Te Tāhuhu o te Mātauranga
Ministry of Education

Report: Performance-Based Research Fund – further advice

To:	Hon Dr Shane Reti - Minister for Universities		
Cc:	Hon Penny Simmonds - Minister for Vocational Education		
Date:	3/07/2025	Deadline:	14/07/2025
Security Level:	In-Confidence	Priority:	High
From:	9(2)(a) Senior Policy Manager	Phone:	9(2)(a)
Drafter:	9(2)(a)	METIS No:	1349184

Why are we sending this to you?

- This report seeks your agreement to the high-level components of a redesigned research funding system for tertiary education organisations (TEOs). Following your agreement we will include this in your paper responding to the University Advisory Group (UAG) final report for Cabinet's approval in August.
- A companion report [METIS 1349212 refers], for your consideration at the same time as this, analyses potential approaches for research funding for non-university TEOs, and what changes might be needed to accommodate those providers.

What action do we need, by when?

- We propose an initial discussion with officials on Monday 7 July 2025 to inform the consultation draft of your Cabinet paper.
- Please return the signed paper by 14 July 2025.

Key facts, issues and questions

- You have indicated your preference to reform the Performance Based Research Fund (PBRF) by introducing a metric-based component focused on citations, changing the emphasis of the External Research Income component, and introducing a strengthened research component of investment plans and a light-touch research performance information mechanism.
- Cumulatively, these are significant changes, which we suggest are framed in the Cabinet paper as the replacement of the PBRF with a new funding system, which we propose to name Research Performance and Capability (RPC) funding.
- The replacement of the PBRF with RPC funding is a substantial change, with significant outstanding design questions that will need to be worked through before work on implementation can commence. We will provide you with a more detailed programme plan and timeline in late July, ahead of Cabinet's consideration of the high-level design.

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Alignment with Government priorities

1. A high-performing university system contributes to the Government's economic and social goals by delivering the skills, knowledge and innovation New Zealand needs to increase productivity and grow the economy.

Background

2. The Performance-Based Research Fund (PBRF) currently comprises three components: research degree completions (25% of funding), external research income (20%), and quality evaluation (55%).

3. In their final report, the University Advisory Group (UAG) recommended that the individual portfolio assessment (i.e. the quality evaluation component) should be abandoned and the PBRF calculated on the basis of research degree completions, research income, and citation rates of the institution. Previous advice [METIS 1346352 refers] responded to this report, outlined the various available options for reform of the tertiary education research funding system, and assessed them against a set of indicative objectives.

4. 9(2)(g)(i) [redacted] You agreed with our advice to accept the UAG's recommendation to replace the quality evaluation component with a field-weighted citation-based metric, but to add secondary metrics, and to consider a research plan requiring tertiary education organisations (TEOs) to set out their approach to issues such as building research capability and supporting research impact.

5. This paper seeks your agreement to the high-level policy decisions and the overall framing of the changes needed to inform proposals in your August Cabinet paper. You have seen a draft of the Cabinet paper [METIS 1346948 refers]; we will be updating it to reflect your decisions in this paper. This report also outlines our preliminary view of the key issues that we will need to work through as part of the next stage of work.

6. We are submitting this report to you in parallel with a report advising you on the work needed to address research-funding issues for non-university TEOs [METIS 1349212 refers]. That report seeks your agreement to a high-level approach to funding research-based teaching at those TEOs.

7. The high-level design features agreed in these two reports will be reflected in your Cabinet paper responding to the UAG report, due to go to the Cabinet Economic Policy Committee on Wednesday 30 July 2025 and Cabinet on Monday 4 August 2025.

Key policy changes

8. Based on your discussion with officials on 4 June 2025, we understand that you are in favour of the following changes from the current PBRF system:

   8.1. replacement of the quality evaluation component with a metric-based assessment of research quality, comprising:

      8.1.1. a field-weighted citation metric; and

      8.1.2. a small number of supporting metrics aimed at better recognising and incentivising applied research;

   8.2. amendments to the external research income component to create stronger financial incentives for TEOs to engage in user-led (rather than investigator-led) research;

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8.3. changes to the relative weighting of the three components to avoid an overemphasis on publication over other mechanisms for research impact;

8.4. a requirement that providers prepare a research plan setting out the proposed approach to building research capability and delivering research impact, likely incorporated into the TEC's existing investment plan process; and

8.5. a light-touch research performance-monitoring system, providing agencies with a broader assessment of the research performance of TEOs and of the sector as a whole.

9. You also indicated that you would want to retain the research degree completions component as a measure of both research quality and of human capital development.

We suggest that these changes are framed as 'replacing' rather than 'reforming' PBRF

This is a significant change to the funding system

10. Cumulatively, these changes are a significant shift from existing PBRF settings. They would, over time, reduce the compliance and administrative costs of the PBRF (particularly on individual researchers), in favour of a system that relies on metric-based proxies for quality to fund TEOs to build and maintain research capability. The metrics would be supplemented by a qualitative assessment of TEOs' research plans and by a broader system of monitoring research performance, helping to balance the known limitations of metric assessments.

11. Much of this advice has been developed with universities in mind. As noted in our parallel advice [METIS 1349212 refers], the situation for non-university TEOs is different, due to their much higher proportion of applied research and the smaller scale of their overall research activities.

We will need to manage sector expectations

12. Rather than framing these changes as 'reforming' PBRF, we suggest that the new system should be seen as a replacement to PBRF. Several assumptions, objectives and design principles are associated with the PBRF that may not be as relevant under the new settings.

13. In particular, the fact that the current quality evaluation component assesses and grades the research of every active researcher means that the PBRF needs to be both comprehensive in its coverage of research and accurate down to this level. This will not be either possible or necessary under the new system, which only seeks to 'score' the research performance of an institution and under which there will be areas of research that are not well-covered but should still be supported. While there will of course need to be robust data verification, individual researchers will not need to provide the same level of information as with the quality evaluation component. It will be important to clearly communicate this.

14. As we have previously noted, there are areas of research that will not be covered well by a citation metric – further work is needed on how to accommodate these. However, the purpose of this system is to find a proxy for institution-level research performance. As such, there may be some outputs that are not captured by the new metric.

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New objectives and principles will be required

15. While we used a set of preliminary categories to assess options in our previous advice [METIS 1346352 refers], we propose to develop new objectives and principles for the new fund that will aim to provide both clear guidance to the sector on the Government's policy intent and expectations and to the TEC to guide the implementation process. These would be reflected in the new funding mechanism.

There may be changes in funding distribution

16. We also want to be clear that the distributions of funding will not necessarily be the same as the current system. The UAG postulated (and indicative modelling has signalled) that a citation-based metric would provide similar funding distribution to the quality evaluation component of the PBRF. However, more detailed modelling will be necessary to fully investigate the chosen methodology, and this may demonstrate a greater funding distribution difference. Weightings of and within the three components are yet to be determined (see below), but will ideally help balance any risks associated with differences in research fields and outputs.

The name of the funding mechanism influences sector interpretation

17. We propose that the new fund be referred to as the Research Performance and Capability (RPC) funding mechanism. This is a small change to the name included in the draft Cabinet paper you received.

18. Part of the rationale for this name is to clearly indicate that the funding does not directly support specific research Rather, it is intended to support research capability and research-based teaching, while being based on quality of research. This is why we suggest avoiding the specific phrase 'Research Fund', which has created some confusion in the context of PBRF, as has been interpreted as directly funding specific research, rather than providing TEOs with funding to support overall research capability.

19. Other options include the Research Performance and Capability Fund, the Research Capability Fund, the Research Performance Fund, and the Research Performance Component.

The funding, research planning and performance-monitoring systems are complementary

20. The intention is that RPC funding, the research component of the plan, and the performance-monitoring system will complement each other. The new fund will determine the amount of funding to be granted to each TEO, based on research performance over an as-yet-undetermined time period.

21. While the research component of the plan and the performance-monitoring system will not directly determine the quantum of RPC funding, they are expected to inform the new fund in a reciprocal manner, as illustrated in Figure 1, creating a complementary research funding and information system.

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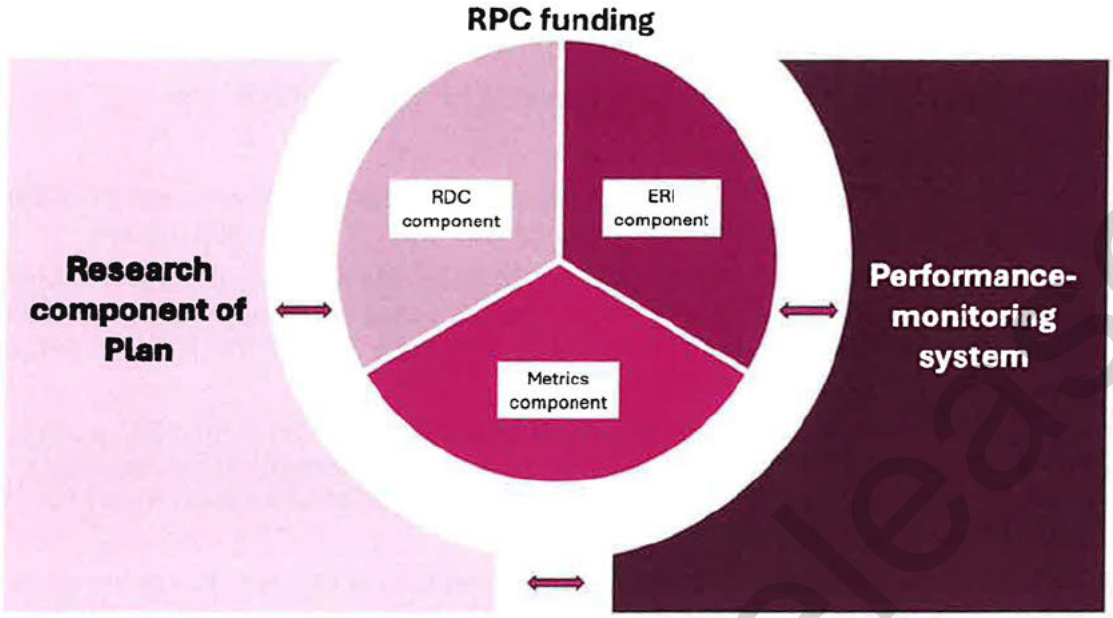


Figure 1. The proposed Research Performance and Capability (RPC) funding and supporting structures. The relative weightings of each component within RPC funding are yet to be determined. ***RDC*** *research degree completions;* ***ERI*** *external research income.*

The draft Cabinet paper outlines these changes at a high-level

22. We have sent you the first draft of your August Cabinet paper [METIS 1346948 refers]. In the paper, you seek Cabinet's approval to replace the PBRF with a Research Performance Fund (noting that we have proposed an amendment to this name) comprising the three components outlined above, complemented by a qualitative assessment of how TEOs' research plans align with Government priorities and a broader framework to monitor their overall research performance.

23. The Cabinet paper argues that the quality evaluation component has become a distraction from the TEOs' and academics' core roles of producing high-quality, impactful research. It characterises the proposed change as an efficient solution to this issue, allowing researchers to focus on research and creating a simpler, more transparent, outcomes-focused funding system that better supports quality research.

24. We have kept Cabinet decisions at a high level, as there is still a lot of detail that needs to be worked through before the new system can be finalised. The Cabinet paper will seek authorisation for you to make detailed policy decisions relating to the new system without the need to return to Cabinet. This is a broad delegation – it is possible that Ministers may wish to have more Cabinet oversight over the changes; they may request that you report back to Cabinet later in the year.

25. Once we have received your official agreement to these parameters (via this paper), we will finalise the Cabinet paper.

Significant further design decisions will be required

26. A significant amount of work will be necessary to implement the replacement of the PBRF with this new funding system. This includes:

    26.1. determining the appropriate weights for each funding component (both internal and total);

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26.2. determining the final design of the metric-based component (including the secondary measures);

26.3. designing transitional arrangements from the current PBRF system;

26.4. details such as determining eligibility criteria for staff and TEOs; and

26.5. sector engagement.

27. There is a complex interaction between policy and operational decisions, and the Ministry will need to work closely with the TEC in the development of the funding system.

28. Careful consideration will need to be given to the trade-offs between alleviating compliance burden and enabling a shift in research focus (which would potentially require specific data collection). Further work will also be required to determine whether the TEC can deliver the revised system within existing baselines.

29. Final settings will be reflected in funding mechanisms to be issued to the TEC in 2026, with changes to come into effect from 2027 onwards, subject to transitional arrangements. These changes will be implemented within the existing Tertiary Education Research and Research-Based Teaching appropriation.

30. We will provide you with a more detailed programme plan in late July. Below are some examples of details that need to be worked through, including the key issues we will need to consider.

Further work is needed to inform the changes you seek for Research Performance and Capability funding

There will be trade-offs to work through as part of the metric component design

31. To improve accuracy, we expect that the citation-based metric will need to be both field weighted and adjusted for TEO size. As New Zealand contains a relatively unstratified university system, their field-weighted citation impact scores may be very close, meaning a system unadjusted for size could redistribute funding away from larger universities and towards smaller.

32. Beyond this, there are several issues to be addressed, including concerns about the integrity of the data underlying the citations metric and potential TEO behavioural changes as a result of changing from the quality evaluation component to citations metrics. Without counterbalances, a citations approach is likely to incentivise TEOs to prioritise traditional research publications and focus on subject areas that are well represented by citations measures.

33. All bibliographic datasets have weaknesses, including variations on issues with coverage, access, language or region inclusion, and selective coverage (e.g. under-indexing open-access research). Some are open-access, others are commercial products. Credibility-related trade-offs that need further investigation are the level of accuracy versus amount of data inclusion in the databases, and administrative versus financial costs.

34. Following Cabinet approval, significant work will be needed to:

34.1. determine exact processes and details of databases to be used; and

34.2. model potential outcomes.

35. As noted in previous advice [METIS 1346352 refers], there is likely to be coverage gaps with a citation metric (for example in the fine arts and humanities). While field weighting adjusts for differences in citation practices between fields, citation metrics do not cover the volume of research that falls outside of citable outputs, like applied research such as software or reports, conference contributions, and creative works. We will need to ensure

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that the whole system provides sufficient support for the full breadth of research conducted in New Zealand, but also that sector expectations are managed (there will be residual expectations stemming from the coverage in the quality evaluation component). This will include considering the balance of weightings between the research degree completions, the external research income, and the metric components (see below).

36. The aim of adding supplementary metrics is to address some of the limitations of the citation metric above without unduly increasing compliance costs (to both the sector and the TEC). The Government's goals for the university system include fostering collaboration and commercialisation. We therefore also wish to investigate bibliometric and other measures that assess progress towards those goals and other key priorities. Future work will assess which combination of metrics and weightings will be most useful; sector engagement on the supplementary metrics will be necessary.

There is potential for future work on the research degree completion component

37. While we propose largely retaining the research degree completions component in its current form, we have identified some areas which may require work in the future, either as part of the initial design or once the new system is established. However, it currently functions well as it is and may not need redesign. Changes could include investigating:

    37.1. whether the minimum 'size' criterion for contributing is appropriate; and

    37.2. whether the current weightings (field of research, ethnicity of graduates and te reo presentation) are suitable.

We will advise you on options for changing the external research income component categories in future reports

38. Currently, funding categorisation in the external research income component is applied according to the type of funder (for instance research funding from businesses is weighted at four times the level of research funding from government agencies). At your discussion with officials, you indicated a preference for changing the external research income categories to favour user-led research over researcher-led research.

39. The objective of this change is to create stronger financial incentives for TEOs to engage in user-led research, to provide for research that is focused on commercial or social needs. As yet, it is unclear how much of an actual impact this would have, as previous external research income weightings have not had a strong effect on behaviour. Sector feedback indicates that the barrier to undertaking more user-led research tends to be the nature and focus of New Zealand industries, including a lack of large firms.

40. Subject to Cabinet's agreement to this proposal, we will carry out further work to identify, analyse and advise you on options for new external research income categories and weightings.

The relative weighting of the components is crucial for balance

41. The relative funding weighting given to the three components of the revised funding mechanism will be crucial for balancing incentives and ensuring the system appropriately values diverse contributions.

42. It is likely that TEOs will modify their behaviour to maximise their benefit, and this may result in unintended effects, such as a potential devaluation of fields with non-citation-based research outputs. The risks from that behavioural change can be balanced by (in addition to the supplementary metrics) assigning the metric components a lower weighting than the quality evaluation component had, therefore ensuring that the stakes are not too

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high. The weighting could be equal to or less than those of the research degree completions and external research income components.

43. Following Cabinet decisions on the high-level design of the revised funding mechanism, we will provide you with advice on the relative weighting of RPC funding components.

Work on the research component of investment plans will tie into the Tertiary Education Strategy work and will require collaboration with the TEC

44. TEOs will be required to set out their approach to issues such as building research capability and supporting research impact, as well as to reflect how they will address the research priorities laid out in the Tertiary Education Strategy (TES). Work on the changes to the research component requirements of the TEO investment plans will by necessity both inform and be informed by the changes being made to the TES. We will provide you with further advice as work on the TES progresses.

45. This work will tie heavily into the TEC's design of the next round of investment plan guidance, and will require multiple policy and operational decisions to support the change. While plan content and assessment design are TEC responsibilities, you can set out your priorities for research in the TES, as well as your expectations for the TEC. Future decisions will centre around such issues as:

    45.1. how directive the changes should be;

    45.2. what your goals and priorities are for TEO research;

    45.3. what levers the TEC should use to recognise, reward or penalise a provider based on the quality of their research plan.

46. It will be important to ensure that the plans are seen as consequential by the sector rather than just as compliance activity. The current relationship of the PBRF to funding is that plan approval is required to receive PBRF, but the quantum of PBRF funding isn't related to the plan process in any way. It remains to be determined whether funding should be tied to the research component of the plans, and if so in what way.

Future work will determine the level of assessment for the performance monitoring system

47. We propose that detailed work performance monitoring system would proceed after other key policy decisions on the RPC funding have been finalised. This monitoring could be at a system level (assessing the performance of the sector), an institutional level (assessing the performance of individual providers), or both. However, this is intended as a tool for agencies, not for the sector or general public in the first instance. Potential areas to investigate include:

    47.1. What data we should collect consistently across providers to allow us to monitor their overall research performance, including data that may not be associated with funding.

    47.2. The best way to use the collected data, and what outputs would be most valuable. The Ministry of Business, Innovation & Employment are likely to also be interested in the data that will come from this system, and we will work with them to see if output can be lined up with their monitoring systems.

48. As the shift to RPC funding is a significant policy shift, these data will also be important for monitoring the impact of the change and identify where any future amendments to funding setting may be required.

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Design decisions will influence implementation timing, and transitional arrangements will be necessary

49. The specifics of the timeline will depend on your further design decisions and require further investigation of the implementation process. As noted in the Cabinet paper, the new funding mechanism would be issued next year to be in place for 2027. However, operationalisation will take time (e.g. to establish a baseline collection of data), and will be dependent on the chosen components and methodology of the system, including the funding period and the research assessment period.

50. Changes will need to be clearly reflected in guidance and reported to the sector, and there will need to be a lead-in period to allow sector adjustment to the new system. For example, TEOs will need to establish new processes (e.g. checking staff eligibility, ensuring accuracy of bibliographic data, collecting/reporting new data) and systems (e.g. updating IT systems).

51. Having said that, behaviour will start changing as soon as the changes to the system are announced (although results will take time to materialise), even if all the changes are not fully operational until 2028 or 2029. We also expect that research planning requirements could be incorporated into plan guidance issued in early 2026 for 2027 plans.

52. Transitional arrangements will need to be worked through, to avoid TEOs experiencing significant funding shocks that could create sustainability challenges or drive cuts to core capability.

53. We will provide you with more concrete timelines and expectations around the implementation and expected start dates once the design has progressed further.

Next Steps

54. Once we have your agreement to the high-level decisions on the revised system, we will update your Cabinet paper, currently scheduled for the Cabinet Economic Policy Committee on Wednesday 30 July 2025 and Cabinet on Monday 4 August 2025.

55. We will send the draft Cabinet paper to your office on 10 July 2025, ready for ministerial consultation on 14 July 2025. We therefore seek your verbal agreement to this report in your discussion with officials on Monday 7 July 2025 to ensure a timely Cabinet process, and a signed copy of this report by Monday 14 July 2025.

56. As mentioned above, we will provide you with a more detailed programme development plan in late July 2025. Future work will include analysis of implications for Māori, as required under section 4(d) of the Education and Training Act 2020 (the Act) which sets out that a purpose of the Act is to honour Te Tiriti o Waitangi and support Māori-Crown relationships.

57. As previously discussed with you, several of the risks involved with this work would be significantly mitigated with increased investment into RPC funding. You may wish to consider a Budget 2026 initiative to this end, and we will provide you further advice about this later in the year.

Recommended Actions

The Ministry of Education recommends you:

a. **agree** to seek Cabinet approval to the following high-level design parameters for the PBRF replacement:

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The PBRF will be replaced by a new funding mechanism	**Agree / Disagree**
The new funding mechanism will be named Research Performance and Capability (RPC) funding	**Agree / Disagree**
The new funding mechanism will include the following components:	
a *metrics component*, including a citation-based metric and a small number of supporting metrics	**Agree / Disagree**
a *research-degree completion* component	**Agree / Disagree**
an *external research income* component, refocused on user-led research	**Agree / Disagree**
RPC funding will be supported by:	
strengthening the *research component* in investment plans	**Agree / Disagree**
the creation of a light-touch *research performance monitoring system*	**Agree / Disagree**

b. **agree** to seek Cabinet delegation to develop the detailed design of the revised research funding system, in accordance with the high-level policy decisions agreed by Cabinet

Agree / Disagree

c. **note** that we will update the draft Cabinet paper to align with your decisions and any feedback you have on this paper

Noted

d. **note** that there are significant outstanding policy questions that will influence both the impact and implementation process for the new fund; we will seek your decisions on these in future advice

Noted

e. **note** that the implementation timeline will depend on key design decisions

Noted

Proactive Release:

f. **agree** that the Ministry release this paper once Cabinet has considered and approved your proposed approach, with any information needing to be withheld done so in line with the provisions of the Official Information Act 1982.

Agree / Disagree

9(2)(a)

Senior Policy Manager
Te Pou Kaupapahere

03/07/2025

Hon Dr Shane Reti
Minister for Universities

5/7/2025

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