

Export Market Development Grants (EMDG) scheme

Austrade presentation to
Export Market Development Grant Consultants

June 2020



Australian Government
Australian Trade and Investment Commission



CONTENTS

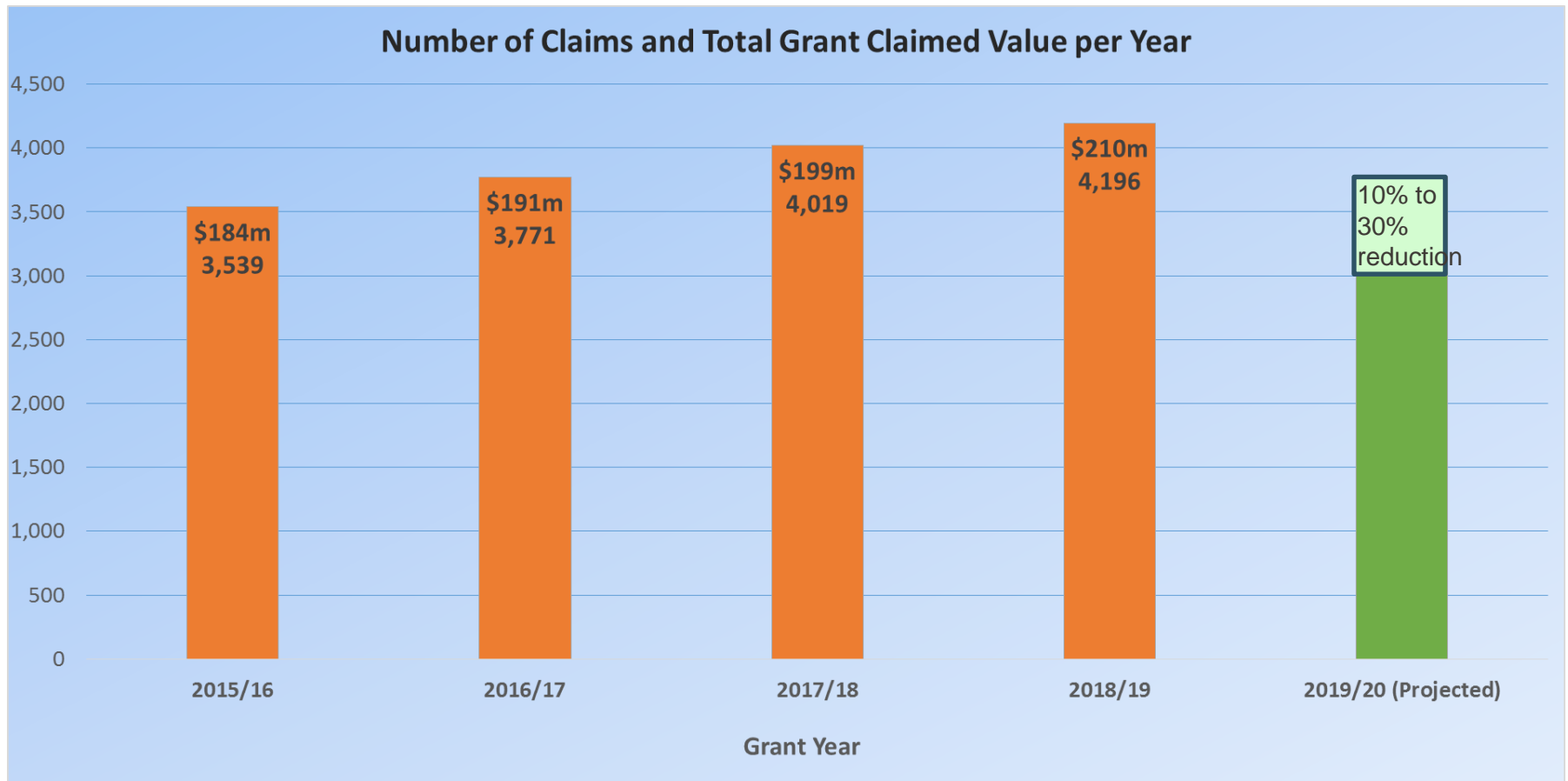
- Grant year overview
- EPT and COVID-19
- Fraud awareness
- QIP awareness
- New application form demonstration

GRANT YEAR OVERVIEW AND SCENARIOS



FY 2019-20 HISTORICAL CLAIM NUMBERS

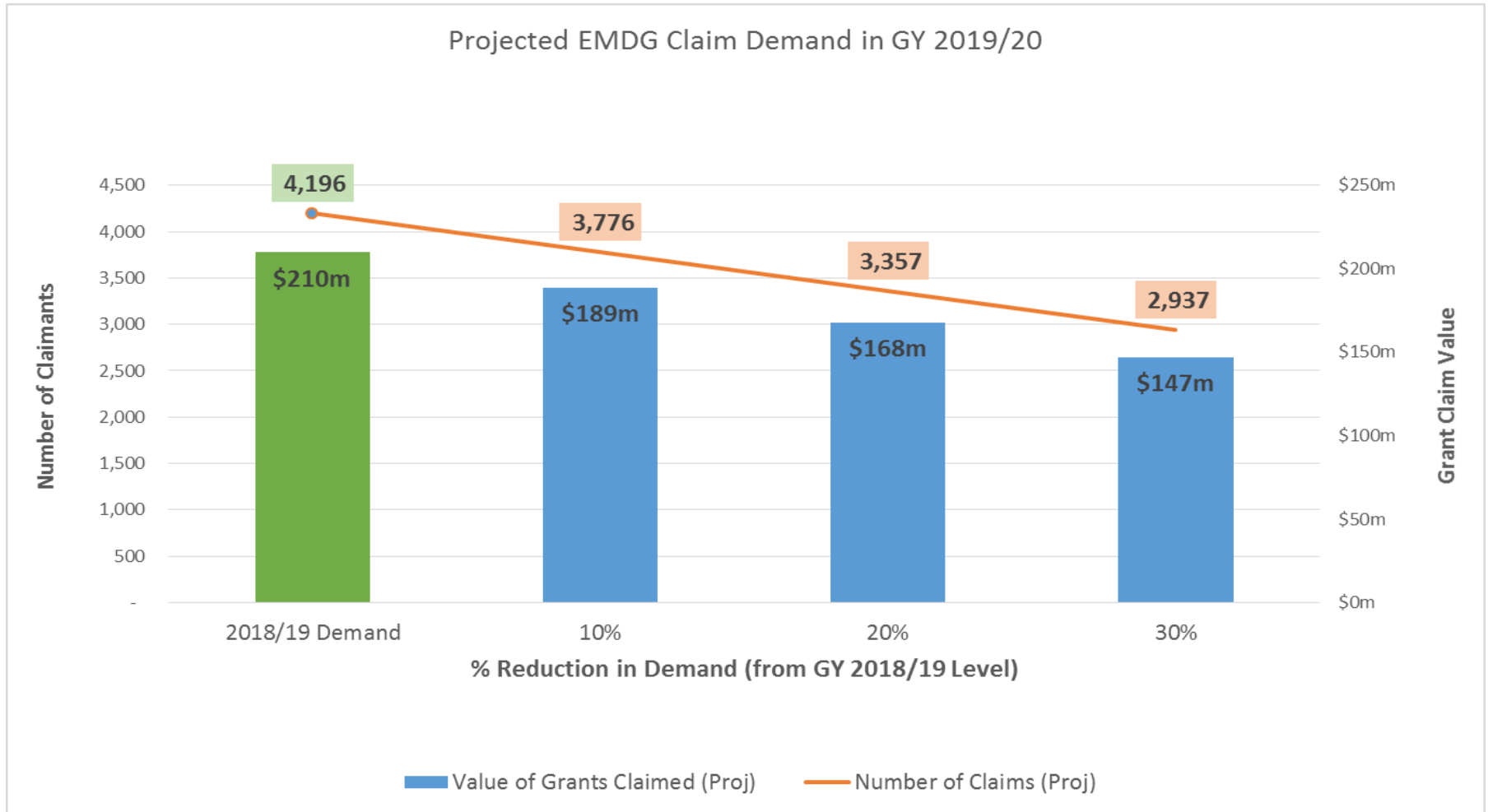
- Claim numbers have grown substantially over the past 4 years.
- COVID-19 is expected to significantly reduce grant demand (between 10% and 30%)



FORECAST GRANT DEMAND (GY 2019/20)

- COVID-19 is expected to significantly impact the average grant claimed and number of applications
- However, the scale of the total reduction in demand in GY 2019/20 is difficult to predict
- **Factors to consider:**
 - The first 8 months of FY 2019/20 were not significantly affected
 - This means that EMDG expenditure has been affected by the pandemic in the last 1/3rd of the year (March – June)
 - Some expenditure categories will have almost zero expenditure from mid-March (e.g. marketing visits, overseas buyers' visits). Other categories may be less affected (e.g. advertising, overseas representatives)
 - Significant reduction in world-wide demand in Calendar Year 2020
 - Limits placed on the grants by the export performance test (EPT) will not apply to grants in GY 2019/20
 - Weighing up all these factors, EMDG expects demand to fall between 10% and 30% from GY 2018/19 levels

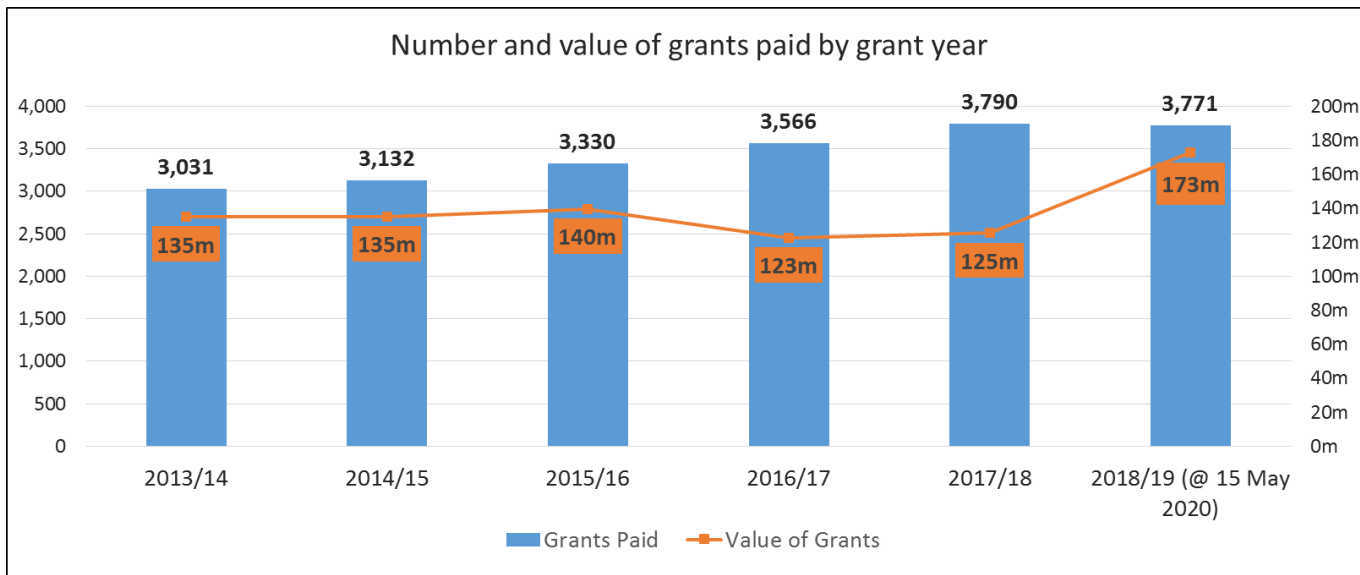
WE EXPECT EMDG GRANT DEMAND TO DECLINE BY BETWEEN 10% AND 30% IN GY 2019/20 (FROM GY 2018/19 LEVELS)



FY 2019-20 GRANTS PAID

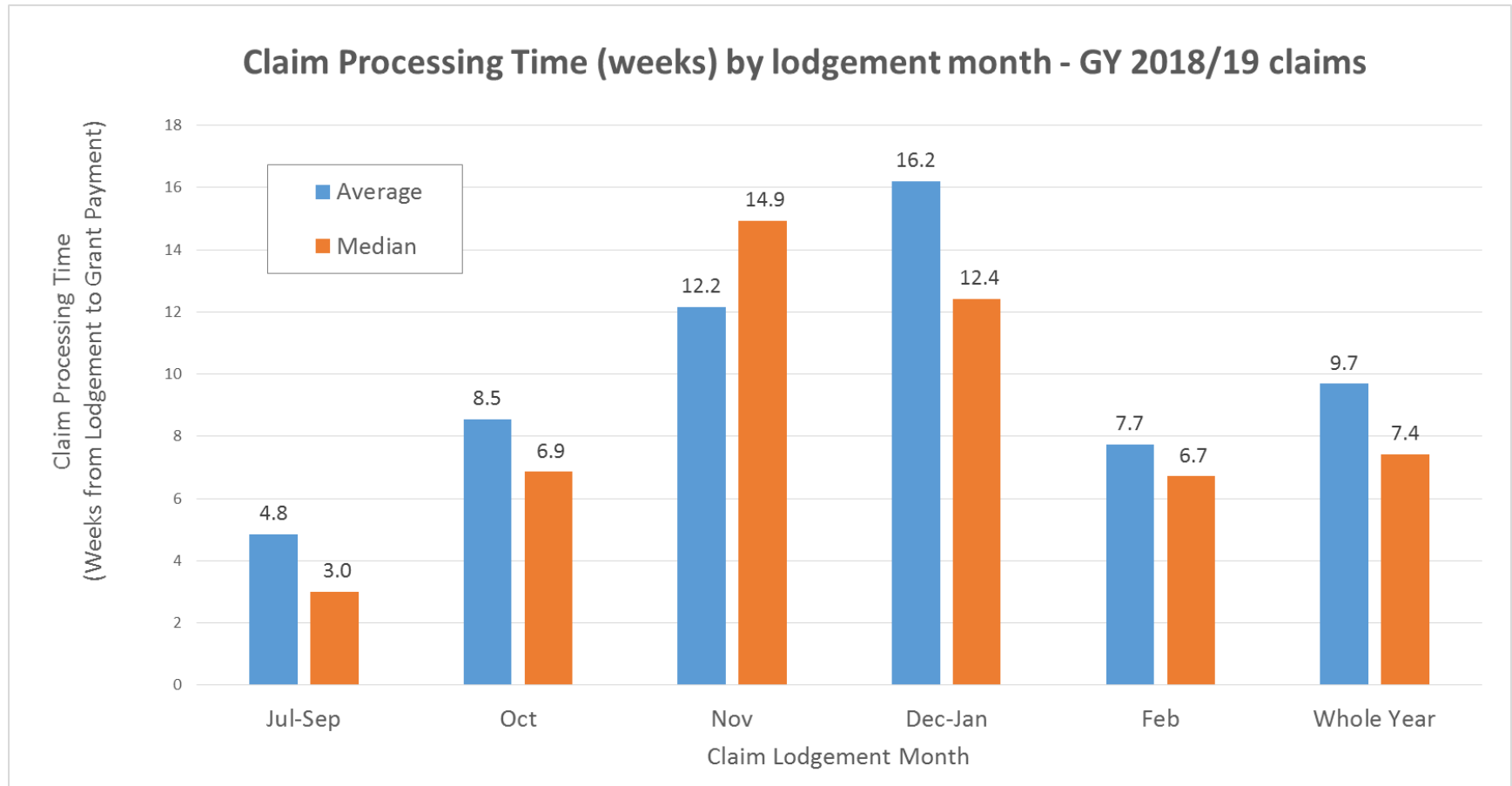
GRANTS PAID (FY 2019/20) (@ 15/5/2020 – ALL GY'S)

State	Number of Grants Paid	Average Grant	Total Grant Paid	State % of Total (by Value)
NSW	1,427	\$49,793	\$71.1m	40.4%
VIC	1,131	\$45,100	\$51.0m	29.0%
QLD	585	\$43,670	\$25.5m	14.5%
WA	323	\$45,166	\$14.6m	8.3%
SA	267	\$36,467	\$9.7m	5.5%
ACT	49	\$47,660	\$2.3m	1.3%
TAS	46	\$31,254	\$1.4m	0.8%
NT	12	\$26,417	\$0.3m	0.2%
National	3,840	\$45,840	\$176.0m	100.0%



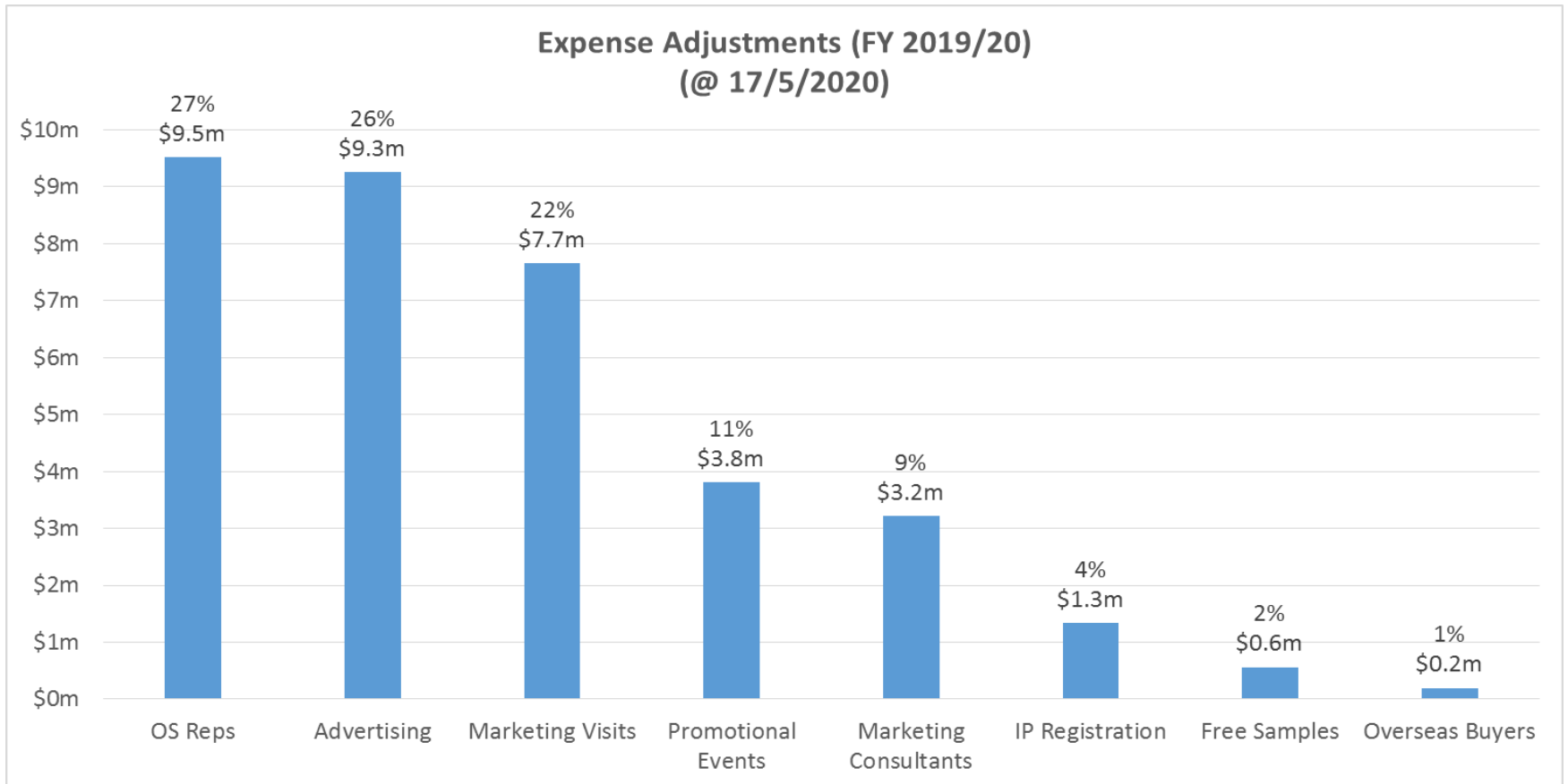
Note: The GY 2018/19 data is correct to 15 May 2020. As of this date Austrade had determined 93% of GY 2018/19 claims) Approximately 287 applications claiming \$24m grant to be assessed.

CLAIM PROCESSING TIME



Note: Data correct @15/5/2020 for completed applications (93% of claims). Mean and Median processing times will increase for Dec - Jan and Feb lodged claims as they are finalised and this report is rerun.

EXPENSE ADJUSTMENTS (FY 2019/20)



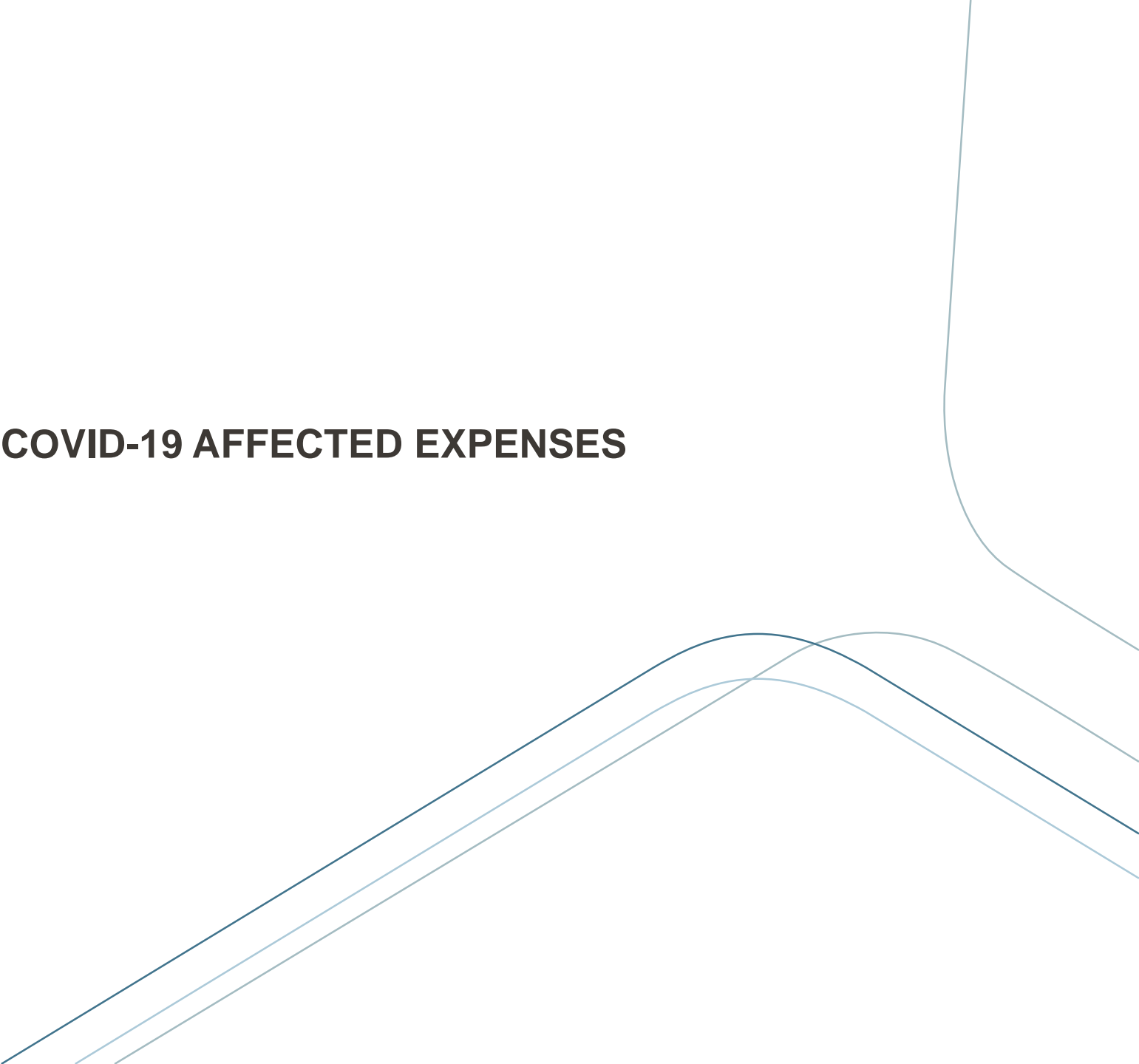
In total, claim assessment resulted in:

- Reduction of \$35.6m in EMDG expenses claimed
- Reduction of \$14.5m in EMDG grant value

PAYOUT FACTOR

Parameter	FY 2018/19 (GY 2017/18) @ 30 June	FY 2019/20 (GY 2018/19) @ 30 June
Payout Factor	24.6%	100%
IPCA	\$40K	\$40K
Proportion of grantees paid full grant in first tranche	58%	100%
Claim adjustment rate (FY)	10.3%	TBD
Total assessed Grant (GY) (before application of PoF)	\$175.3m (GY 2018) (\$7.9m paid out for carried-over grants)	TBD

EPT AND COVID-19 AFFECTED EXPENSES



COVID 19 RESPONSE

- The Government increased funding by \$48 million – to \$207m for FY19-20
- High IPCA – for FY 20-21 - \$100,000
- Expenses incurred impacted by COVID restrictions – such as Trade Fairs – Austrade assessment approach
- Changes to Visit Audit program

- A change to the Export Performance Test is in place for 2019-20. The Minister has amended the EPT Determination
- The Export Performance Test will not apply for applicants for the 2019-20 year.
- The practical effect is that applicants making their third or later application:
 - › Will not have their grant reduced due to lower export income
 - › Option B not relevant - Will not have to prepare an option B submission

FRAUD



Dishonestly obtaining a benefit by **deception** or other means

Includes:

- *Obtaining a grant or attempting to obtain a grant using deception*
- *Providing false or misleading information. Or failing to provide information where there is an obligation to do so*

‘False representation has been made, knowingly, without belief in its truth, recklessly, carelessly whether it be true or false’

Fraud is a Criminal Offence with potential gaol penalties

Knowingly or **recklessly** answering 'No' to questions on the Application Form, e.g. where Applicant carrying on a previous business which had received EMDG or has applied or received grant or reimbursement on expenses claimed

Overseas Representative

- › Retainer or expenses claimed that has not been paid
- › Expenses claimed are not promotional e.g. sourcing for imports, for other ineligible business, return \$ to family, buy assets, commissions, repay loan etc
- › Grossly over claiming % promotion

Marketing Consultant – disguising closely related

Marketing Visits

- › Travel was not for promotion e.g. holiday, carrying out services, after sales services, sourcing imports, returning home to run other overseas business

Promotional Literature & Advertising

- › Fictitious items
- › Not promotional or not export related, domestic operation
- › Over claimed/ inflated
- › Has not been paid

Austrade Special Investigations Unit implement measures to deter and detect fraud on the EMDG Scheme, including actioning external allegations, internal referrals and undertaking project work.

- 2 cases with Commonwealth Director of Public Prosecutions for a decision to prosecute
- 3 cases recently referred to the Australian Federal Police
- To date 34 persons have been convicted of criminal offences against the EMDG scheme.

External allegations and internal referrals from assessors have reduced significantly in the past twelve months

QUALITY INCENTIVE PROGRAM (EXTENDED LODGEMENT)



- Consultants who have lodged 5 or more applications will be invited to apply to participate in the Quality Incentive Program (QIP) in late June or early July.
- Approval allows additional time for lodgements on behalf of your clients
- The key condition to meet is an adjustment rate of less than 5% for actively assessed applications (where Austrade has asked for additional information)
- When making approval and cancellation decisions, note that
 - Austrade does not have discretion on the adjustment rate requirement.
 - However, Austrade can exclude amounts that are “unreasonable” to include in the calculation.
 - You will have the opportunity to review and provide information if you do not meet the 5% criteria.

2020 EMDG APPLICATION FORM PREVIEW



Overview

- In-House build
- Based on Digital Transformation Agency architecture
- Updated questions and order
- Improved data validation and pre-fill
- Increased flexibility to address feedback from users
- New MyGovID authentication and Relationship Access Manager (RAM)

Timeframes

- July 2017 – developed user stories, identified pain points
- February 2019 – Commence redevelopment project
- March to September 2019 – build minimum viable product
- Jan to February 2020 - Closed beta
 - Functional end to end testing with a small number of live applications
 - Identify and prioritise changes from user feedback
 - tested myGovid and RAM
- March 2020 – test version open to consultants for familiarisation and feedback
- April 20 to Jun 20
 - Prioritise feedback and build select changes from closed beta and test version
 - Complete integration
 - Update supporting documents
- 15 June 2020 – Open live system for pre-lodgement period for grant year 2020 applications
- 1 July 2020 – accept grant year 2020 lodgements

QUESTIONS?