Reducing transaction costs in the RS&T system

Reducing the transaction costs faced by the research community when applying for and using government funding is a priority for MoRST in 2009/10. Our aim is to ensure researchers are able to spend more time doing research.

MoRST has worked with the Foundation for Research, Science and Technology, the Royal Society of New Zealand and the Health Research Council to identify initiatives that can be implemented in the RS&T system, particularly around investment processes, to reduce transaction costs. Changes are already occurring in the system and researchers should begin to notice tangible differences with reports due in July 2009 and investment rounds beginning in the second half of 2009.

The changes will reduce time, effort and duplication around proposals for funding, contract negotiations and reporting requirements. The changes will impact on the workload of work bench researchers, not just research offices. There will be no negative impact on the benefits derived from contestability, nor will the changes reduce researcher accountability for taxpayers' funds.

The following table lists the initiatives to be implemented. For more information on this work, or to provide feedback, you can contact Justin Allen, Senior Adviser, at MoRST; phone 04 917 2900.

Changes to be implemented by the Foundation for Research, Science and Technology (the Foundation)

The Foundation is reforming its investment processes through a performance management system based on a high trust, low compliance model and devolving operational responsibility to the research organisations. The following process improvements will help reduce transaction costs:

What will be changed?	What will be the difference?	When will the change occur?	Why is it better for researchers?
1. Reporting requirements: – six-monthly milestone reporting – annual reporting	No reporting against milestones; eliminates six-monthly milestone reports. For annual reports, focus on number of outputs only, not detailed lists. As an interim solution for 2009: - main focus on information for statutory reporting, and only brief narrative on performance.	For all existing contracts, to come into effect for annual reports which are due on 31 July 2009.	No need to report every six months against milestone achievements – significantly reduces time, effort and paperwork for researchers. Capturing information on number of outputs only rather than lists of outputs will also reduce time, effort and paperwork.
2. Interim reporting requirements for existing contracts	To only require reporting against outcomes and outputs; not milestones. Cover off with letter to research organisation, not through contract variation.	Letters informing contract holders of these changes will be sent before July 2009.	Saves researchers time and effort in reporting.
3. Contracting process	Shortened contracting process as negotiations around	Putting interim solution in place for current investment rounds:	Significantly reduces time and effort for research offices and

	milestones will no longer be required. Ultimate aim: contracts in place within 1 month after investment round results announced. Interim solution for 2009: 80% of contracts signed within 2-3 months of notification of investment round results.	- Outcome Based Investments contracts being re contracted; - Building an Inclusive Society portfolio; - Environmental Resilience & Infrastructure, Communities and Energy investment rounds.	research leaders, because no lengthy negotiations on milestones. Will reduce by several months the time taken to get to signed contracts.
4. Contracts	Higher level contracts focused on outcomes and outputs.	As soon as current contract expectations have been adjusted.	Reduces time and effort for sector and the Foundation in formal contract variations, as most contract variations currently arise from milestone changes which will no longer be required.
	A master relationship management framework will be negotiated with each research organisation. Research organisations will conduct risk assessment on ongoing basis, and only report risks to FRST when they are significant.	Second half of 2009, in time for contracts beginning 1 October.	Improves flexibility for research offices – they manage their own operations. Exception reporting only with reference to risk.
5. Other elements of investment process: – investment categories – application/funding proposal	Work will begin on these initiatives in the second half of 2009. The Foundation is currently focused on contracting	In 2010, in time for the next funding round.	Potential for significant savings in time and effort. The Foundation's aim is to reduce the funding cycle to less

process	and reporting changes, which can be implemented in 2009. However, some changes are occurring already at the application stage – e.g. RFPs in 'plain English' style.		than 12 months and paperwork by 50%. There is also potential to reduce transaction costs associated with over-bidding.

Changes to be implemented by the Royal Society of New Zealand (RSNZ)

What will be changed?	What will be the difference?	When will the change occur?	Why is it an improvement?
6. Marsden Fund proposal process	A two-stage application process already in use, with first stage using an on-line submission system. Second stage (full proposal stage) to become on-line.	Implemented in second half of 2009 in time for 2010 grants.	Reduces time and paperwork.
	Move to on-line (e-book reader) system for most proposal information sent to expert panel members. Initially just for reference and CV sections of proposals.	Implemented in second half of 2009 in time for 2010 grants.	Removes requirement for multiple paper copies to accompany proposal, potentially reducing paper use by 90%. Significant saving of cost and time for research offices.
7. Marsden Fund contract management	Remove requirement for proposals to include name and start-date of student/post-doctoral candidate. Responsibility to lie with research office to ensure appointments made.	Implemented by October 2009.	This information is difficult for research leaders to be certain about at start of proposal and therefore requires re-negotiation/notification when changes occur. Will save time and effort by eliminating this process.
	One contract change permissible at mid-point of contract.	Implemented by October 2009.	Currently, contract changes are allowed at any point of the contract lifetime, but require significant

			negotiation/paperwork. Allowing just one opportunity for change would increase certainty for researchers and decrease time and paperwork spent on contract changes.
	Single point of contact at RSNZ for contract management.	Implemented by October 2009.	Provides certainty for researchers.
	Increase to $10,000 the amount of funding on budget lines that can be unspent without requiring special justification. Currently, justification required if there is $1000 of unspent funding on any budget line.	Implemented by October 2009.	Reduces compliance costs by increasing ten-fold the amount of funding that can be unspent before needing to be justified in budget reconciliation reporting.
8. Journal publications	Fully electronic publication of all journals.	From July 2009.	Improved access to journals and at lower cost for researchers.

Changes to be implemented by the Health Research Council (HRC)

The HRC Board has approved changes to its investment process. The following process improvements will help reduce transaction costs.

What will be changed?	What will be the difference?	When will the change occur?	Why is it an improvement?
9. HRC contestable funding proposal process	Currently a one-stage process, requiring all applicants to write full proposals. A two-stage application process will be implemented for projects and programmes – covering the vast majority of HRC funding by both value and number.	By October 2009, for the next funding round.	Work required in preparing first stage proposals will be substantially lower than for a full application. This reduces the amount of time spent by researchers on unsuccessful bids. The success rate for full proposals (requiring more detailed work) will be around 50%. It was only 19% in 2008.
	More parts of the application process to be moved on-line, with electronic copies replacing paper copies. This would apply to both preliminary and full proposal stages.	By October 2009, for the next funding round.	Reduces paper handling and courier costs currently borne by research offices.
10. Annual reporting requirements	Lessen the detail required, with a new focus only on issues that might compromise the research project's completion.	By October 2009, for the next funding round.	Reduces the time spent by researchers on non-research activities.

System-wide changes to be implemented by the Ministry of Research, Science and Technology (MoRST)

The initiatives below have been identified by MoRST in collaboration with the three funding and investment agents (FIAs) and the research community.

What will be changed?	What will be the difference?	When will the change occur?	Why is it an improvement?
11. Research proposal templates	Common CV, budget, signature/declaration page templates to be used in all FIA contestable funding application processes.	By October 2009.	Reduces time needlessly spent by researchers tailoring basic proposal information to different formats to meet requirements of FIAs.
12. Integrated annual funding calendar	Develop a calendar containing all useful funding round information from the three FIAs. No calendar currently exists.	By October 2009.	Research offices will be fully informed. They can better manage workload peaks and troughs and can strategically target funding rounds.
13. Annual reporting requirements	MoRST convened a workshop of relevant stakeholders in May 2009 to fully explore all aspects of annual reporting requirements. Issues discussed included: - consolidating reporting to agencies to a single point; - improving method of collection; - whether the frequency of	Workshop in May 2009. Outcomes/initiatives implemented by October 2009.	Improving the method of collection and removing reporting duplication to different government departments potentially will reduce significantly the time researchers spend on these administrative activities. Altering the frequency of reporting or changing the data

	data collection could be reduced; and - whether the data sets collected should be altered.		sets collected would offer more savings for researchers, but at increased risk to the robustness of the RS&T system.
14. Common terminology use across the RS&T system	Ensure common language/terminology is used throughout the RS&T system.	By September 2009.	Increases understanding and accessibility of the RS&T system.