1) **In your submission to Departmental consultation, you note that "cuts to the Modern Manufacturing Initiative and Entrepreneurs Programme in 2022 deprive the NRF of two main pipelines of preparing innovative SMEs to be investment-ready" (p6). Can you please elaborate on this?**

   NRF will support "investment ready" projects – those which are already demonstrated commercially and now need to scale. MMI and EP took companies with new tech up to that point. No current program does that anymore. More importantly, the EP program, along with its predeceasing programs, conducted in depth business improvement activities, lifting the international competitiveness and viability of the companies that are in the target cohort of the NRF. We are concerned that the pipeline for NRF suitable companies will be limited, thereby compromising the potential financial viability of the NRF.

2) **Are grants better placed to assist in smaller to medium sized manufacturing projects to be investment ready?**

   Yes , in certain circumstances such as in early stages of development when companies are still doing R&D, and there is not demonstrated cash flow, or collateralizable IP. In short, there's nothing to loan against. The value of the EP was that is combined advice with grants, ensuring that the grants were targeted and strategically focussed.

3) **Are loans likely to assist innovative SMEs to be investment ready? Doesn't more debt mean that SMEs would be less likely to attract further investment from private institutions?**

   Generally no, however it depends on what the loan is for, it could be for R&D or new equipment to support product development or scalability. Debt and the ability to service a debt would be one of the many factors considered by potential investors, rather than a final determining factor.

4) **If these SMEs could display a likely return on investment, isn't it likely that private finance would already have invested in those projects?**

   Generally yes, but in some emerging technologies there may be additional barriers to "bankability" resulting from uncertainty around a technology and/or still maturing markets. NRF could and should target these areas, in doing so it will augment not compete with private banking. As we detail in our submission, there is a significant gap in the investment market for companies whose IP is wrapped up in internal process innovation, rather than 'new to the world' inventions..

5) **Have any of your members expressed interest in the government acquiring equity in their business?**

   Medium-sized companies broadly indicate they would prefer loans to equity as it does not require changes to ownership structure or corporate governance. There is also a desire to limit the impact of any political pressures on their business.

6) **Have you heard feedback from your members, concerning the closure of the Modern Manufacturing Initiative?**

   Yes. It supported several useful projects. As argued above, the NRF is not a substitute.

7) **Ai Group, in your submission to Departmental consultation, you note that it would be "appropriate for the NRF to be subject to built-in periodic review against its objectives. As a start-up institution, this review should commence early in its life" (p8). Would you like to see the NRF be subject to an annual independent review?**

   Annual external reviews would effectively be reviews of "loans given during the year", which is not required. Suggest first one within two years of operation for early lessons learned then regular thereafter.

8) **Would you be supportive of a quarterly report being tabled in Parliament, which reports on the performance of the Corporation?**

   Annual report. Quarter to quarter performance will vary, is not indicative and may be subject to political pressure which has been an issue with similar funds in the past. We value board independence to ensure that investments are sound and impactful.