

STI OUTLOOK 2002 — COUNTRY RESPONSE TO POLICY QUESTIONNAIRE**NEW ZEALAND****1. General framework and trends in science, technology, and industry policy²*****1.1. Overview and assessment of policies for science, technology, and industry***

The major policy direction was to fine tune the entire national innovation system by paying continuing attention to each of its parts. The Government is committed to transforming NZ's economy, creating an overall environment where innovation can thrive. Policy initiatives included changes in R&D tax treatment (now equated to the accounting treatment), education, immigration and economic development initiatives. The public investment in RS&T initiatives focused on increasing private sector R&D, investing in basic and strategic research, and monitoring and evaluating research outcomes.

Please find the following relevant key policy documents on the Ministry's website <http://www.morst.govt.nz/> under Publications/Corporate publications:

- Statement of Intent 2001.
- Budget Announcements 2000 and 2001.
- Departmental Forecast Report 2000/2001.

Also attached to the covering email for this response as pdf files are the Progress and Achievement reports from the Foundation, Health Research Council and the Royal Society of NZ.

Major changes in the legislative, administrative, organisational, institutional, or budgetary framework for the formulation, implementation, and evaluation of science, technology, and industry-related policies. Please include efforts to increase the involvement of civil society, non-governmental organisations, or private sector advisory bodies or to better co-ordinate government activities across ministries, departments, or agencies.

Science and Innovation Advisory Council (SIAC)

The Science and Innovation Advisory Council (SIAC) is an independent advisory entity. It is a fundamentally different entity from traditional sources of government advice (such as its policy ministries) in that it provides independent advice directly to the Prime Minister on high-level issues affecting innovation.

This council was set up in 2000 to provide advice to government on measures it could take to improve the operation of the National Innovation System and to act as a channel for discussion between government and stakeholders on NIS issues.

Across-Government Strategies

Tertiary Education Strategy

The developing tertiary education strategy recognises the need for strong and creative linkages and networks both within the tertiary sector and with society and the economy.

The strategy recognises the importance of improving the accountability quality and connectedness of tertiary research.

Growing an Innovative New Zealand Strategy (GAINZ)

GAINZ is a strategy to achieve economic growth. Its stated goal is to return New Zealand's real per capita income to the top half of the OECD. GAINZ has seven components:

- Strengthening the economic base.
- Enhancing the innovation system.
- Developing skills and talent.
- Increasing global connectivity.
- Developing the biotechnology sector.
- Developing the ICT sector.
- Developing the creative sector.

The emergence of this strategy will place demands on Vote RS&T for increased research capacity in the key areas above and also for increased connection across sectors and between public and private sectors.

Social Policy Research

Government has been placing greater emphasis on improving the provision and uptake of policy-relevant social research in New Zealand.

Seven priority knowledge theme areas for social policy have been identified by officials and new linkages are being formed with the broader social science research community to ensure the needs identified will be met.

These new linkages involve stronger cross government forums, funding for specific cross government social policy research projects, and a social policy research conference headed by the Ministry of Social Development.

Climate Change

With the Government moving to ratify the Kyoto Protocol for Climate Change, science policy must provide the evidence base to underpin:

- New legislation and regulations.
- Public consultation about policy options.
- Private sector responsibilities and collaboration.
- New commercial opportunities.
- Global linkages.

Oceans

An Oceans Policy is being developed for managing New Zealand's marine environment and to provide an integrated and comprehensive policy and legal framework for achieving these goals.

The long lead time for this strategy offers scope to engage stakeholders and to follow up emerging issues in an integrated way.

Bio-security

New Zealand is maintaining its involvement in the development of the Bio-security Strategy and the issues that this is raising for research policy. These include:

- research capability in bio-security;
- prioritising research for this area; and
- integrating research into policy and operations.

This area is of strategic importance to our environment and our economy. It has the potential to impact in areas of research under both of these goal areas.

Biodiversity

Currently there are no laws covering bio-prospecting, however, the New Zealand Biodiversity Strategy has been developed to specifically address this issue. Bio-prospecting, like other issues is related to intellectual property rights

Biotechnology Strategy

The Government is developing a biotechnology strategy as part of its response to the Royal Commission on Genetic Modification, to ensure that New Zealand keeps abreast of developments in biotechnology and uses these for national advantage while managing any risks. The strategy will encompass:

- Development of principles and mechanisms for making judgements and trade-offs on biotechnologies.
- Identification of mechanisms to build understanding about the opportunities and impacts of biotechnology.

Science policy in implementing the recommendations of the Royal Commission must ensure adequate support for environmental, socio-economic and ethical aspects of the release of GM organisms.

Sustainable Development

A Sustainable Development strategy is being drafted. This strategy will embrace economic, environmental and social development, and will complement “triple bottom line” initiatives in the private sector.

This strategy could have a major impact on the focus and alignment of activities in publicly funded RS&T, in a similar way to the Innovative New Zealand strategy.

As part of this, a more detailed strategy for Sustainable Economic Development is being prepared, to underpin advice to Government on economic matters. At this early stage it recognises four dimensions:

- Human capital – people their skills and ideas.
- Physical capital – infrastructure and money.
- Natural capital – exploitable resources.
- Social capital – the value of co-operation and networks.

This strategy reflects the OECD view of innovation consistent with a science policy framework.

Output Class Review in budget 2000/2001

One of Government’s key goals is to “grow an inclusive, innovative economy for the benefit of all”. The Government’s investment in Vote Research, Science and Technology contributes to the achievement of this goal by:

- Building partnerships between the public and private sectors that increase private sector investment in research and development.
- Making New Zealand industries and sectors more competitive by supporting innovative research and global research alliances.
- Building firms’ awareness of global advances in technology and the opportunities they offer.
- Maintaining a knowledge base and training people to meet New Zealand’s future research and innovation needs.
- Increasing the flows of researchers between the public and private sectors.

- Demonstrating how science and technology are an important part of national life.

A new output class structure was implemented from July 2000 to focus Vote Research, Science and Technology investments around the Government's knowledge, economic, environmental and social science goals. The structure recognises that groups of output classes contribute to each goal, and each output class has a unique purpose. This structure ensures Government makes better investment decisions across all the outputs purchased through Vote Research, Science and Technology.

The Government's priorities include increased support for Vote RS&T, (i) to stimulate private sector R&D; (ii) to expand the knowledge base; and (iii) to address areas of strategic research reflected in increased appropriations in these areas. For public researchers, this mainly means more support for research in areas (ii) and (iii) and increasing partnerships with private sector firms through increases in (i).

Shaping the System

In addition to the four science goals, the Government has a wider goal of influencing the overall shape of New Zealand's innovation system. Because the Government invests about two thirds of New Zealand's reported R&D expenditure, its policies and actions set a strong direction for research and innovation activities elsewhere in the economy and in society. Output classes used to ensure direction and management for research and innovation in New Zealand are:

- *Research, Science and Technology Policy Advice* that funds the Ministry of Research, Science and Technology to define, design and deliver policy advice to the Government on research and innovation
- *Research, Science and Technology Contract Management* that funds the Ministry of Research, Science and Technology to negotiate, manage and monitor contracts, and pay expenses on behalf of the Government.
- *Science and Innovation Advisory Council* which consults with interested community groups on science and innovation issues and provides advice on these issues to the Prime Minister.
- *Research Contract Management* that funds the Foundation for Research, Science and Technology, the Health Research Council of New Zealand and the Royal Society of New Zealand to invest in portfolios of research on behalf of the Government.

The effectiveness of these investments is assessed by a range of measures specified in annual output agreements with the Minister.

Knowledge Goal

The Knowledge Goal seeks to "accelerate knowledge creation and the development of human capital, social capital, learning systems and networks in order to enhance New Zealand's capacity to innovate". Innovative and entrepreneurial people with the ability to create new knowledge are needed to respond to New Zealand's changing needs, and support our capacity to innovate. Investment under the Knowledge Goal is expected to:

- Expand the knowledge base.

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- Build research capabilities.
- Promote positive attitudes about innovation.
- Recognise and support promising people who sustain our innovation system.

Progress and achievements of investments in meeting these expectations will be measured with indicators including: (i) the amount of globally significant new knowledge created in New Zealand; (ii) the proportion of skilled researchers and technologists in the New Zealand workforce; and (iii) the appeal of science and technology education and careers to young New Zealanders.

Output classes contributing to the Knowledge Goal are:

- *Marsden Fund* for excellent research exploring the frontiers of new knowledge.
- *New Economy Research Fund* for research capability and knowledge development in emerging areas likely to have commercial prospects.
- *Non-Specific Output Funding* for exploratory research that is important to Crown Research Institutes.
- *Supporting Promising Individuals* for awards and fellowships to people who sustain the innovation system.
- *Promoting an Innovation Culture* for promoting positive attitudes to science and technology and forging international linkages.

Economic Goal

The Economic Goal seeks to “increase the contribution knowledge makes to the creation and value of new and improved products, processes, systems and services in order to enhance the competitiveness of New Zealand enterprises”. Investment under the Economic Goal is expected to:

- Increase the global competitiveness of New Zealand firms.
- Raise the level of technology in New Zealand production.
- Encourage private sector investment in research and development.
- Underpin production with assured standards.

Progress and achievements of investments in meeting these expectations will be measured with indicators including:

- The technology content of manufactured exports.
- The level of private sector investment in research and innovation.

Output classes contributing to the Economic Goal are:

- *Research for Industry* for increasing the global competitiveness of our food and fibre, manufacturing and service industries; and in national infrastructure such as energy and our built environment.
- *Technology New Zealand* for increasing both: (i) the flow of technology from researchers to firms; and (ii) the ability of firms to take up new technology.
- *Grants for Private Sector Research and Development* for co-funding small and medium business R&D projects to increase their level of investment in research and development.
- *National Measurement Standards* for providing a set of internationally accepted standards for New Zealand products, processes and services.

Environmental Goal

The Environmental Goal seeks to “increase knowledge of the environment and of the biological, physical, social, economic and cultural factors that affect it in order to establish and maintain a healthy environment that sustains nature and people”. Investment under the Environmental Goal is expected to improve the integrity and quality of New Zealand’s environmental systems.

Progress and achievements of investments in meeting this expectation will be measured with indicators including: (i) the proportion of total research and development investment dedicated to building understanding of the environment; and (ii) the focus of the major research projects undertaken each year.

Environmental Research has just one output class. It contributes to the achievement of the Environmental Goal by building understanding of our:

- Ecosystems.
- Biophysical environment.
- Human environment.
- Sustainable management of the environment by our productive sector.

Social Goal

The Social Goal is to “increase knowledge of the social, biological, environmental, cultural, economic and physical determinants of well-being in order to build a society in which all New Zealanders enjoy health and independence and have a sense of belonging, identity and partnership”. Investment under the Social Goal is expected to improve the social well-being of New Zealanders.

Progress and achievements of investments in meeting this expectation will be measured with indicators including:

- The proportion of total research and development investment dedicated to building understanding of the determinants of social well-being.
- The focus of the major research projects undertaken each year.

Output classes contributing to the Social Goal are:

- *Health Research* for supporting public good research that has the greatest potential to improve the health status of New Zealanders.
- *Maori Knowledge and Development Research* for developing research capability and knowledge for Maori development by encouraging excellence in the delivery of knowledge for Maori, building the Maori research skill base, and consolidating the Maori knowledge base.
- *Social Research* for supporting public good research that improves social wellbeing.

1.2. Features and changes in the nature and process of policy evaluation

Output class evaluation program development — a five year rolling cycle of output class evaluations has been developed to monitor the progress of the investment in each area against its objectives.

Purchase agent evaluation programs — Agencies that fund research have been charged with upgrading their evaluation capability, and providing more in depth annual evaluations of the research they fund.

Annual Progress and Achievement Reports from each purchase agent (funding agency) against their annual Output Agreements provide a constant monitoring and feedback route.

2. Public sector research and public research organisations

2.1. Policy changes and background/rationale related to public sector R&D

New Economy Research Fund

The main change to the type of Government-funded R&D performed by public research organizations consists of an emphasis on researcher-initiated investigation that may have economic spin-offs, through the establishment of a new fund, the New Economy Research Fund.

Strategic Reporting Cycle

The annual cycle of management of public investments in research has been augmented by:

- Upgrading the budget estimates – each budget item is linked to its policy outcome for evaluation purposes.
- New annual Ministerial statements of Budget policy.
- Annual stakeholder workshop including Foresight elements.
- Annual Progress and Achievement Reports from purchase agents (research funding agencies).

- A structured program of evaluation and benchmarking of best practice.

FRST investment program and research portfolio analysis

The Foundation for Research Science and Technology has set up a new process to manage the funding cycles for the majority of public research funding. This is based on the following principles:

- Negotiation.
- Strategic funding – stronger distinction is now made between value-maintaining, value-enhancing and value-creating investments in research. The emphasis is on moving funding towards the last type of investment.
- Public-private partnerships through research consortia (see section 4.2).
- Intellectual property management (see section 4.2).

Centres of Excellence

In 2000 \$NZ60 million was provided in the budget to establish centres of research excellence in the tertiary sector. These centres are expected to operate at the leading edge of their field and provide training opportunities for students. The Royal Society of New Zealand is managing the selection of the centres. Applicants need to demonstrate that they have an excellent (world class) research programme, are focused on New Zealand's future economic and social development and will look for opportunities to transfer their knowledge.

This policy represents a major new shift in the way tertiary research is funded. This new initiative provides New Zealand tertiary institutes with an opportunity to build a specialist research capability from education funding rather than having to rely on more targeted research, science and technology funding.

Centres of Research Excellence will provide incentives for tertiary research to be undertaken that is strategically focused and excellent. Research undertaken in the Centres will contribute to the Government's science goals.

2.2. Initiatives to reform the organisation and governance of universities and public research organisations

Tertiary Sector Reforms

Government has recently received advice from a Tertiary Education Advisory Commission on how to improve the funding for tertiary research. The Commission has proposed that tuition and research funding be delivered through two separate bulk grants with a substantial part of the research component allocated on the basis of relevant performance criteria.

Government is currently considering this advice. There is a strong interest in improving the public accountability of tertiary research funding and providing incentives for tertiary institutions to undertake excellent research. Currently the research funds available within the tertiary education system are spread thinly across institutions and disciplines on the basis of student numbers.

3. Government support for private-sector R&D and innovation

3.1. Changes to enhance the effectiveness of policy instruments used to provide public support for private sector R&D and innovation

Currently, New Zealand has no tax incentives for R&D. Until April 2001 software R&D was expensed over three years and the tax treatment of R&D expenditure differed from accounting treatment. Development expenditure within R&D could be required to be capitalised.

From 1 April 2001 the tax treatment of business R&D was made equivalent to the accounting treatment. Software R&D and all development expenditure within R&D can now be expensed in the year expenditure is incurred.

Government support for innovation is through a grants-based system directed within two main ministries. These are (i) the Ministry of Research, Science and Technology (MoRST)— focused on pre-commercialization research through Technology NZ and (ii) the Ministry of Economic Development (MED) — focused on supporting innovation and business development.

In 1999, the policy of the (then) new Government favoured actively stimulating innovation and supporting economic development. Current policy emphasises the importance of the public sector partnering with the private sector. New programs reflecting this stance were established in the 2000/01 and 2001/02 Budgets. The Ministry of Economic Development was created in 1999/2000 and a greater focus now exists on regional and sectoral economic development programs. A new agency called Industry New Zealand was established to target business assistance and regional development.

A new program of grants for private sector R&D focused on SMEs was introduced in September 2000. These grants target smaller firms with a lower capability for R&D. This initiative provides grants to business at a rate of \$1 for every \$2 of private money invested in a project.

Competitive selection processes are already in place for public good R&D through funding agencies the main being the Foundation for RS&T, which also accepts research bids from the private sector.

- Other forms of public support for innovation that use instruments other than R&D (e.g. consulting services and extension programs).

The Technology New Zealand scheme provides technology consulting services through its TechLink program. <http://www.frst.govt.nz/business/index.cfm>

3.2. Changes in the balance and/or priority of public support of business R&D and innovation

The Biotechnology Strategy aims to ensure that NZ keeps abreast of developments in biotechnology and uses these for national advantage while managing risk and building understanding of the likely environmental, socio-economic and ethical impacts

The Growing an Innovative NZ Strategy (GAINZ), a cross-government initiative described in 1.1, aims to strengthen the economic base by developing the biotechnology, ICT and creative industries sectors.

Programmes to support R&D and innovation in SMEs.

The grants-based system for R&D under MoRST has a “Technology New Zealand” grants programme that requires 1:1 matching funding from private sector firms. There have been relatively large increases in Budget for this programme with little change in the objectives. A new 1:2 matching fund grants scheme was recently introduced to target smaller firms with a lower capability for R&D (see 3.1).

3.3. *Assessments of the relative effectiveness of different policy measures*

Technology NZ Evaluation — <http://www.morst.govt.nz/economic/technz.doc>

4. Enhancing collaboration and networking among innovating organisations

SIAC has prepared a report for the Prime Minister that promotes policies and actions that will strengthen the effectiveness of interactions within the NIS between ideas and knowledge creators (innovators), the firms and people who can turn those ideas into products, businesses, jobs and wealth (entrepreneurs) and the sources of specialist expertise and finance necessary to create wealth from ideas and knowledge: the education system, individuals and communities, values and attitudes, policies and regulations, information and knowledge, and information and communication technologies that have the potential to nourish innovation or stunt its growth. The Council has taken a very holistic view of the NIS and placed a particular emphasis on the commercialisation of innovation for export markets.

This is linked with the GAINZ strategy.

4.1. *Initiatives to promote collaboration and networking among innovating organisations*

New national and regional initiatives are encompassed in recently introduced programmes administered under MED. Regional initiatives include advice and support for regions — including infrastructure. Programmes for co-ordination and facilitation of industry strategies at sectoral and regional level are supported. The aim of sector strategies is to enhance the economic potential of industry sectors. Business development programmes designed to improve the management capability of SMEs are supported. A fund is available for special industry and regional development initiatives.

The Government set up the Tertiary Education Commission to provide the tertiary education sector with better integration between institutions, students and the private sector. The Commission will also co-ordinate broad stakeholder engagement in the development of a tertiary education strategy. This co-ordination and greater integration is fundamentally different from that previously where institutions were largely stand-alone entities with separate strategic intent. The initiative is also designed to build greater collaboration between institutions and the private sector.

FRST Consortia policy. See 4.2

Centres of Research Excellence are being established (also see 2.1). These are fundamentally different in that they are specifically designed to support leading edge, international standard innovative research that fosters excellence and contributes both to New Zealand’s economic and social development and to knowledge transfer. In addition they are to be primarily, but not exclusively, research networks between tertiary education institutions, with the researchers working together on a commonly agreed work program. Currently, tertiary research is largely conducted and managed within individual institutions. The initiative

is designed to create critical masses of leading edge research through collaboration across institutions and disciplines.

- Changes in competition policy or its enforcement to enhance networking and co-operation between firms and creation of clusters for technology diffusion and commercialisation.

Industry NZ cluster program: <http://www.industrynz.govt.nz/news/media/2001/1220-cluster-development.html>

- Efforts to promote technology diffusion to the service sector or to open existing programs to service firms.

4.2. *Initiatives to promote stronger industry-science relations*

FRST IP Policy: –<http://www.frst.govt.nz/public/thesource/IPPolicy-Oct01.pdf>

Enhance opportunities for collaborative research through changes in regulations or guidelines governing the types of agreements negotiated between universities/public research organisations and the private sector and their implications for access to and exploitation of research results.

FRST Consortia policy: –<http://www.frst.govt.nz/public/thesource/IPPolicy-Oct01.pdf>

Increase the mobility of human resources between sectors by revising employment and financial rules governing public-sector scientists, engineers, and technicians to allow them to more easily collaborate with industry, move between the public and private sectors, participate in the creation of spin-offs, take equity positions in technology based firms emerging out of public research, etc.

This has already taken place with the public sector reforms in the early 1990s which liberalised superannuation rules and facilitated movement of employment between the public sector and the private sector.

CRIs were set up as Crown-owned companies so that they can hold equity in joint technology ventures and create spin-offs without incurring any potential liability to the Crown.

The New Zealand Venture Investment Fund was established in 2001/02. This fund provides \$100 million for co-investment with private investors in venture capital funds in NZ. The purpose of the Fund is to:

- Increase the number of venture capital firms that are investing in seed stage ventures.
- Develop a larger pool of people with investment skills and expertise at the seed end of New Zealand's venture capital market.
- Facilitate the commercialisation of innovations from Crown Research Institutes, universities and the private sector.
- Make New Zealand increasingly attractive to international venture capitalists and gain from their expertise, contacts and market knowledge.

For more detail see the budget announcement on the MoRST website.

A new programme in Industry NZ has established support for business incubators.

<http://www.industry.govt.nz/news/media/2002/0109-entre-gap.html>

The Government supports incubators because they have excellent potential to improve the growth and survival rates of new companies which stimulates economic growth and supports innovation

5. S&T human resources

5.2. *Changes in training and education programmes for scientists and engineers*

Maori Scholarships

Since the early 1990s Vote RS&T has established Maori specific scholarships to increase the capacity and capability of Maori to actively participate in the RS&T system.

In particular both the Health Research Council of New Zealand and The Foundation of Research Science and Technology have recognised the strategic importance of these scholarships to Maori health, economic and social development.

An underpinning element of these scholarships is the provision of opportunities for Maori to undertake their own research, utilising and respecting their own mythologies, paradigms, and traditional knowledge. It also allows for critical discussion and debate about formulating new ways and processes in innovating new knowledge and technology without compromising the integrity of Maori culture and custom.

These Vote RS&T scholarships compliment the strategies and policies initiated under the National Innovation Systems (NIS) framework.

5.3. *Policy changes related to the international migration and mobility of S&T personnel*

The Department of Labour has introduced talent visas to make it easier for companies to bring in skilled personnel. Industry NZ runs a Talented New Zealanders program and there are a range of private sector initiatives to use ex-patriot New Zealander. Foreign job fairs are run by several local government agencies and the private sector.

For more information about the Knowledge Workers Immigration policy from 1 July 2001 – see OECD mission to NZ 13-19 Dec Questionnaire response by the NZ Treasury.

6. International co-operation and globalisation

6.1. *Initiatives to promote international co-operation in science, technology and innovation*

The New Zealand Government (through MoRST) has pursued closer bilateral RS&T links with Australia over the past two years. Activities in support of this to June 2002 include encouragement of FRST, CRIs and firms to engage more fully in Australian research programmes, preparation of a sectoral case study to review the scope for bilateral collaboration, increased information exchange via the Internet, the

establishment of a Research Co-ordination (travel) Fund and the development of an officials level policy exchange framework.

The Government has also increased its effort in supporting linkages with Germany. Following a Price Waterhouse Coopers review of Government's efforts in this area, MoRST has increased (from 45 to 110) the number of days work per annum undertaken by the New Zealand Co-ordinator of the NZ/Germany Science and Technology Co-operation Agreement. A significant part of the increased Co-ordinator time will be committed to enhancing private sector linkages.

MoRST has also commissioned a large-scale survey of New Zealand researchers' international linkages. This survey, which will be completed by April 2002, will provide baseline data for a major re-consideration of Government's strategic goals for its global linkages work, and, if appropriate, a re-design of the supporting instruments. This work is likely to see greater emphasis put on the work of purchase agents in supporting researcher and business linkages.

6.2. *Policies and programmes to foster international collaboration in research and development*

The Vote RS&T Output Class **Promoting an Innovation Culture** provides, inter alia, funds for the development of international links to access the best international research and researchers, and to promote New Zealand research overseas.

The criteria for the purchase of outputs is its contribution to the development of international opportunities and utilisation of overseas advances in science and technology.

The International S&T (ISAT) Linkages Fund has four objectives:

1. To develop international opportunities and utilise overseas advances in science and technology for innovation and economic, social and environmental progress in New Zealand.
2. To positively influence regional or international scientific and technology-linked activities that advance New Zealand's national interests.
3. To increase the level of funding, scientific skills and technological capabilities that New Zealand is able to source from other countries.
4. To promote international recognition of New Zealand as a centre for innovation in science and technology.

The Royal Society administers five ISAT funding sub-programmes (two for German linkages, one each for Australia and the USA and the other for the rest of the world) and its own international activities and memberships are also supported through the Fund.

The ISAT allocation administered through MoRST recognizes that strategic initiatives are required over and above the international linkages enabled by "mainstream" science and technology investments. These mainstream investments principally operate at the research institution-research institution and researcher-researcher level. By comparison, the MoRST-administered funding supports (through eight sub-programs) participation in bilateral and multilateral science and technology projects and activities which:

- Either enhance capability or performance in areas of science and technology of particular benefit to New Zealand, and/or

- Involve countries or regions of strategic importance to New Zealand.

6.3. *Initiatives to attract foreign direct investment into local high-tech industries and R&D activities*

InvestNZ – the investment arm of TradeNZ has an active program in this area.

7. Industry-related policies

The New Zealand Government's policies focus on providing the business sector with the business environment under which they are able to flourish. General aspects of such a framework include policy transparency and clarity of policy objectives, sound macroeconomic and fiscal policies, open and competitive markets, and a sound financial system.

In October 2000 the Government established Industry New Zealand, an agency of central government designed to implement the Government's industry and business policies and programmes through working with business and other government agencies.

7.1. *Globalisation*

Reforms in New Zealand in the last two decades have been based on a policy of introducing competition both local and international into all areas of the economy as the primary means of driving efficiencies and innovation. Improving firms' competitiveness continues to be a key aim of government policy. Effective competition policy plays an important role in assisting New Zealand's many SMEs by ensuring that larger firms are not able to misuse their market power. Effective competition policy has been combined with regulatory reforms aimed at reducing the compliance cost burden on business and, in particular, through finding least cost regulatory and non-regulatory approaches to achieving social, environmental and economic objectives.

Export measures

Assistance is provided to companies and industry organisations through the New Zealand Trade Development Board (Trade NZ) to promote exports. The mission of the New Zealand Trade Development Board is to use its global network to enhance the ability of New Zealand businesses to convert opportunities into sustainable and profitable foreign exchange earnings. *Trade NZ* is headed by a board of directors appointed by the Minister responsible for trade negotiations. Services are available to improve firms' preparedness for exporting - both firms looking to enter overseas markets and those wishing to expand their export operations. Trade NZ is a key agency for New Zealand SMEs, primarily because the size of the domestic market means that they have a stronger commitment to exporting than SMEs in other countries.

Specific programmes have been developed for firms at the different stages of the exporting process, including SMEs who are new to exporting. These include the provision of free information and advice from Trade NZ to prospective exporters. Firms that are ready to export can also purchase a range of services from Trade NZ providing more detailed information on specific markets and products. Trade NZ also promotes collaboration among SMEs through export networks. Funding for export networks takes the form of financial support for up to 50% of costs for approved initiatives aimed at developing specific

market opportunities that are part of strategic business plans (e.g. trade fairs, trade missions, promotional events, visiting buyer programmes).

New measures

In 2001 an export credit guarantee scheme designed to assist exporters by underwriting the risks of payment for exports was introduced. This has had very limited uptake and is likely to be re-considered in 2002. Industry New Zealand also now provides limited funding for companies seeking to develop their businesses through market development and export promotion through the Enterprise Awards and Business Growth programmes.

7.2. *Manufacturing*

Government support for manufacturing takes the form of facilitation. Since 2001 Industry New Zealand has called together representatives of the manufacturing sector to meet with the government on an on-going basis to define and discuss issues of concern. Specific sub-sectors within the broader manufacturing sector are assisted to define future prospects for their sub-sector and identify barriers to growth by working with Industry New Zealand and relevant government agencies. One-off projects that address barriers to growth are funded usually jointly by central government and the industry.

7.3 *Services*

The process above also applies to service sectors including ICT.

7.4 *Intangible Investment*

There are no blanket incentives for firms to invest in managerial or organisational changes and employee training. These are generally seen as business investment decisions, best made by the companies concerned. However, some individual firms can be assisted on a dollar for dollar matching basis to address specific organisational changes needed through some of the Industry New Zealand programmes.

7.5 *Corporate Responsibility*

There are no specific Government-funded corporate responsibility programmes in place. The Government provides occasional sponsorship for private-sector organised events which promote corporate responsibility. Firms developing better environmental management programmes can seek funding through several government departments' programmes.