

# Investment in Research, Development and Extension (RD&E) policy



# FRDC

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Authorised by board: 22 November 2016

Executive Director's authorisation:

Effective date: 22 November 2016

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## 1. PURPOSE

To describe how the FRDC invests in Research, Development, and Extension (RD&E).

## 2. RESPONSIBILITY

Responsibility for this policy resides with the Programs Manager.

## 3. DEFINITIONS AND ACRONYMS

Definitions - follow link to [Definitions](#)

Acronyms – follow link to [Acronyms and Abbreviations](#)

## 4. RISK CATEGORY

Strategic	Operational	Financial	ICT	People
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## 5. RELEVANT DOCUMENTATION

This section contains links to internally and externally facing documents – access to internally facing documents is restricted to FRDC employees.

Relevant documentation	Document # or web address
<b>Internal</b>	
Application evaluation procedure	<a href="#">NEMO-17443-134</a>
Application post evaluation procedure	<a href="#">NEMO-17443-135</a>
Application pre evaluation procedure	<a href="#">NEMO-17443-133</a>
Applying for funding procedure	<a href="#">NEMO-17443-157</a>
Project management procedure	<a href="#">NEMO-17443-136</a>
Project completion procedure	<a href="#">NEMO-17443-137</a>
<b>External</b>	
The FRDC's Research, Development and Extension Plan 2015-20	<a href="#">FRDC's RD&amp;E Plan</a>

## 6. PUBLICATION

This policy is to be made available on the FRDC website.

## 7. BACKGROUND

The FRDC's operating environment is highly complex and diverse with multiple stakeholder groups. Over time, this policy has evolved from one where FRDC's role was overseeing a traditional 'granting' type model for R&D funding to one that aims to add value and cover a broader range of RD&E approaches including service delivery and extension. This evolution has been in response to changing stakeholder needs.

With the changes to the Primary Industries Research and Development (PIRD) Act 1989 in 2014 the FRDC also has the ability to fund marketing activities, where a marketing levy is in place. There are currently no marketing levies in place. This policy covers RD&E exclusively, with marketing investment being covered in a separate policy.

Doc ID NEMO-17552-50	Version: 2.0	<a href="http://frdc-sp13/FilePlan/StratMng/Policy Working Documents/Investment in Research, Development and Extension (RDE) policy.docx">http://frdc-sp13/FilePlan/StratMng/Policy Working Documents/Investment in Research, Development and Extension (RDE) policy.docx</a>	16:04:58	7-Feb-17	Page 2 of 8
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The FRDC's stakeholders are characterised by:

- an inextricable link between fishing and aquaculture RD&E and ongoing access to the resource
- a diverse range of goals (e.g. Indigenous, commercial and recreational)
- a varying focus on public good versus private benefit research
- a large geographic spread
- variable capability to participate in, and undertake, and uptake RD&E
- operating marine to freshwater; high seas to inland waters
- those that fish or farm to more general NRM agencies (all having different drivers)

The FRDC has a variety of consultative arrangements that serve both legislative and operational purposes. These can be categorised by:

- ownership – Commonwealth government
- legislative reporting – Department of Agriculture and Water Resources, Department of Finance, and national representative organisations
- planning and investment through RD&E plan
- other RD&E planning and investment processes – National Fishing and Aquaculture RD&E Strategy (Governance Committee and the Research Provider Network), National Marine Science Plan and relevant cross-sector strategies
- co-investors – industry and other sectors such as state and territory governments
- end users of RD&E – those that adopt the RD&E outputs for example fisheries managers can be end-users but the fishers and the community can be the beneficiaries
- beneficiaries of RD&E – those that benefit or are impacted from RD&E adoption by the end users above. This is where impact is measured (direct e.g. Southern Bluefin Tuna fishers, and indirect – community)

There are multiple RD&E planning documents relevant to the FRDC, including:

- [National Fishing and Aquaculture RD&E Strategy 2015 – 2020](#)
- [National Marine Science Plan – 2015 - 2025](#)
- [Australian Governments Science and Research Priorities](#)
- [Department of Agriculture and Water Resources Rural R&D priorities](#)
- National Aquaculture Committee (NAC) Strategic Plan
- Recfish Australia and Recfishing Research plans
- National Seafood Industry Alliance (NSIA) priorities
- Partnership Agreement RD&E plans – jurisdictional and sector
- [Australian Fisheries Management Forum \(AFMF\) Statement of Intent](#)
- Australian Fisheries Management Forum (AFMF) Aquaculture Plan
- National plans of action – e.g. National Plan of Action for Sharks, Bycatch
- Disease and health plans ([AQUAPLAN 2014 – 2019](#))
- Enterprise, sector or national marketing plans

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## 8. POLICY

The FRDC's Outcome Statement: *Increased economic, social and environmental benefits for Australian fishing and aquaculture, and the wider community, by investing in knowledge, innovation, and marketing.*

The FRDC will:

- invest with a long term objective of achieving its outcome, and delivering results in line with its strategic performance indicators outlined in its Annual Operational Plan (AOP) and its RD&E Plan
- be committed to proportionate investment of public and private contributions to meet public good and private benefit that results in optimum benefit costs impacts and does not aim to maximise economic benefit
- invest through a model that recognises the need for a balanced portfolio that takes into account the differences between different stakeholders and their priorities
- invest to achieve a balance between the need to foster competition between alternative research providers and fostering collaboration between research partners and end-users

### Principles

FRDC investment is overseen by the following guiding principles:

- maximise efficiency and effectiveness
- avoid duplication
- minimise administration costs
- provide for flexibility
- maximise opportunities for collaboration
- encourage the generation of novel and innovative ideas
- mainly focus on pre-competitive RD&E
- maximise leverage opportunities and create value
- ensure end users are engaged along the innovation chain from problem definition and ideation to output adoption, in order to deliver relevance and a greater likelihood of adoption
- ensure a balanced investment portfolio
- meet the FRDC's obligations under the National Fishing and Aquaculture RD&E Strategy
- meet the FRDC's obligations under relevant RD&E priority and planning documents

### RD&E Plan

The RD&E investment policy will support and implement the FRDC's RD&E plan.

Accordingly, FRDC investment will be driven by the following three approaches to planning, prioritisation and funding:

- Lead
  - addresses areas of national significance and areas of market failure (termed national RD&E infrastructure in the RD&E Plan)

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- Collaborate
  - promote alignment of priorities and investment efficiency by using leverage to provide incentives for cooperation and collaboration
- Partner
  - give end-users responsibility for the planning, management and extension of RD&E directly relevant to their sector or jurisdiction

### Balanced portfolio

The FRDC's 2015-20 RD&E Plan (p44) details the expenditure budgets for the life of the Plan by program and by activity (where activity aligns with the new Lead-Collaborate-Partner model).

The FRDC will deliver a balanced RD&E portfolio by investing in:

1. the FRDC's five programs
2. national jurisdictional (lead); regional and sector-focussed projects (partner); and these working together for similar priorities (collaborate)
3. long and short-term projects (an indicator of adaptive versus strategic research)
4. high and low risk projects (percentage chance of success)
5. strategic and adaptive research projects

All RD&E Plans (FRDC, sector, and jurisdictional) will demonstrate how they will achieve a balanced portfolio of RD&E investment. Note that each of these may not achieve a balanced approach individually, but in aggregate the FRDC's investment through its partners, will aim to achieve a balanced portfolio.

The balance of the portfolio will be measured against the following targets (note that the tables below represent different views of the same investment portfolio):

1:

Program	5-year Expenditure \$m	Expenditure %	Variance tolerance
1. Environment	53	40	± 10%
2. Industry	53	40	
3. Communities	3	2	
4. People	13	10	
5. Adoption	11	8	
<b>Total</b>	<b>133</b>	<b>100</b>	

2:

Investment approach	5-year Expenditure \$m	Expenditure %	Variance tolerance
Lead	47	35	± 10%
Collaborate	3	2	
Partner	83	63	
<b>Total</b>	<b>133</b>	<b>100</b>	

3:

<b>Project Length (indicator of adaptive versus strategic research)</b>	<b>5-year Expenditure \$m</b>	<b>Expenditure %</b>	<b>Variance tolerance</b>
Short (≤ 18 months)	40	30	± 10%
Medium (> 18 months < 3 years)	27	20	
Long (≥ 3 years)	66	50	
<b>Total</b>	<b>133</b>	<b>100</b>	

4:

<b>Project risk*</b>	<b>5-year Expenditure \$m</b>	<b>Expenditure %</b>	<b>Variance tolerance</b>
High risk	13	10	± 10%
Medium risk	67	50	
Low risk	53	40	
<b>Total</b>	<b>133</b>	<b>100</b>	

\* High chance of direct adoption of project outputs (low risk) to low chance as project is more blue sky or basic research (high risk)

5:

<b>Research Type</b>	<b>5-year Expenditure \$m</b>	<b>Expenditure %</b>	<b>Variance tolerance</b>
Applied	120	90	± 10%
Blue Sky (Basic)	13	10	
<b>Total</b>	<b>133</b>	<b>100</b>	

### **Co-investment (leverage) and value creation**

The FRDC will work to generate co-investment from multiple funding sources.

Co-Investment may come from third party funders who have priorities aligned to those outlined in the FRDC RD&E Plan and relevant stakeholder plans.

The greater the public good benefit from the investment, the more the FRDC will be prepared to invest from “public good” funds. The greater the private benefit, the more the FRDC will expect private sector co-investor(s) to contribute commensurate to their intended benefit.

FRDC also looks positively on any joint investment with other rural research and development corporations (<http://www.ruralrdc.com.au/>).

## **Budget allocations**

The FRDC will maintain a five-year budget that outlines existing commitments and forecasts remaining investment. This will inform the decision making of the FRDC board and staff. The Annual Operational Plan budget gives effect to the five-year budget, and provides an annual review and update process.

The FRDC will be committed to proportionate investment of public and private contributions to meet public good and private benefit. Note that investment can be a mix of public and private benefit containing a mix of public and private investment. The major source of income for the FRDC is from the federal government (public good, industry matching), industry, state and territory governments and some third party contributions.

The FRDC will invest at least 1% of AGVP in Research, Development and Extension (RD&E) expenditure annually.

The FRDC will allow over commitment against budget by its RACs, IPAs, and subprograms of up to 30%. Management using FRDC's project management systems will closely monitor over-commitment. These systems have proved to be accurate and effective over many years. At all times the FRDC manages the associated risk by including in its standard project agreement the ability to terminate contracts for convenience.

## **A risk based approach to investment**

The FRDC will take a risk based approach to its investment. The FRDC will set its risk appetite so as to deliver a balanced portfolio, with a mix of low and high risk investments. Investment proposals will be assessed on their feasibility and attractiveness, with attractiveness being given a higher weighting.

## **RD&E procurement**

The FRDC will use a combination of investment – competitive selection, sponsorship and direct purchase of services and activities to deliver these results.

## **Investment evaluation**

The FRDC has adopted the Commonwealth input, output, outcome reporting framework policy. The Department of Finance has determined that the FRDC's outcome is *increased economic, social and environmental benefits for Australian fishing and aquaculture, and the wider community, by investing in knowledge, innovation, and marketing*. The FRDC's performance is measured against its ability to deliver this outcome.

The success of the FRDC's investment policy is measured by an evaluation process that ensures the framework is based on adaptive management. The investment evaluation framework has the following structure:

- evaluation of the FRDC's performance against its priorities in its RD&E Plan
- evaluation of the Partnership Agreements performance against their priorities in its RD&E plan
- a balanced approach to investment

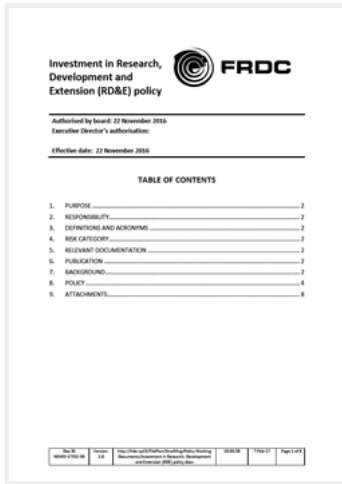
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- total portfolio evaluation based on the rural RDC evaluation methodology ( <http://www.ruralrdc.com.au/impact-assessment-performance/> )
- regular review of investment policy by the board against the FRDC's and partners' plans and priorities.

## 9. ATTACHMENTS

#	Description
1	Not applicable





# Investment in RD&E policy

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