

GUIDELINES FOR APPLICANTS

Sustainable Food and Fibre Futures



Agriculture & Investment Services

Ministry for Primary Industries
Manatū Ahu Matua



SFF Futures is the Ministry for Primary Industries' flagship fund for problem-solving and innovation in New Zealand's food and fibre sector that make a positive and lasting difference.

CONTENTS

4	WHAT IS SFF FUTURES?
4	HOW DOES IT WORK?
5	ELIGIBILITY
6	ASSESSMENT CRITERIA
12	INTELLECTUAL PROPERTY
13	WHAT TO EXPECT: THE APPLICATION PROCESS
15	APPENDIX 1: CO-INVESTMENT
16	APPENDIX 2: IN-KIND CONTRIBUTIONS
17	APPENDIX 3: ELIGIBLE AND INELIGIBLE COSTS

WHAT IS SFF FUTURES?

Sustainable Food and Fibre Futures (SFF Futures) supports problem-solving and innovation in New Zealand's food and fibre sector by co-investing in initiatives that make a positive and lasting difference.

It funds a range of projects from less than \$100,000 to multi-million-dollar, multi-year programmes.

A cornerstone of SFF Futures is the requirement for co-investment. The applicant or other non-government co-investors must contribute to the cost of the project. On a case-by-case basis, we will consider a proportion of contributions to be in-kind.

HOW DOES IT WORK?

There are two categories of funding – **'Partnerships'** and **'Grants'**. MPI's investment will be aligned to the length and complexity of your project, although there is no specific cap on government investment per project.

Partnerships are typically long-term, large-scale and multi-faceted programmes involving multiple co-investors. They typically focus on economic growth but not exclusively. For example, large industry-led environmental improvement programmes could fit in this category. The Ministry for Primary Industries (MPI) and the applicant work actively together and MPI is also involved in programme governance.

Grants are generally more appropriate for relatively smaller-scale initiatives with more of a community focus. They typically have relatively fewer work streams, shorter timeframes and require less financial investment than Partnerships. MPI supports and monitors progress but is less actively involved than for Partnership programmes.

If you're not sure which category your project falls into, MPI will work with you to find the best approach.

ELIGIBILITY

The scope of the SFF Futures Fund is broad and is not limited to any particular part of the food and fibre sector. Proposals may cover one or more parts of the value chain – new products, technology and services, and new ways of operating, producing, marketing, handling and distributing.

Meeting the eligibility criteria does not automatically guarantee funding. MPI reserves the right to decline an application entirely or provide less funding than requested.

Your proposal must satisfy the following requirements to be eligible:

Co-investment: The applicant or other non-government co-investors must contribute to the cost of the project. Contributors must be identified prior to submitting the application. For commercially-oriented projects MPI typically contributes up to a maximum of 40 percent of the total cost, meaning applicants must fund around 60 percent themselves. Projects which are community-oriented may be eligible for significantly more MPI funding as a proportion of the total. See Appendix 1 for further details.

Sustainable benefits to New Zealand: There are four longer-term benefit areas against which we assess the contribution of your project or programme – environment, economic, social and cultural. Your project doesn't have to show benefits across all four. To justify government funding however, your project must benefit New Zealand and/or New Zealanders and not just your business or organisation. A project which primarily benefits non-New Zealand interests will not be eligible.

Beyond “business as usual”: The proposal must demonstrate that it is additional to business as usual, both for your organisation and the wider industry, sector or community. Your project or programme needs to build on prior knowledge, extending it into a new level, region or sector. It may also significantly scale up an existing product or service.

Consistency with international obligations and trade policies: SFF Futures funding must be consistent with New Zealand's international obligations and trade policies. For this reason, the following are ineligible in addition to the above:

- proposals which are entirely export-focused;
- capital expenditure, brand promotion costs and other costs which would breach international rules on subsidising commercial activity. (There are limited exceptions – see Appendix 3 for further information);
- activities that would otherwise be undertaken without crown funding (i.e. crown funding should not replace private sector funding sources).

If you're not sure whether your proposal meets these requirements, talk to the MPI team.

ASSESSMENT CRITERIA

Your proposal will need to clearly set out the problem you are trying to solve, or the opportunity you have identified, in a compelling way.

A proposal is more likely to be successful if it is based on concise, robust information and as much evidence as possible. Proposals are unlikely to succeed if they are based on loose assumptions or unsubstantiated claims.

The merits of your proposal will be assessed against 9 criteria:

1. Sustainable benefits to New Zealand
2. Innovation
3. Beyond business as usual
4. Fit with relevant strategies
5. Adoption and extension/path to market

6. Ability to deliver
7. Governance
8. Risk identification and mitigation
9. Budget

Te Tiriti o Waitangi partnership is observed across the SFF Futures fund and is embedded within each of the assessment criteria.

If your project relates to MPI's call for *science research* projects for regenerative farming, it will also need to demonstrate a robust and appropriate scientific method.

1. Sustainable benefits to New Zealand

Clearly explaining the public good, longer-term benefits of this project is a pre-requisite for government funding. Proposals will rate highly if they demonstrate significant impact across benefit areas – environmental, economic, social and cultural.

Your project doesn't have to show benefits from each category. Partnerships typically have a stronger emphasis on economic benefits, whereas community-driven projects often focus on environmental or social benefits. However, we want your proposal to show that you have considered each benefit area. You might be surprised by how broadly your benefits could extend.

Also consider potential negative impacts, as MPI will do in its assessment. If a proposal might result in some form of negative impact, you will be expected to clearly demonstrate how this will be mitigated or minimised.

Will the benefits endure beyond the project? Will they be retained in New Zealand rather than flow offshore? As well as direct benefits, include "spill overs" outcomes or benefits that may come out of the project but are not necessarily a core driver.

The table on page 8 may help you consider your project in terms of sustainable environmental, economic, social and cultural benefits. Take the time to understand the impact of your project from these perspectives, and ensure this thinking comes through clearly in your application.

The examples are not a list of compliance requirements. They are examples to help you understand the benefits your project will create for New Zealand and/or New Zealanders. Use them to trigger and test your thinking.

If you need help, get in touch with MPI to talk it through.

SFF FUTURES

SUSTAINABLE BENEFITS TO NEW ZEALAND

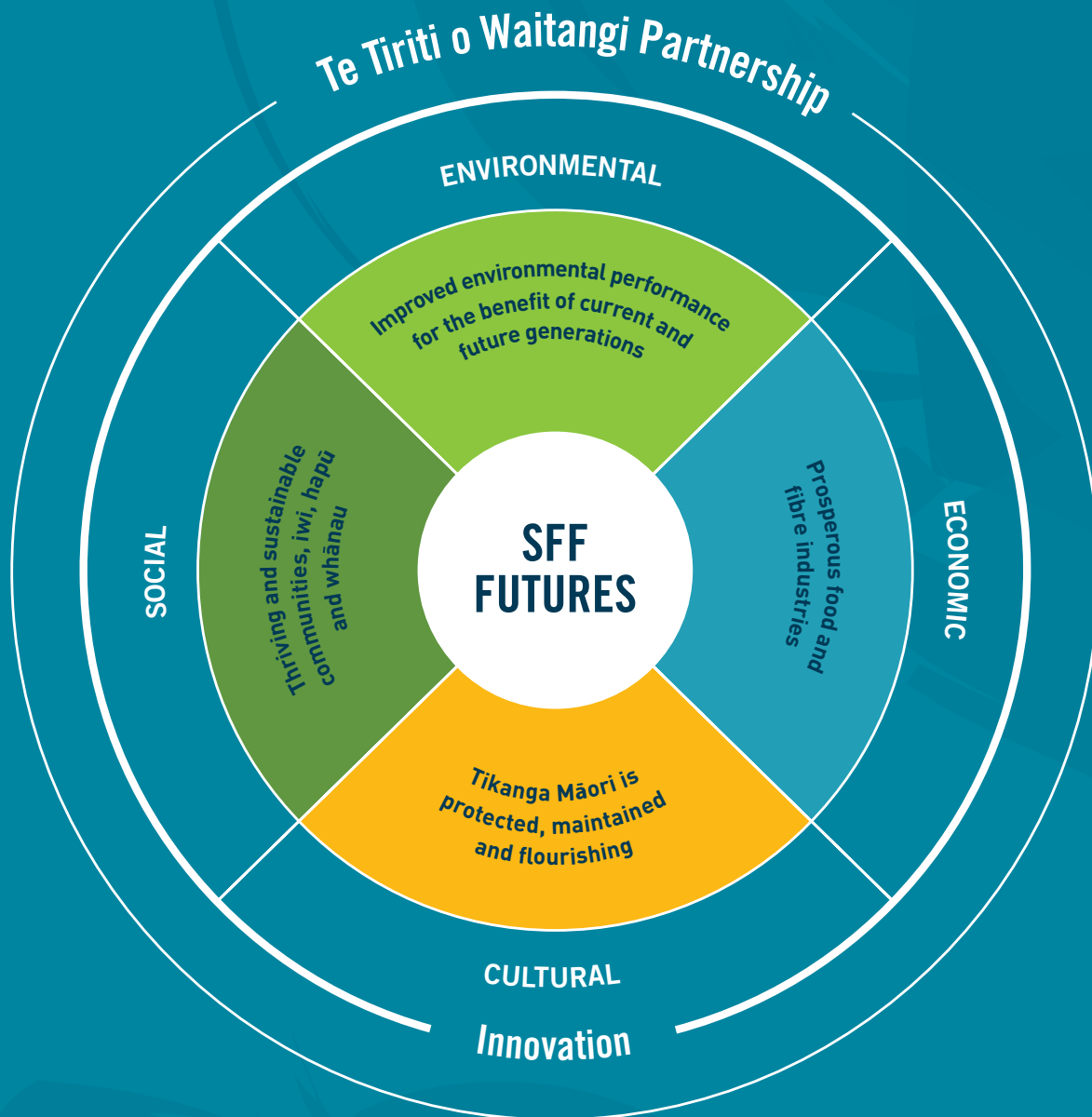


Table 1 – Sustainable benefits to New Zealand**Environmental – Improved environment for the benefit of current and future generations****What we're looking for**

Projects which can demonstrate positive and sustainable outcomes and which will result in, for example:

- reduced impacts on land and/or water;
- improved freshwater quality;
- effective mitigation of pests and diseases;
- reduced erosion;
- reduced chemical use;
- sustainable use of marine resources.

Where possible outcomes should be clearly described and/or quantified.

Any negative impacts?

Is there potential for your project to negatively impact the environment? For example, will it produce waste, degrade water quality, or result in deforestation? How will those impacts be managed?

Economic – Prosperous food and fibre industries**What we're looking for**

Proposals should quantify net economic benefits, state how they will be sustained beyond the life of the project and who/what organisations or entire industry will benefit.

Economic benefits can take many forms: job creation, cost savings, increased profits, development of new land-use opportunities, increased investment in R&D, improving labour capability and moving up the value chain.

Any negative impacts?

Could your project have a negative economic impact? For example, will it result in job losses, harm to regional economies, or transfer of intellectual property offshore?

Social – Thriving and sustainable communities, iwi, hapā, and whānau**What we're looking for**

Proposals should demonstrate positive and enduring impacts on the overall wellbeing of New Zealanders and their communities.

Consider how your project might impact on people – individuals, groups and communities. For example, will the proposal:

- create employment;
- improve worker health and safety;
- result in better employment practices;
- provide skills development or training;
- increase community or industry capability;
- improve wellbeing/hauora?

Any negative impacts?

Could the project or programme lead to reduced community participation, fewer local job opportunities, reduced connectedness or some other negative impact on wellbeing?

Cultural – Tikanga Māori is protected, maintained and flourishing**What we're looking for**

Proposals should demonstrate recognition and consideration of tikanga Māori and involve local iwi and other relevant groups in an appropriate way. Examples may include

- protecting tikanga Māori and taonga;
- increased productivity and profitability of Māori resources.

Any negative impacts?

Could your project harm areas of cultural significance or infringe customary rights?

2. Innovation

Proposals should be solution focused. They should find a new approach to an issue that New Zealand's food and fibre sector needs to address. Whether it's national in scale or related to just one local community, we want your initiative to lead to positive, long-lasting change. It should demonstrate an awareness of, or ability to leverage, relevant emerging technologies, market or environmental trends and new business or operating models. While 'innovation' is defined as 'new' there should be appropriate linkages to other research/work rather than "re-inventing the wheel".

Clearly describe the new skills, opportunities, technologies, practices or information the project will provide, and the potential those innovations offer to relevant stakeholders and the wider primary industries. Projects which significantly extend existing products or practices will also be considered. All research needs to be applied or commercially applicable.

3. Beyond business as usual

Proposals must demonstrate how the proposed work is additional to work already underway by the organisation or sector/community. They must also show clearly why government funding is necessary. Outline why this project is additional to your and the industry's business as usual and how it is different to what would occur normally. State why this work, including the critical elements, would not proceed without government investment.

It is important that you make a case for why government funding is necessary and demonstrate the return to New Zealand and New Zealanders from the Government's investment.

What would be considered ineligible is duplication of existing work; business as usual activities and normal operating costs, such as costs associated with compliance (both local and central government regulations) and debt repayments.

4. Fit with relevant strategies

The proposal should demonstrate knowledge of a relevant industry, sector or government strategy and how the proposal may fit, or not. If the proposal does fit, how will it benefit the sector or advance the intent of New Zealand's government strategy?

Where the proposal does not align and is therefore disruptive to the strategy, how will it do so and what is the benefit from this disruption?

5. Adoption and extension/path to market

Practice change proposals should demonstrate:

- awareness of appropriate networks where project outputs can be disseminated;
- adequate consideration towards collaboration and information-sharing, including intellectual property;
- the project team's capability to develop and then implement a robust extension strategy which is based on good understanding of producers'/ stakeholders' appetite for adoption;
- an ability to measure the extent of adoption and practice change.

Proposals for new products, technology or services should demonstrate:

- a clear understanding of customer needs;
- how to meet market requirements;
- clear understanding of the path to market and an appropriate strategy to manage the necessary steps (and the related work required);
- market insights that include validation that an accessible market with a likelihood of profit exists.

6. Ability to deliver

Your proposal should give confidence that the benefits of the project will be realised. It should demonstrate:

- that everything necessary to deliver the project successfully is either in place already, or has been identified and can be put in place prior to the project starting;
- the project team has, or will acquire, the required resources, capability and skills;
- what technical skills the team will bring to the project and what will need to be outsourced;
- that the designated project manager will be able to keep the project on track, on budget and report progress to MPI;
- a practical approach and methodology, including outcome reporting.

Other issues to consider:

- are all required permits such as resourcing in place?
- do you have the required intellectual property and/or license to operate?
- can you demonstrate your capability to fulfill your co-investment obligation either through your own resources and/or associated parties?
- can you outline the full amount and scope of each co-investor's support to the project?
- if there are multiple co-investors, you will also need to outline how each co-investor's interests will be managed.
- often project benefits will accrue after completion of the project – how will the project be set up and resourced to ensure these benefits are delivered both during the project and beyond?
- do you have the necessary systems and suppliers in place?



7. Governance

The proposal must demonstrate appropriate accountability to stakeholders:

- ability to provide direction – proportionate to the level of Crown funding requested;
- an appropriate governance structure that identifies the governance capability to achieve the project objectives.

8. Risk identification and mitigation

Proposals must:

- identify risks and rate the risks posed by and/or to the project;
- outline the proposed mitigation of identified risks;
- advise how to monitor and identify new risks;
- identify key dependencies and how they will be managed;
- show how contingencies will be managed;
- show a project plan of how/when the project will run from initiation to completion.

9. Budget

Proposals must:

- include a summary budget outlining costs per year, work stream or activity, and funding source;
- describe in-kind funding with a relevant explanation of why it is in-kind instead of cash;
- should the proposal pass the initial assessment stages, a more detailed budget may be required (budgeted costs must be eligible and adequately specified, realistic, and appropriate).

If your proposal relates to MPI's call for regenerative farming practices proposals...

MPI has funding for science research for regenerative farming practices projects through SFF Futures.

A regenerative farming proposal needs to meet the standard SFF Futures criteria, but also it must clearly demonstrate:

- how you will develop a sound evidence base to test and confirm what works in New Zealand soils, climates, and farming systems;
 - what scientific methodology you will use (for example, literature review, control sites, sample size and data collection methods such as lab tests, on-farm physical measurement, market surveys and interviews);
 - how you will communicate your findings to farmers.
-

INTELLECTUAL PROPERTY

MPI has a diverse approach to intellectual property (IP), depending on the circumstances.

In some cases the IP generated from a project will have a commercial value and therefore needs to be owned and protected. In other cases, particularly projects driven by public good, IP will have little or no value beyond the community of interest and should therefore rest in the public domain.

MPI recognises that the scope of SFF Futures is broad, so a rigid blanket approach to IP is not appropriate.

A number of factors will influence MPI's position including the balance of public good and commercial benefits.

Accordingly, there will be some flexibility within general principles that:

- IP will be managed in a way that maximises benefits to New Zealand;
- for projects where the majority of investment is by co-investors they will have exclusive access to IP developed in the programme for a defined time period. Subsequently the IP will be made more widely available on reasonable commercial terms to reflect the government investment in the project;
- where MPI provides the majority of the funding the IP will need to be made freely and publicly available.



WHAT TO EXPECT THE APPLICATION PROCESS



Step 1. Making an application

First get in touch with MPI to discuss your project. Contact us on **0800 00 83 33** or email **sff.futures@mpi.govt.nz**. The team will help you understand if your project is eligible and the type of funding it might be best suited for.

If it is eligible and considered a good fit for the fund, you will be invited to submit an application. This is the first step regardless of the level of funding being requested.



Step 2. Progressing your application

Your application will go through an initial MPI assessment process to confirm if it may be eligible to receive SFF Futures support. At this stage, you may be requested to provide additional details or background information.

The length of the process will depend on the size of your funding request and the complexity of your project. The assessment and approval process will typically be longer for larger/more complex projects and programmes.

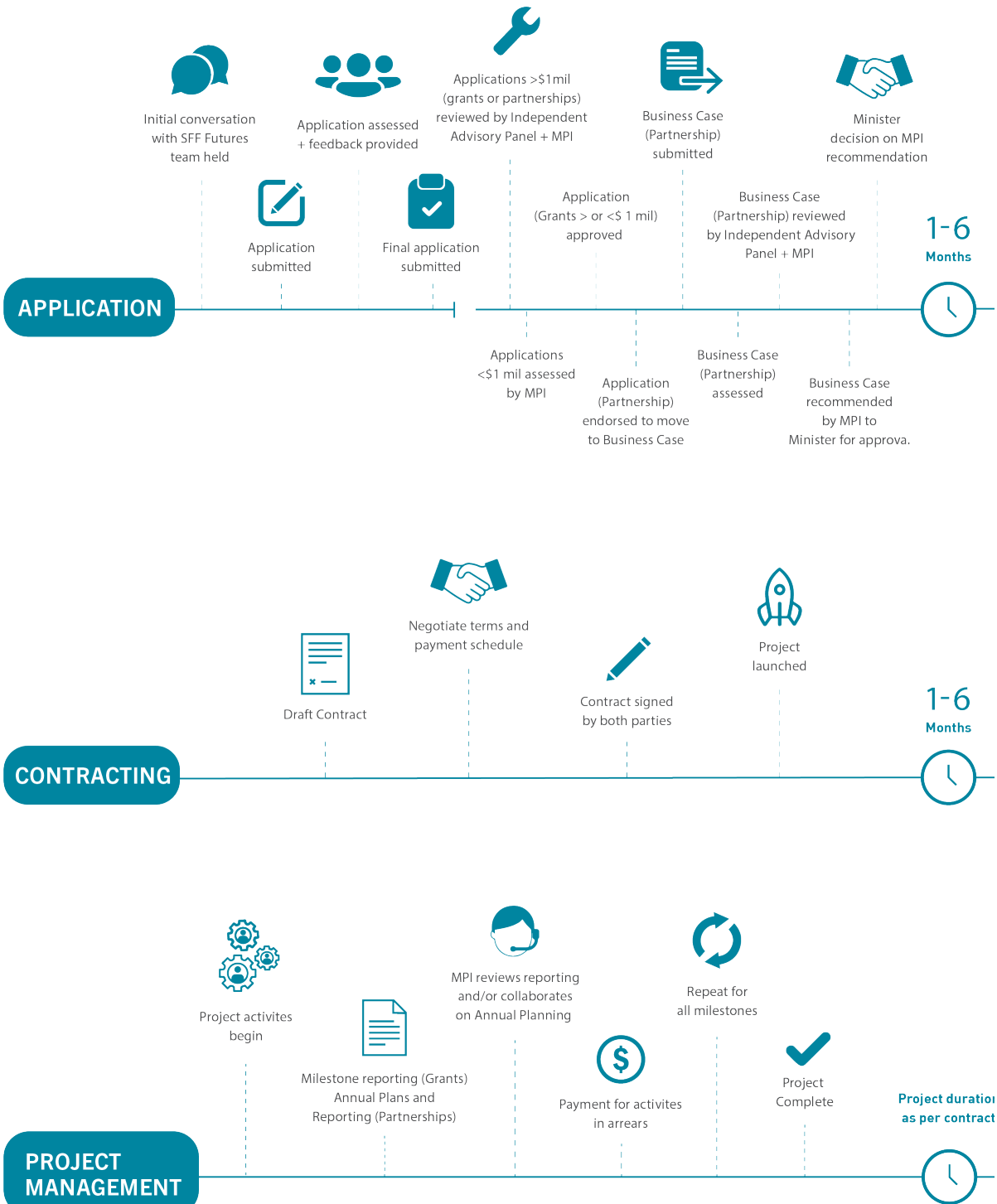
All applications over \$1 million are reviewed by our Independent Advisory Panel (IAP). If your proposal is a Partnership, and the initial application is recommended, you'll need to develop a full business case for funding. We'll work with you to do this. The business case will also be reviewed by the IAP before MPI makes its final recommendation.

MPI makes the final decision for all funding up to \$1 million (of MPI contribution). The Minister makes decisions for all MPI funding of \$1 million or over, informed by an MPI recommendation.

Withdrawing

At any stage after you first submit your application, you can choose to withdraw from the process. Contact MPI so we can understand your reasons and use the feedback to improve the SFF Futures process.

WHAT TO EXPECT: SFF FUTURES



APPENDIX 1: CO-INVESTMENT

A cornerstone of SFF Futures is the requirement for co-investment. The applicant or other non-government co-investors must contribute to the cost of the project. They must be identified before submitting your application.

For commercially-oriented projects MPI typically contributes around 40 percent of the total cost, meaning applicants must fund the balance.

Projects which are community-oriented may be eligible for significantly more MPI funding as a proportion of the total. MPI's contribution to this type of project will typically fall into the 50-60 percent range, but for those projects with *highly compelling* community benefits the MPI proportion could be more.

Your contribution cannot include other Crown funding (unless using commercial monies). Some exceptions may be applied for those community-orientated proposals that have local and regional government co-funding.

Applicant contributions are expected to be in cash, but if that is not possible, co-investment may – at MPI's discretion – be provided by labour, materials, infrastructure and/or facilities as in-kind co-funding contributions.

A number of factors will determine where a project will sit within MPI's investment range and how much co-investors will be expected to contribute. The extent of sustainable benefits to New Zealand and/or New Zealanders (*"public good"*) relative to commercial returns to the applicant will be a key factor. We'll also take into account the size of the project, the magnitude of the opportunity, the availability of funding, and the mix of projects receiving funding.

MPI recognises that public good will be the sole focus of some programmes, whereas others will be primarily commercial and some will be in between. MPI's contribution will vary accordingly.



APPENDIX 2: IN-KIND CONTRIBUTIONS

In-kind co-investment is project costs that are not billable. This could include people's time, facilities, materials or equipment provided to the project.

For a contribution to count as in-kind, the contributor should incur actual and real costs (or opportunity costs) resulting specifically from the project. This does not include undertaking activities that form part of their normal day-to-day duties (i.e. doing something that would be done anyway).

Examples of eligible in-kind contributions are:

- labour provided by people from the applicant group to plough a field or sow a crop which is a project trial plot (i.e. the labour cost is contributed to the project as an in-kind contribution, rather than the project being invoiced for and paying the labour cost);
- use of project participants' (e.g. land owners') machinery for trials;
- project participants' (e.g. land owners') time, where this can directly be attributed to the project and is not work that would be undertaken anyway in the project's absence;

- specialist advice provided by people from the applicant group or co-funding organisation, e.g. to deliver a project workshop or to provide technical advice on a project.

If labour, staff time or specialist skills are invoiced to the project, these are not considered to be an in-kind contribution.

Acceptance of in-kind contributions as eligible co-funding is at the discretion of MPI. In-kind contributions are most likely to be accepted for applicants such as community groups who have limited cash resources and whose projects do not have a commercial focus. Talk to MPI if you are unsure whether an in-kind contribution is eligible.

In-kind contributions and the basis for valuing each type of contribution must be fully explained in the project budget and be able to be substantiated.

Guidance on valuing in-kind contributions:

Plant and equipment

The in-kind contribution of plant and equipment use is valued at the opportunity cost to the owner and market value – whichever is lower.

In-kind costs cannot include any allowance for capital repayments (e.g. hire purchase or a lease that transfers ownership for a nominal sum at the end of the term is not eligible).

Equipment depreciation can be claimed at IRD rates according to usage on the project.

Raw materials

The in-kind contribution of raw materials is valued at the opportunity cost to the owner and market value – whichever is lower.

Skills/labour

Personnel costs should be calculated on salary costs (as long as these reflect reasonable market rates), including leave entitlements and ACC levies, plus direct fixed overhead costs but not including bonuses or other incentives. The calculation of personnel in-kind contributions must reflect the activities they undertake, not be based on their existing salary if the role they undertake in the SFF

Futures project is at a lower level, and must reflect actual cost rather than charge-out rates.

Direct fixed overheads may be included in calculations of in-kind personnel costs although we typically expect this to not exceed 30 percent of the salary cost.

If the project has a governance group, costs associated with participating in the group (including attendance) cannot be included as in-kind contributions. Project management associated with governance (e.g. a co-ordinator arranging governance meetings) can be included.

APPENDIX 3: ELIGIBLE AND INELIGIBLE COSTS

New Zealand is a member of the World Trade Organization (WTO) and as such is bound by WTO rules on subsidies. The information below is a guide (not a definitive list) to help you consider whether costs you expect in the project are likely to be eligible.

The MPI team will help you work this out.

Marketing costs

Marketing costs may be included in the budget, however, there are specific rules around the type of marketing activities that are eligible for funding. The general criteria are that the activities must have no, or at least minimal trade distorting effects or effects on production. The rule of thumb is that if the activity will be used by the co-investor to support branded sales then it is not eligible.

Examples of eligible activities:

- quantitative market research;
- qualitative market research;
- taste panels – generic research;
- generic trade show promotions;
- regulatory and market access work (generic);
- generic marketing (non-branded specific e.g. industry body marketing).

Examples of ineligible activities:

- branded website;
- brand identity and story;
- consumer marketing;
- trade show branding;
- brand trademarking;
- brand collateral.

Capex

Capital expenditure (capex) costs may be included in the budget, however, it is important that funding used for capex purchases is not subsidising commercial operations.

Where capex is confined to allowing new product development and prototype sample production, not commercial production quantities, it can be considered eligible.

The rule of thumb is that the appropriate scale of plant/equipment is 10 percent of the size of commercial production.

Examples of eligible capex:

- pilot scale/specialist facilities: any facilities built for the project must not be used for commercial production (this may include technical feasibility or engineering analysis, prototype building and testing and trial production activities);
- the item is not commercial scale (ie. the company will have no direct commercial benefit from the item as it is for development purposes);
- the item will be developed as a prototype and MPI funds will not be used to roll out new technology across the business (it is expected that the co-investor will carry the purchase and installation costs and relevant daily/hourly lease costs are apportioned to the project);
- if the item has value beyond the project then the residual value must be agreed and deducted from the project costs, as that part is not eligible for funding (note that the time frame may be less than the agreed term; calculation should be based on the time any item is used for project activities).

Intellectual property costs

Many projects will develop protectable intellectual property (IP). In principle, once IP is protected it becomes a commercial function rather than a development function. At that point IP costs move out of the project and into business as usual.

Costs up to the point of lodging for IP protection are considered eligible for funding, however, lodgement costs and post lodgement costs are considered ineligible.



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SFF FUTURES MAKE IT HAPPEN

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