

# A GOVERNMENT RESPONSE TO RESEARCH FUNDING

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Thank you for the opportunity to speak to you tonight.

I am pleased that members of the scientific community are showing so much interest in the reforms of publicly funded science and technology which the government is implementing.

The new regime is intended to refocus the attention of science and technology on the external environment. In doing so, it builds on the cost recovery moves that have already occurred in the major publicly funded science agencies such as the DSIR, MAF, MOF and the Research Associations.

There are four key elements of the new regime:

1. A focus on outputs rather than inputs; a renewed attention to what science and technology can achieve rather than how much resource it needs.
2. The introduction of contestability in research, science and technology funding so that there is a renewed focus on doing better with the limited resources that we have.
3. A renewed stress on the importance of partnership between the private and public sectors in achieving the best research, science and technology result; a recognition that neither sector can achieve as much separately as they can achieve together.
4. The development of a forward looking and cohesive research, science and technology policy to bind all of the other components together.

The particular role of the Ministry of Research, Science and Technology in all of this will be to provide the essential cohesion that science has lacked in the past.

The reforms were prompted in particular by two reports. The first was that of the Working Party chaired by Sir David Beattie. Their report, called *Key to Prosperity: Science and Technology*, lead to the formation of the Science and Technology Advisory Committee (or STAC). STAC in turn released a review of government-funded science and technology, called *Science and Technology: A New Deal*.

The government, in response to these reports, established a new Cabinet Portfolio for Research, Science and Technology, and an *Ad Hoc Cabinet Committee of Research, Science and Technology*, the Ministry of Research, Science and Technology, and the Foundation for Research, Science and Technology.

The *Ad Hoc Cabinet Committee for Research Science and Technology* comprises the Ministers of Agriculture, Commerce, Conservation, DSIR, Forestry, Education, Health, Transport, and Statistics, chaired by the Minister of Research, Science and Technology.

The Cabinet *Ad Hoc Committee* will assess national priorities in science and technology investment, and recommend budgets to the Cabinet Economic Development and Employment Committee. The primary role of the Ministry will be to provide advice on research, science and technology policy. This will involve the following elements:

1. National priorities for science and technology activities, and the level of funding to achieve the outcomes wanted by government.
2. The total level of government investment in research, science and technology.
3. The level of funding available through the foundation.
4. The quality of research, science and technology effort, so that excellence can be identified and encouraged.
5. A broad range of other government initiatives aimed at encouraging community and industry involvement in research and innovation.

The task of determining priorities will be a major area of work for the new Ministry. It is a task which will demand a high level of consultation and interaction, with the whole range of affected and interested groups in the community. Priorities for government outcomes and outputs will provide the planning basis for the Ministry.

The new Foundation will be a legally independent body. It will be headed by a governing board of 6 to 9 people, selected for their ability to take a wide and lateral look at science and technology. They will not be representatives of any particular group.

The role of the new Foundation will be twofold. Firstly, it will have direct access to the Ministry of Research, Science and Technology, providing independent advice on issues such as identifying science priorities. Secondly, the Foundation will allocate a contestable research fund. From July 1990, 20 per cent of the government's investment in output research, possibly around \$50 million, will be used by the Foundation to purchase research. Each year this portion will rise by 10 per cent until in 1993 half of the funding will be allocated by the Foundation. Then there will be a review of Government-funded research.

To begin the new system positively, the Government voted \$5 million in new monies to research in the last budget. Under the Priority Research Contracts Scheme, this fund will form the seeding finance of the Foundation. The priorities for this particular scheme are: technologies that will promote the growth of industries, climate change, and antarctic science and logistics.

The government is anxious to maintain a stable scientific career structure, and research funding for longer term projects. This will mean that transitional arrangements will need to be discussed between the Ministry, the Foundation, and the science agencies.

I should note that we cannot in many areas give absolutely clear guideline yet on how things will operate. Certain major policy issues have still to be considered by ministers.

What I can at least give you, is some idea of the timetable in which we would hope to have decisions made and communicated to organisations involved in the contestable funding system.

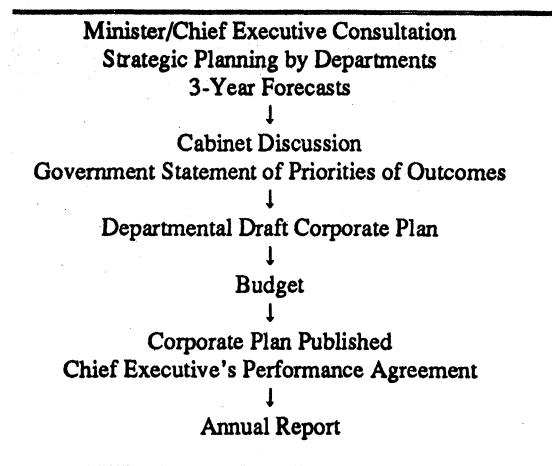
I should first note a few principles that the Ministry of Research, Science and Technology will apply in the development of the new funding arrangements.

1. Even at the earliest stage of the development of the new funding processes, it is essential that the government has the flexibility to move towards changes in funding in the light of its priorities.
2. The funding processes should allow for this strategic priority setting without placing an intolerable administrative burden on science managers. The Ministry does not want to jeopardise viable and well-performing research organisations.

3. The processes should be fair to all agencies and should allow resources to flow to those best able to deliver.
4. The funding processes must fit with the requirements of government's financial management reform and the overall budget cycle.

The overall budget cycle framework is shown in Table 1.

Table 1: The Government budget cycle in outline.



In the context of the budget cycle framework, in future years we would see the research funding system operating as shown in Table 2.

This will not be fully implemented for 1990-91 funding. In particular, it will not be possible to carry out national priorities and review processes prior to any decisions on government priorities for outcomes.

Considering departmental funding in particular, departments will be expected to provide the Ministry with statements on proposed programmes for comment. I would expect these statements to include the total cost, the overall goals and short-term objectives, and the justification for funding.

Ministry comment would be based on criteria such as relevance of the programme to government outcomes, technical feasibility, scientific merit, urgency, benefits, and previous record of performance.

Ministry comment would be considered by the Cabinet *Ad Hoc* Committee prior to decisions by cabinet

on funding to outputs, and to particular departments within the outputs.

**Table 2: Funding system for departmental research.**

National Priorities Process	Audit and Review Process
<i>Ad Hoc Cabinet Committee Consultation</i>	October
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<i>Ad Hoc Cabinet Committee Recommendations to Cabinet (Priorities for Outputs and Outcomes)</i>	November
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<i>Government Statement on Priorities</i>	December
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<i>Departmental Information on Proposed Programmes to the Minister of R, S &amp; T</i>	March
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<i>Analysis of Programme Information by MORST</i>	April
	↓
<i>Output Funding Agreed on an Agency basis by Agency basis</i>	May/June
	↓
<i>Departments Publish Corporate Plans</i>	July

For 1990-91 funding, it is not expected that the government would be making major changes in funding allocation. The Ministry would not have had the opportunity to carry out national priority setting and

review processes. However, the Ministry would certainly be commenting on any apparent areas of overlap or duplication of activity.

The new process will place additional performance pressure on the science providers. The Ministry, Foundation and science agencies will accordingly need to work together to ensure that changes in funding priorities are carefully planned, and not unnecessarily disruptive.

Science agencies have shown their ability over the last few years in adapting to change, in moving to user pays and in adapting to the new requirements for financial management and accountability.

In conclusion, the purpose of government's reforms is of course science and technology to the benefit of the community. The Ministry will be focussing its attention not only on government departments but on research activities in the Universities and in industry. It will be important to ensure a productive interaction between agencies, and to ensure that the business climate is receptive to the benefits of technical innovation. The Ministry will be looking at initiatives which will encourage the public and private sectors to work together towards technological change.

It is important that New Zealand remains aware of international developments and plays an active role in the international science and research community. This assists access to the results of research undertaken in other countries, and provides an opportunity for cooperative programmes and for training of New Zealand scientists. The Ministry has the function of maintaining New Zealand's government to government science agreements, and will therefore become an important point of contact for international science activities.