



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

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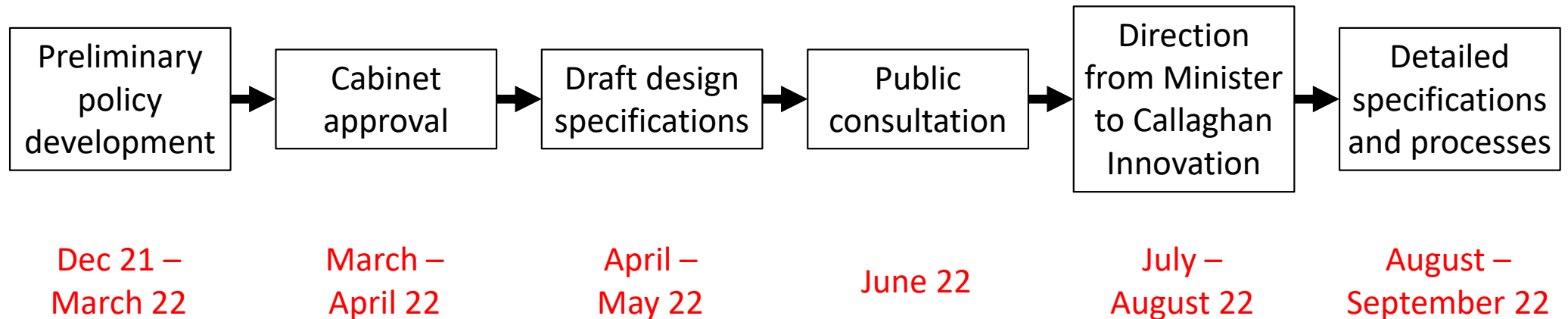
NZTECH INFORM EVENT

21 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

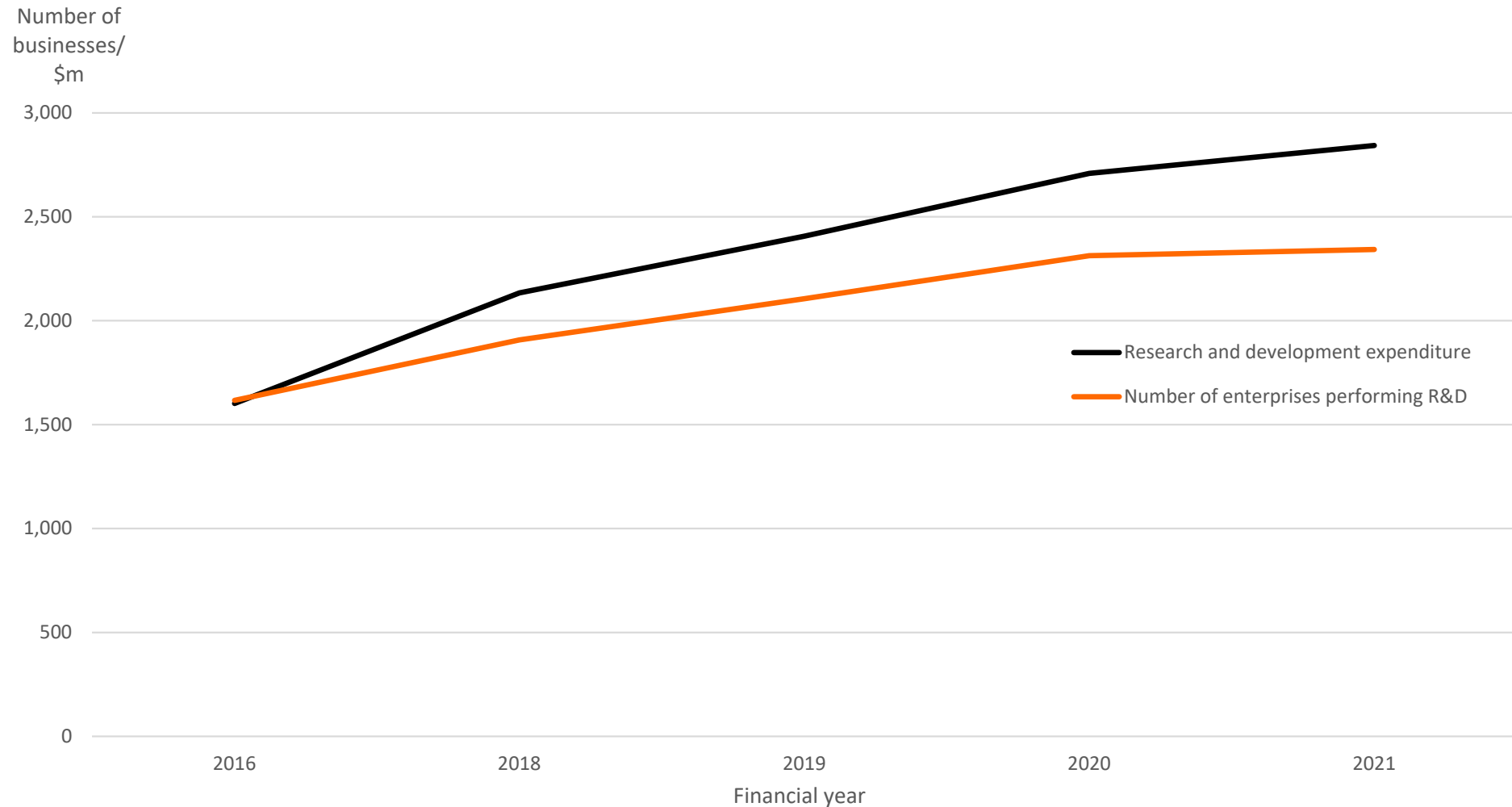
## CONTEXT

- 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

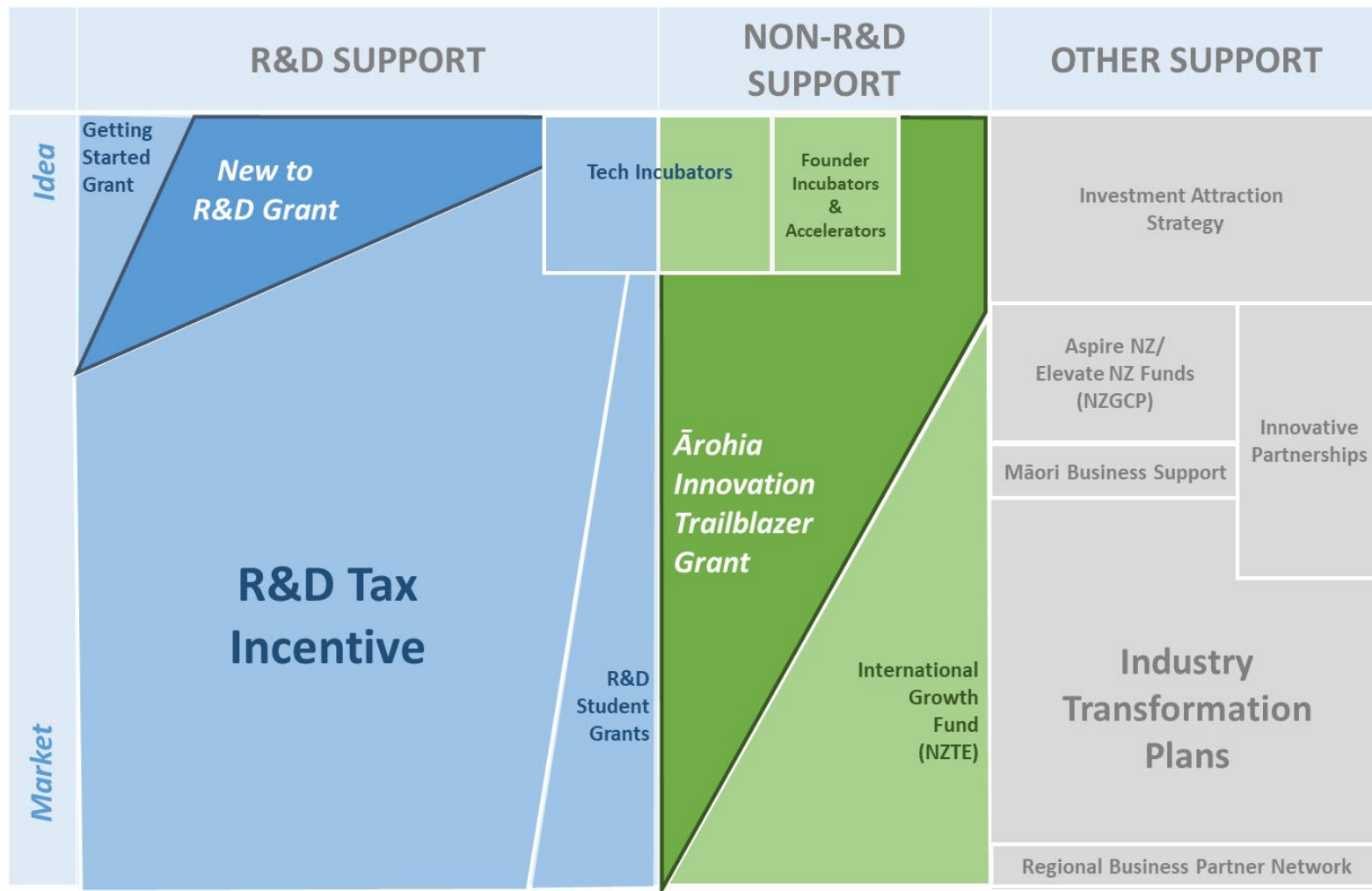
## RATIONALE FOR GOVERNMENT INVESTMENT

- 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?