the operation of the *Freedom of Information Act 1992* can be obtained from JTSI's website.

10.3. Conflict of Interest

You will be required to complete a conflict of interest form that discloses any information that might be relevant to an actual, perceived or potential conflict of interest.

10.4. Information for Applicants

To receive WAVES Funding grant recipients must provide to JTSI an invoice for the agreed annual amount only, exclusive of GST.

The Department does not increase the grant to include GST, nor does it reimburse a grant recipient for GST. Recipients are responsible for the payment of GST, which is not included in funding claims to the Department.