



mitchell & co
EXPERIENCE THAT COUNTS

This newsletter is an update of EMDG (Export Market Development Grants) as at today.

It is in response to two things of interest to Exporters.

1. Trade Minister Tehan's [Press Release](#) of Friday afternoon 14th May re additional "funding boost to Exporters".
2. The release of [Draft EMDG Guidelines](#) for EMDG New – for applications post July 1, 2021 per the email broadcast from Austrade (Australian Trade and Investment Commission), now listed on the Austrade website.

Both contain some facts and some fiction, some good and bad news for Exporters. Some key information is missing.

The Minister's Press Release deals with EMDG Past, and the Guidelines are for EMDG Future. They are both silent on EMDG Present.

We provide commentary in relation to EMDG Past, Present and Future.

EMDG Past – applications for the year ended 30 June 2020.

This is for applications already assessed/paid or to still to be assessed/paid for last financial year ending June 30, 2020.

The payment methodology for this year is that you are paid up to a guaranteed \$100,000 in full and above that you have an **IOU** from government to pay you the balance, for grants up to \$150,000 - in fine print "*s.t available funds*".

The press release states the Minister has put in additional funds (“a boost”) for exporters.

Fact Check - not 100% correct! Bit of spin here – Shane Warne would be proud!

Monies have been contributed only to meet Austrade’s contractual obligation to pay exporters up to the \$100,000, not to ensure **all exporters get full payment** as was the case for 2019.

The Federal Budget papers show \$65M in extra funds being contributed to EMDG for 2021 - to account for the increased demand for the scheme for that year.

The demand is explainable but should not be treated as an indicator that exporters are on the recovery post COVID-19; quite the contrary, it is just that EMDG works in arrears.

The funds contributed are insufficient to pay grant entitlements **over** that guaranteed sum up to \$100,000.

About 15% of the 2020 EMDG applicants are therefore to be short changed. It has happened in the past of course so some exporters are used to it. There is nothing that can be done. Your IOU for the grant payment over \$100,000 is pretty much worthless at present.

We will know the payout rate with complete certainty (it could even be zero) by the third week of June when Minister Tehan makes his formal announcement. Let’s see what the spin doctors come up with then.

In terms of applications for 2020 that are **yet to be** assessed/audited by Austrade:

About 70% of 2020 applications have been paid or started.

Austrade’s KPI is to pay 95% of such applications by the third week of June.

Austrade audit activity has stepped up in recent weeks, again let us see how

things go here.

We will do our best to get you paid before year end. Otherwise, it will be post July 1.

EMDG Present – applications for the year ended 30 June 2021.

This is the current financial year. This is the last year to apply under the old rules. It is pretty much business as usual.

The demand on the scheme will drop dramatically from 2020 with the impacts of COVID-19 really hitting this year with no travel at all etc.

The timetable to lodge is the same as in the past – from July 1, 2021 to February 28, 2022 for us. The earlier we can lodge your application, the better.

The Minister's press release was **silent on two unknowns** for EMDG Present.

- What will be the guaranteed first grant installment amount/cap be for 2021?
- Will the earnings test apply for 2021? It did not for 2020 but has for prior years.

Our educated guesses are therefore:

- The first installment cap will not be \$100K, it will be much lower, back to \$40,000 as in the past.
- It should not happen, but the earnings test will probably apply to reduce the over demand problem that arose for 2020 applications. We think to re-introduce it is pretty dumb and is not required, but we do not write the cheques!

Again, we will await the Minister's announcements in the third week of June and will be in touch then.

EMDG Future – applications post 30 June 2021, and beyond.

The released guidelines referred to above are all about applications for the first year of EMDG Future – applications from July 1, 2021, for reimbursement of EMDG expenses for the 2021/2022 financial year. We refer to these applications as “2022” ones.

The guidelines have been a long time coming and without being too blunt, are late.

They flow on from the new EMDG Act, the new EMDG Rules. The fine print about the New EMDG process.

Some Key Points on the Guidelines:

- They are open for public consultation until June 11th, 2021.
- The start date for lodgement of applications is August 16th, 2021.
- Costs from July 1, 2021 will be able to be included (tbc 100%), that is costs incurred prior to your grant submission.
- The application lodgement window is reasonable – up to November 30th, 2021.
- You can lodge both a 2021 (EMDG Present – old rules) application in parallel with a 2022 one, but they are separate beasts.
- There is no export performance test.
- EMDG New is still rules based, not competitive based.
- You are limited to 8 grant years, and your funding is determined by your “Tier status” – a discussion for another day.
- You can bid for funding over 2 or 3 years depending on your tier status in the program.

We remind you that the EMDG New process is three steps, not one as in the past:

1. Your Grant Bid/Application – based on export plans and forecasts
2. Your Grant Offer/Agreement – what Austrade will pay you

3. Your Grant Claim/Acquittal – you must spend double the amount of the grant offer

You can download our brochure on EMDG New – via the link below:

[Mitchell & Co EMDG Brochure 2022](#)

The new scheme is not pre-payment, it is pre-approval only.

You do not start again, your grant history under the old program carries forward, except that grants paid prior to 1990 have been removed. Your EMDG slate prior to this day has been wiped clean. Some good news for old EMDG clients buried in the Guideline *fine print*. Well done to Minister Tehan here.

You will still be rationed, i.e., you may bid for \$40,000, \$80,000 or \$150,000 depending on your “Tier” status but will be paid less - say \$30,000, \$60,000 or \$100,000 depending on the overall demand and available funds (*s.t funding fine print again*) in the applicable grant year. Some things never change!

The change is that you will now know your rationing **up front** in the grant bid/approval process, not in arrears.

You will not know your grant entitlement amount until Jan/Feb 2022.

This cannot be helped. All bids must be submitted and processed by Austrade to determine the overall rationing rate/grant offer amount.

Whatever is your grant offer, you must spend double that, to then claim back your 50% reimbursement once applicable milestones are met.

EMDG New is about making things simple and giving exporters greater certainty according to the Minister, cutting “government red tape”.

Not sure that is the case here, but its year one of the new rules. Things will get better over time one hopes and prays!

We will make a submission on the guidelines on behalf of our client base by June 11th, 2021.

If you want to send your own submission into Austrade, go for it. Tell them what you think will help you and others going forward as we all crawl out of the new Covid based world order, and for some, the trade dispute with China. You never know what the outcome will be!

Austrade are holding a Webinar on the new rules on Monday 24th May, you would have got an email invite. As a client of ours, there is no need to sign up for it, but if you want to, do so. We have covered off on the key points here.

We have been in contact with some clients already re EMDG Past, Present and Future.

We are doing more client contact sessions (via Zoom) in the coming weeks. Give us a bell to talk through the options when it suits you.

We know the answers, even if we have to guess some of them!

All the best,

Stuart and team