



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
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Draft Design Specifications for New Innovation Funding Mechanisms to Complement the RDTI

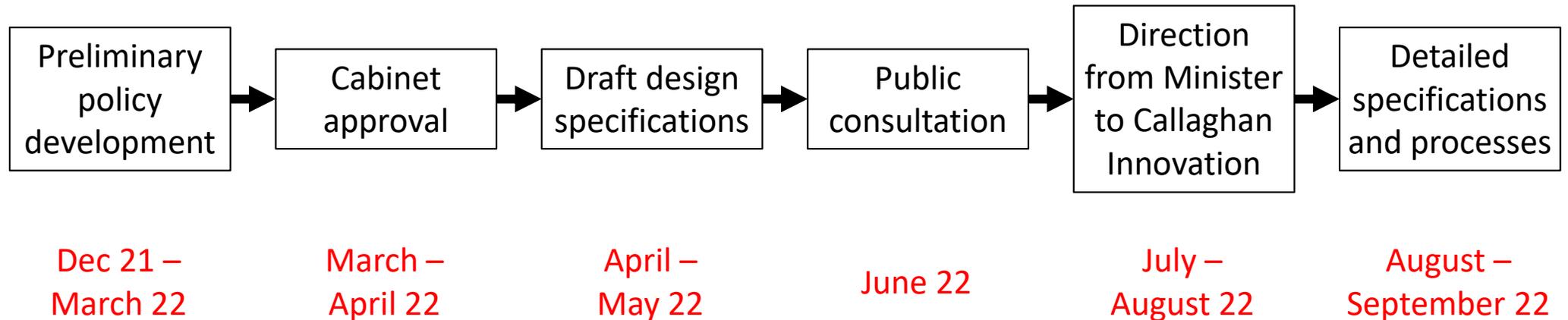
PRESENTATION TO AGRITECH NZ

28 JUNE 2022



Public consultation intended to obtain feedback on the draft design specifications before they are finalised

STEPS TO LAUNCH



Note: Final design of grants may differ from the draft specifications outlined here

Refresh of innovation funding mechanisms motivated by gaps and incongruities in existing system

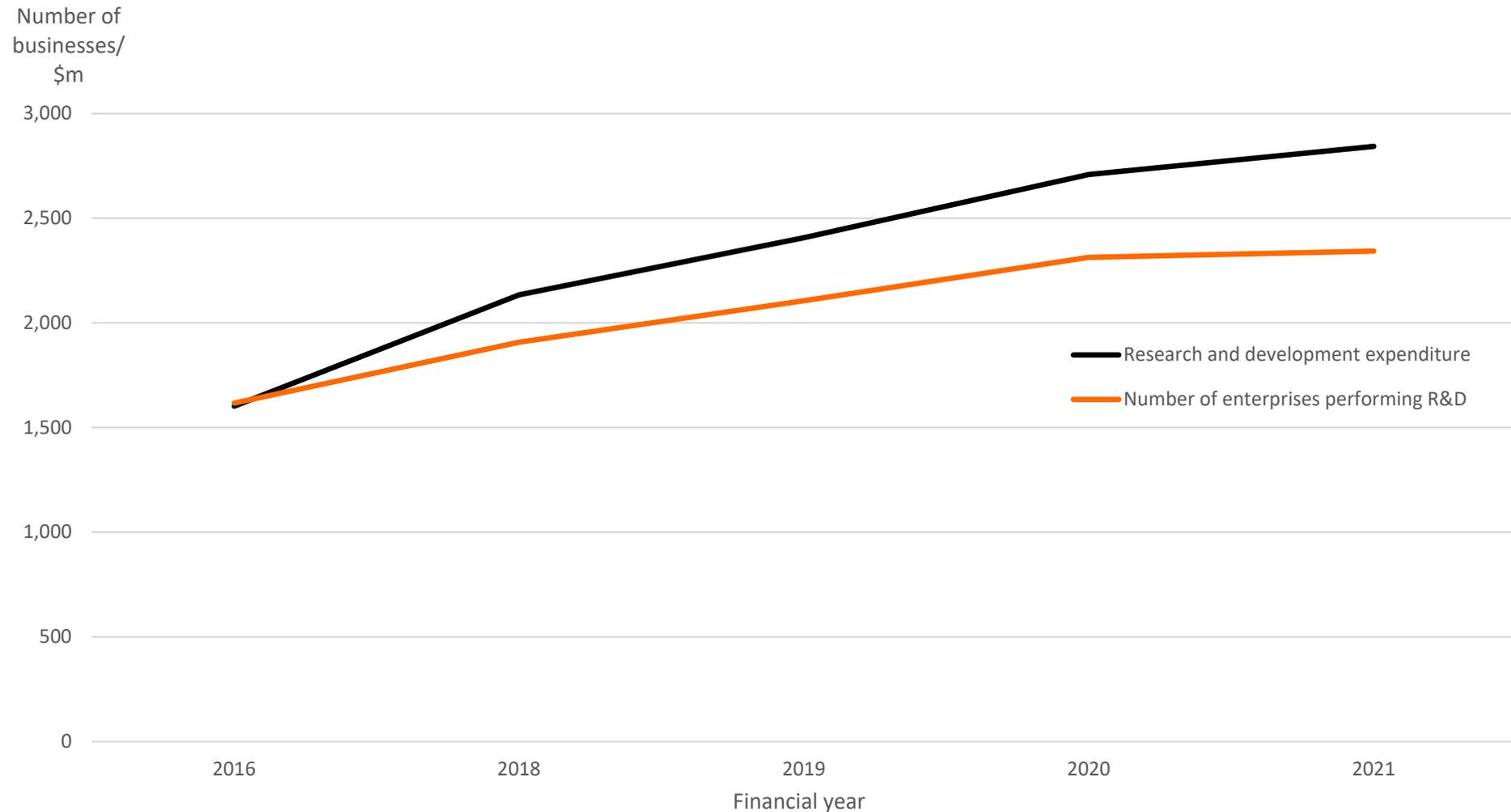
CONTEXT

- Government target of raising R&D investment to 2% of GDP by 2027
- Much more innovation required to achieve high-wage, low-emissions economy
- RDTI introduced in 2018, but left other innovation funding mechanisms alone
- Resulted in incongruities between RDTI and R&D Project Grants
 - large overlap in coverage, different R&D definitions
- Excess demand for R&D Project Grants
- Reduced support for non-R&D activities



Number of businesses performing R&D not rising as fast as business R&D expenditure

BUSINESS R&D EXPENDITURE VS R&D-PERFORMING BUSINESSES



Government support for investment in business innovation is justified when it creates spillovers

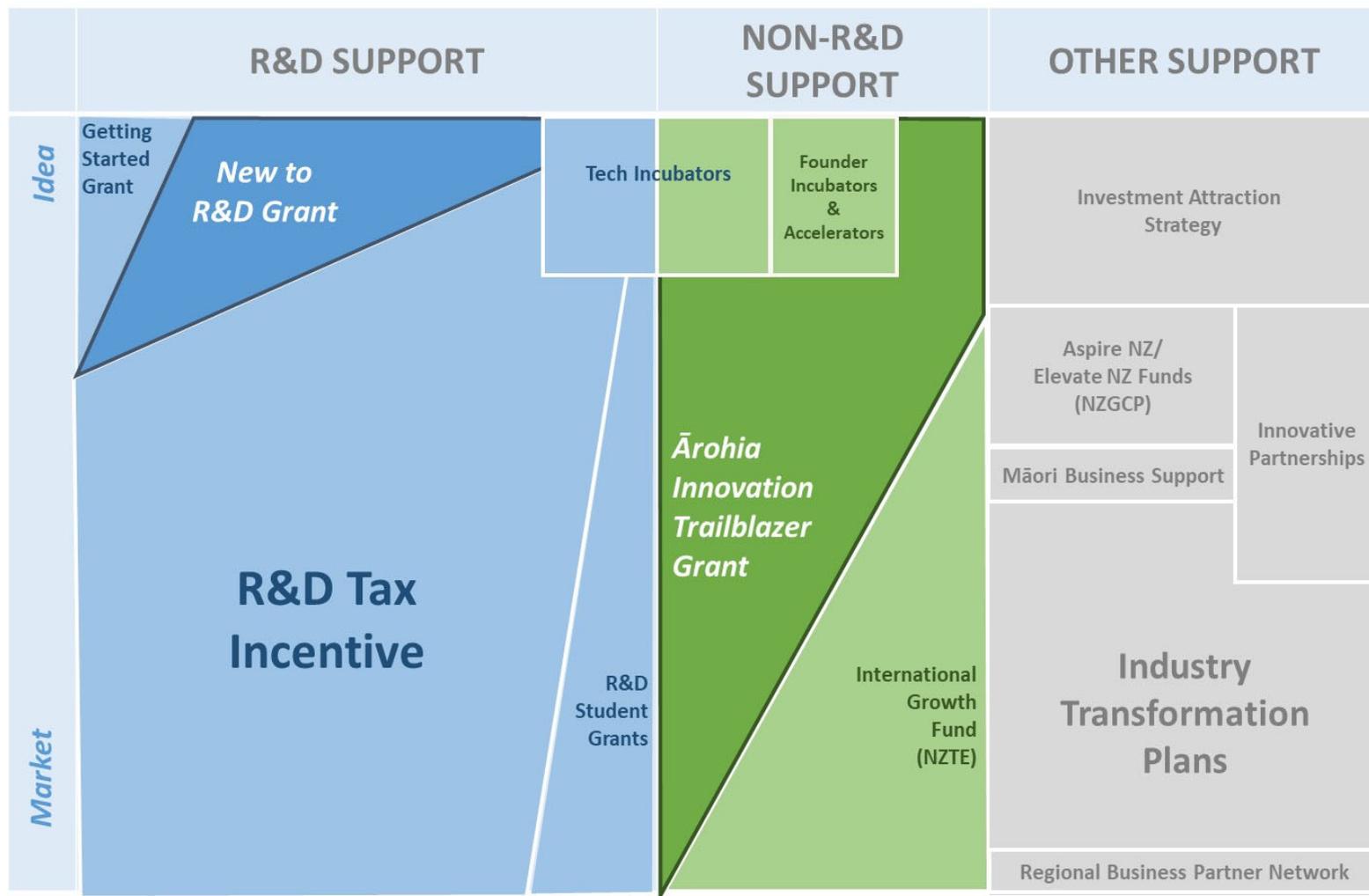
RATIONALE FOR GOVERNMENT INVESTMENT

- Public investment justified when private investment alone would be suboptimal (from perspective of economy as a whole)
 - Business may underinvest if there significant spillover benefits to others
- Spillover benefits can occur from the creation of new public knowledge
 - R&D investment resolves uncertainty about scientific/technological phenomena
 - Non-R&D investment resolves uncertainty about market demand, what works, etc.



New grants complement RDTI and other government support for business innovation

LANDSCAPE OF GOVERNMENT SUPPORT FOR BUSINESS INNOVATION



Innovation Trailblazer Grant will help with costs of non-R&D activities by businesses doing trailblazing innovation

KEY FEATURES OF ĀROHIA / INNOVATION TRAILBLAZER GRANT

- Support to perform non-R&D tasks (eg, market validation, testing products)
- Targeted at those pursuing opportunities that are most likely to generate spillovers to others
 - Doing pioneering innovation (eg, in business model, market category)
 - Building a platform that will enable other businesses to advance innovation
- Supplement (not replacement for) private investment
- Competitive selection process with decisions every 2-3 months
- Seed grant to help with costs of tasks to be ready for a full grant application
- Approx. \$135 million of grants over 4 years (new funding)

Note: Final design of grants may differ from the draft specifications outlined here

New to R&D Grant will help with costs of establishing a R&D programme and preparing to access the RDTI

KEY FEATURES OF NEW TO R&D GRANT

- Temporary support to get R&D programme underway and prepare to apply for the RDTI (approx. 2 years)
- Targeted at businesses that are new to R&D (startups and established business)
- Combination of
 - Cash funding for RDTI-eligible R&D expenditure
 - Voucher or cash support for one-time costs of building R&D capability
- Shift from project-based to activity-based approach over course of grant
- Approx. \$90 million of grants over 4 years (replacing of Project Grants)

Note: Final design of grants may differ from the draft specifications outlined here

We are seeking feedback on aspects that will help refine the design specifications

QUESTIONS

- Innovation Trailblazer Grant
 - What are the types of opportunities the grant should be targeting to maximise benefits across the New Zealand innovation system?
 - When in a business's development journey would this grant have the most impact?
 - Which non-R&D tasks (and what costs) should the grant support?
 - How to treat recipients that exit New Zealand after receiving grant?
- New to R&D Grant
 - What activities do new-to-R&D businesses undertake in establishing an R&D programme?
 - What one-time costs do businesses face in building a R&D programme?
 - What support do new-to-R&D businesses need to be ready to access the RDTI?
 - Which aspects of the RDTI R&D definition are difficult to satisfy for new-to-R&D businesses?