

## APPENDIX C – PRO-FORMA REQUEST FOR COSTING AN ELECTION COMMITMENT<sup>1</sup>

Name of policy	Australian Business Growth Fund – Equity Investment
Person requesting costing (Prime Minister/Leader of the Opposition/Leader of a minority party):	Prime Minister
Date of public release of policy:	23 April 2019
Date of request to cost the policy:	9 May 2019
Summary of policy (please attach copies of relevant policy documents):	<p>The Coalition will establish the Australian Business Growth Fund (ABGF) by providing a \$100 million equity investment.</p> <p>Partnering with financial institutions the aim is for the Growth Fund to expand to \$1 billion as it matures.</p>
Intention of policy:	<p>The ABGF will significantly enhance small and family businesses' ability to access funding, filling a gap in the market that is preventing them from reaching their full potential.</p> <p>It is expected to back 30-50 businesses each year with annual turnovers between \$2 million and \$50 million.</p>
Certification that this, or a substantially similar costing request, has not been submitted to the Parliamentary Budget Office	This, or a substantially similar costing request, has not been submitted to the Parliamentary Budget Office
<p><b>Description of policy (please note that, where the request to cost a proposal differs from the announced policy, the costing will be on the basis of information provided in the costing request)</b></p> <p><b>What are the key assumptions that have been made in the policy including:</b></p>	
Is the policy part of a package? If yes, list and outline components and interactions with proposed or existing policies.	No
Where relevant, is funding for the policy to be demand driven or a capped amount?	Capped

<sup>1</sup> An electronic version of this pro-forma can be found at [www.electioncostings.gov.au/templates](http://www.electioncostings.gov.au/templates).

<p>Will third parties (for instance the States/Territories) have a role in funding or delivering the policy?</p> <p>If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?</p>	<p>The Government will partner with other financial institutions (banks, insurers and superannuation funds). Two large domestic banks and an international bank have expressed interest in partnering with the Commonwealth to establish the ABGF.</p>
<p>Are there associated savings, offsets or expenses?</p> <p>If yes, please provide details.</p>	<p>No</p>
<p><b>Description of policy (please note that, where the request to cost a proposal differs from the announced policy, the costing will be on the basis of information provided in the costing request)</b></p> <p><b>What are the key assumptions that have been made in the policy including: (continued)</b></p>	
<p>Does the policy relate to a previous budget measure?</p> <p>If yes, which measure?</p>	<p>The AGBF will complement the \$2 billion Australian Business Securitisation Fund that supports small businesses through debt financing.</p>
<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program? Will funding/cost require indexation?</p> <p>If yes, list factors used.</p>	<p>Not applicable</p>
<p>What are the estimated costs each year? Are these provided on a cash or fiscal basis?</p>	<p>The \$100 million equity investment will be made in 2019-20.</p> <p>It is expected that this investment will not have a direct impact on underlying cash, but will result in an increase of public debt interest that is expected to be more than offset by dividends paid from the AGBF.</p>
<p>Are the revenue and/or expense costs likely to be significantly different beyond the forward estimates period? If yes, why?</p>	<p>No</p>
<p>What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?</p>	<p>See attached</p>

<p>Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?</p>	<p>No</p>
<p>What is the expected community impact of the policy? How many people or businesses will be affected by the policy? What is the likely take up? What is the basis for these impact assessments/assumptions?</p>	<p>The policy is expected to have a positive impact on businesses seeking support across Australia (from metropolitan areas to regional Australia).</p> <p>The AGBF is expected to back 30-50 businesses each year with annual turnovers between \$2 million and \$50 million.</p> <p>Similar vehicles have been established in the UK and Canada. The expected uptake of the AGBF is based on this overseas experience.</p> <p>Support offered will be both financial (investment) and non-financial (provision of strategic advice, mentoring, talent management and network referrals for small businesses to access).</p>
<p><b>NOTE:</b> it will be up to the professional judgment of the relevant Secretary as to whether these assumptions are adopted in a Treasury or Finance costing of the policy.</p>	

<b>Administration of policy</b>	
Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc.)?	Department of Treasury to support establishment and administration of the AGBF
Should departmental expenses associated with this policy be included in this costing? If no, will the Australian Government Entity be expected to absorb expenses associated with this policy? If yes, please specify the key assumptions, including whether departmental costs are expected with respect to program management (by policy agencies) and additional transactions/processing (by service delivery agencies).	No Department of Treasury to absorb any associated departmental operating or capital expenses
Intended date of implementation.	1 July 2019
Are there transitional arrangements associated with policy implementation?	No
Will the policy be ongoing or terminating*?	Ongoing. When the opportunity arises in the future, the Government will look to sell down its stake in the Fund to appropriate investors.
If terminating: What is the intended date of termination? Are there any transitional arrangements associated with the conclusion of the policy?	Not applicable
List major data sources utilised to develop policy (for example, ABS cat. no. 3201.0).	Not applicable
Are there any other assumptions that need to be considered?	No

\* Ongoing policies continue indefinitely (until a decision is made to cease or alter the program). Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.

## ATTACHMENT

**What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?**

The ABGF will have the following investment strategy:

- ABGF to provide long-term capital, with an initial investment of up to \$15m in a small business, with follow-on funding available to back them as they continue to grow.
- ABGF to be a minority partner (10%-40% stake): a non-controlling interest.
- investments that are equity in nature to unlock business growth and create optionality from a stronger balance sheet.
- Small to medium sized businesses targeted: annual turnover between \$2m-\$50m.

The ABGF will have the following characteristics:

- The ABGF will be a company limited by shares.
- The ABGF will be a stand-alone entity, independently run by an executive team with oversight from a Board of Directors.
- The Board will have an independent chair and be responsible for setting the overall strategy of the Fund and the recruitment of the executive as well as the setting of remuneration.
- The ABGF will be the only vehicle for Banks to invest in if they want to invest directly into small business equity (as required by APRA).
- Each of the shareholders will appoint directors to the Board in accordance with the size of their shareholding.
- As the Fund matures, it is expected that it will grow to a size between \$500m to \$1b.
- Reviews will be undertaken in year 2, 5 and 9 to determine if the fund is meeting its purpose and performing as intended.