

Eligible activities for the

Ārohia Trailblazer Grant

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Ārohia
Trailblazer
Grant



Callaghan
Innovation
Te Pokapū
Auaha

Table of Contents

Introduction	3
Purpose of the Ārohia Innovation Trailblazer Grant Scheme	3
Purpose of this document	3
High-level detail	3
Ārohia Trailblazer Grant eligible activities	4
Ārohia Trailblazer Grant limited activities/costs	8
Ārohia Trailblazer Grant Ineligible Activities	13

Introduction

Purpose of the Ārohia Innovation Trailblazer Grant Scheme

The Ārohia Innovation Trailblazer Grant scheme supports the very best innovative businesses that are at the “getting ready to go to market” stage of their innovation journey. Those businesses have done most of the tricky research and development for their game-changing creation (Ārohia Innovation Trailblazer grants do not fund R&D costs) but they need that critical funding to finally bring their new product or service to market. The scheme is made up of two grants: the Ārohia Trailblazer grant and the Ārohia Evidence grant.

Purpose of this document

This document provides guidance on eligible activities and costs that the Ārohia Trailblazer Grant funding can be spent on.

Eligible Activities described in this document mean “Eligible Non-R&D Expenditure” as defined in the Ministerial Direction.

This document is current as at the date listed on the cover page. We reserve the right to amend the document from time to time. Changes may occur without notice, but we will use reasonable endeavours to communicate changes via the [Ārohia Trailblazer Grant page on our website](#).

High-level detail

The **Ārohia Trailblazer Grant** helps fund non-R&D related activities involved in taking a new innovation to market for the first time. This can include an innovation that’s novel in the world, or an existing, world-leading innovation (including infrastructure) you’re bringing into Aotearoa New Zealand that has potential benefits for our innovation ecosystem. Non-R&D activities and costs are only eligible if:

- they are directly related to the approved innovation project, i.e. activities involved in taking your innovation to market (business as usual activity is not eligible)
- they are essential to the successful completion of the innovation project
- they occur within the timeframe covered by the Funding Agreement.

The **Ārohia Evidence Grant** funds activities that enable you to obtain evidence needed to complete a future Ārohia Trailblazer Grant application. Compelling evidence must be provided in order for a Ārohia Trailblazer grant to be successful.

Activities that are eligible under the Ārohia Trailblazer Grant may not necessarily be eligible under the Ārohia Evidence Grant.

Ārohia Trailblazer Grant eligible activities

Broadly speaking we will allow and support any non-R&D related activities which specifically contribute to a business taking to market a new innovation that has potential benefits for our innovation ecosystem. This can include an innovation you're developing that's novel in the world, or an existing, world-leading innovation (including infrastructure) you're bringing into Aotearoa New Zealand that has potential benefits for our innovation ecosystem. A non-R&D related activity is generally eligible if it:

- is directly related to the approved innovation project
- is essential to the successful completion of the innovation project
- occurs within the timeframe covered by the Funding Agreement
- is not eligible within the scope of the RDTI and New to R&D Grant

The activities and costs related to your grant application should be entered into the Ārohia Trailblazer Grant Work Plan template, to outline how grant funding will be used. This template is part of the Ārohia Trailblazer Grant application, and you can download it from the application in the online grants portal. You must submit your completed Work Plan via the online grants portal as part of your application.

Eligible activities to take an innovation to market can include the following activities (note - this document is a guide and is **not intended to be exhaustive**).

Research to finalise your innovation

Item	Eligible activities examples
Conduct studies on customer/user requirements and other impacts	<p>Conducting studies to inform the detailed design of a working solution are eligible under the Ārohia Trailblazer Grant. For example:</p> <ul style="list-style-type: none"> – human factors research – research to develop buyer personas, to e.g. to inform sales and marketing – testing a solution design/interface with users to improve the experience – behavioural science study, e.g. into user adoption – beta/field trial evaluation – social and environmental impact analysis.
Complete detailed design of a solution	<p>Detailed design of a working version of a solution, e.g. for a beta launch or first market launch, including:</p> <ul style="list-style-type: none"> – features and functionality design – interface design (physical or virtual) – software development to build a working version of the solution, provided it is not related to resolving a scientific/technological uncertainty or does not contribute to a supporting activity that is integral to the resolution of that uncertainty. Activities that resolve a scientific/technological uncertainty or contribute to a supporting R&D activity may be eligible under the RDTI.

Research to finalise your innovation (continued)

Item	Eligible activities examples
Attend an industry event	<p>For example, a trade show or conference to build partner relationships and generate pre-sales opportunities prior to first market launch of the innovation. We will pay the registration/attendance fee.</p> <p>If travel is required see below for restrictions.</p>
Obtain professional advice and support	<p>Detailed design of a working version of a solution, e.g. for a beta launch or first market launch, including:</p> <ul style="list-style-type: none"> – features and functionality design – interface design (physical or virtual) – software development to build a working version of the solution, provided it is not related to resolving a scientific/technological uncertainty or does not contribute to a supporting activity that is integral to the resolution of that uncertainty. Activities that resolve a scientific/technological uncertainty or contribute to a supporting R&D activity may be eligible under the RDTI.

Build your team

Item	Eligible activities examples
Establish a team to lead/deliver the innovation	<p>The following team creation activities are eligible to the extent they are essential to the success of the innovation project:</p> <ul style="list-style-type: none"> – defining and setting up the innovation project team structure (broader organisational design is not eligible) – talent search and recruitment – obtaining management training directly related to the innovation project
Engage stakeholders to plan and execute an innovation project	<p>This could include:</p> <ul style="list-style-type: none"> – developing supply chain relationships and preparing agreements to outline the terms of the relationship – developing a partnership or collaboration with another business or organisation where it is essential to the commercial success of the project.
Build sales capability for first market entry	<p>This could include:</p> <ul style="list-style-type: none"> – developing a sales funnel management process – recruiting sales roles, business development roles and marketing roles and related training (to the extent a role supports the innovation project). <p>Note that NZTE may provide funding and support for activities in this space - we recommend engaging them in the first instance if you are targeting an overseas market for an initial launch of your innovation.</p>

Set up capability/infrastructure

The following examples are eligible for the set up of capability. Where an expenditure limit applies to a set up activity, refer to the limited activities section.

Item	Eligible activities examples
<p>Set up infrastructure</p>	<p>Setting up infrastructure is eligible provided it is unrelated to resolving a scientific or technological uncertainty or does not contribute to a supporting activity that is integral to the resolution of that uncertainty. Eligible activities could include:</p> <ul style="list-style-type: none"> – product/process design activities to turn a prototype of a working product or process into a commercially viable design – engineering design work (e.g. reduction to practice, optimisation, design file and related documentation development) – scaling up a process (e.g. from laboratory scale to industry pilot) or developing demonstration plants to prove any aspect of an innovation’s commercial feasibility and viability (i.e. not to resolving a scientific or technical uncertainty) <p>Setting up infrastructure is eligible provided it is unrelated to resolving a scientific or technological uncertainty or does not contribute to a supporting activity that is integral to the resolution of that uncertainty. Eligible activities could include:</p> <ul style="list-style-type: none"> – procuring, modifying and installing complex equipment or components that make up a scaled-up pilot plant/equipment (see guidance on purchase price or depreciation) – activities to establish a facility, e.g. fitting out facilities, installing servers in computing facilities and laboratory space – leasing facilities, land or equipment to the extent that they enable execution of the innovation project. – Activities that resolve a scientific/technological uncertainty or contribute to a supporting R&D activity may be eligible under the RDTI.
<p>Set up a manufacturing and production capability</p>	<p>This could include:</p> <ul style="list-style-type: none"> – obtaining the tooling and equipment required for manufacturing and production, including the purchase or rental of machinery, tools, and other equipment required for the production process (only to the extent required to get the innovation initially to market - note that equipment with a long term, enduring value will only be funded on a straight line depreciation rate) – quality control activities necessary for the commercialisation of the novel product, process or service – operating a pre-production run of a manufacturing process to test a system or to provide product for pre-launch market investigation/testing activity to identify any issues prior to a final production run.
<p>Establish distribution and logistics capability</p>	<p>This could include:</p> <ul style="list-style-type: none"> – establishing distributor relationships and preparing distribution agreements – implementing a path-to-market plan to enable market launch of a solution.

<p>Set up information technology capability</p>	<p>A range of information technology related activities are eligible to the extent they are necessary to deliver the innovation project. This could include:</p> <ul style="list-style-type: none"> – designing new software architecture, providing this design is not focussed on addressing a scientific/technological uncertainty, or it is not a supporting activity for an activity that is resolving a scientific or technological uncertainty – purchasing data for digital model development – purchasing hardware or software licences necessary to deliver the innovation project, and related installation/training costs – creating digital models/simulations of systems, products and processes – creating e-commerce and payments capability and other website development (if essential for getting the innovation to market).
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Ensure compliance

Item	Eligible activities examples
<p>Comply with legislation and regulations</p>	<p>This could include:</p> <ul style="list-style-type: none"> – obtaining advice on regulations, standards, compliance and accreditations – obtaining evidence of legal and regulatory compliance, e.g. certifications, consents or accreditations – preparing Joint Venture agreements and other partner agreements.
<p>Protect Intellectual Property</p>	<p>This could include:</p> <ul style="list-style-type: none"> – obtaining a Freedom to Operate (FTO) opinion from a registered patent attorney and conducting a Trademark, Patent and FTO search* – filing a trademark or patent (to the extent it is essential to getting your innovation to market).

*Please note that Callaghan Innovation will only co-fund or fund patent work and patent advice that is provided by a registered patent attorney. This includes advice on the validity of patents and their infringement resulting from FTO/IP scanning search results. We recommend doing due diligence on providers in this space, including taking into account whether they are registered or recognised by any industry body. For patent related work and advice, we recommend contacting a registered Trans-Tasman patent attorney (the directory can be found [here](#)).

Ārohia Trailblazer Grant limited activities/costs

Expenditure on non-R&D related activities involved in taking a new innovation to market are eligible, subject to the following guidelines and limits indicated (note - all costs referenced below (except PAYE) are exclusive of GST):

Market or promote your innovation

Item	Limited activities/costs
<p>Prepare marketing and promotion</p>	<p>The maximum expenditure on marketing and promotion that we will contribute towards is 20% of approved eligible project costs, and our maximum contribution is \$600,000 This is limited to planning and preparation activities essential to establishing initial credibility with the target market, and includes:</p> <ul style="list-style-type: none"> – developing a detailed Brand, Marketing and Communications strategy and plan/schedule of activities for a launch campaign or event – designing and developing key brand assets, e.g. designed logo, purchased fonts, purchased or commissioned photography or illustration, brand trademark – designing and developing sales/support collateral essential to communicating your innovative offering, e.g. presentations, demo videos, email templates and user guides. <p>Example: A business has \$2 million of approved eligible project costs. This can include up to \$400,000 of marketing and promotion costs (i.e. 20% of approved eligible costs). We will contribute \$120,000 (i.e. this reflects the 30% we will co-fund).</p> <p>Exclusions</p> <p>The following marketing and promotion activities are excluded:</p> <ul style="list-style-type: none"> – executing a plan/schedule of activities for a launch campaign or event, e.g. media costs, creative execution, paid advertising* – wider rebranding unrelated to the innovation project – ‘business as usual’ website content development – scaling marketing activities in markets where you have already made your first sales of the novel solution, e.g. growth hacking campaigns* – developing a new target market which is outside the scope of the approved innovation project - the Ārohia Trailblazer Grant supports getting your innovation into the first target market and does not fund expansion beyond this.* <p>*Note that NZTE may provide funding and support for some types of marketing and promotion activities related to international market expansion - we recommend engaging them in the first instance if you are targeting an overseas market for an initial launch of your innovation.</p>

Build a prototype

Item	Limited activities/costs
<p>Build and use a prototype or demonstrator</p>	<p>The following activities are fully eligible where they are not R&D and contribute directly to proving the commercial feasibility and commercial viability (e.g. market pull) of your innovation to a customer, investor or strategic partner and have no value beyond the project term specified in the Funding Agreement:</p> <ul style="list-style-type: none"> – building/using a prototype for the purpose of learning (not for sale or paid use) – building/using a pilot or demonstration unit/system – renting, leasing or building the facilities needed to temporarily support the above activities during the project. Please note that rental or leasing of office space for general business operation is considered an overhead cost and should be claimed as per the guidelines in the “Overheads” section below <p>The number and scale of prototypes must not exceed the level necessary to prove any concept(s) underpinning the agreed project and/or to establish its commercial viability.</p> <p>If customers pay to use your prototype, then you can claim the net cost to construct/ use a prototype (i.e. after subtracting the amount customers have paid to use it).</p> <p>If the prototype or demonstrator includes items of machinery, equipment or tools that have an enduring value beyond the project term, then you can claim the net cost to construct a prototype (i.e. after subtracting the cost of machinery, equipment or tools used that have an enduring value). These items should be claimed separately as depreciable plant or equipment items.</p>
<p>Materials and consumables</p>	<p>Purchasing materials and consumables are eligible only to the extent that they support the following activities:</p> <ul style="list-style-type: none"> – building and testing (non-R&D) prototypes necessary to prove the commercial feasibility and/or commercial viability of your innovation – implementing pre-production runs. <p>Materials and consumables should be charged at cost.</p> <p>Materials and consumables that are required for undertaking a full-scale production run (i.e. to produce the final product in sufficient quantities to meet the market demand) are not eligible.</p> <p>Materials and consumables for business as usual activities are not eligible.</p>

Set up capability/infrastructure

Item	Limited activities/costs
<p>Set up new plant or equipment (with enduring value)</p>	<p>The following factors should be taken into account when calculating expenditure on any capital item such as new plant and equipment that has an enduring value beyond the project term specified in the Funding Agreement:</p> <ul style="list-style-type: none"> – expenditure is eligible only to the extent the capital item contributes directly to the innovation project (and relates to non-R&D activity) – only the depreciation of the capital item is eligible expenditure – IRD straight line depreciation rates should be applied across the life of the innovation project. The depreciation amount that can be claimed under the Ārohia Trailblazer Grant is for the project term specified in your Funding Agreement (a maximum of 2 years). See the example below. <p>Examples:</p> <ul style="list-style-type: none"> – Establish a new lab for non-R&D purposes - As part of their long-term innovation project, a company builds a facility that costs \$1 million and will not be used for R&D purposes. A depreciation rate of 10% applies for each of the two years covered by the Ārohia Trailblazer Grant Funding Agreement. The eligible depreciation expense is \$200,000. We will contribute \$60,000 to build the facility (i.e. this reflects the 30% we will co-fund). – Establish a new lab for mixed use (R&D and non-R&D purposes) - As part of their long-term innovation project, a company builds a lab that costs \$1 million. The lab will be used on a 50:50 basis for both R&D and non-R&D purposes. A depreciation rate of 10% applies for each of the two years covered by the Ārohia Trailblazer Grant Funding Agreement. The eligible depreciation expense is \$200,000 x 50% (the portion used for non-R&D purposes) and totals \$100,000. We'll contribute \$60,000 to build the lab (i.e. this reflects the 30% we'll co-fund).
<p>Provide infrastructure (with enduring value) for shared use in the innovation ecosystem</p>	<p>Expenditure to establish shared infrastructure (plant, facilities and/or equipment) with a specific focus on supporting others in the innovation ecosystem (e.g. a shared lab or manufacturing facility) is eligible under the Ārohia Trailblazer Grant.</p> <p>The proportion of approved eligible costs of these capital items covered by the Ārohia Trailblazer Grant is 30%, and our maximum contribution is \$4 million.</p> <p>This recognises that the infrastructure asset created would have a lasting value to the innovation ecosystem that extends well beyond the project term specified in your Funding Agreement.</p> <p>Note: We will only contribute to the establishment of plant or equipment if no infrastructure of its kind that is publicly available currently exists in Aotearoa New Zealand.</p> <p>If we determine that this infrastructure fails to be provided for shared use then we reserve the right to decline claims for funding or clawback the funding used to establish it.</p> <p>If infrastructure is for private/unshared use, please see the “New plant or equipment (with enduring value)” section above.</p>

Operating lease costs	Operating lease costs can be claimed for short-term lease of land, equipment and laboratory/factory/office space specifically required to undertake the innovation project (for non-R&D purposes only). The total lease cost equals the number of months the leased item is used for the innovation project work undertaken (in the period specified in the Funding Agreement) multiplied by the lease cost per month (excl GST). If the asset is also used for R&D activities, the cost should be split proportionally
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Comply with guidelines set for specific cost types

Item	Limited activities/costs
Overseas expenditure	<p>An overseas activity is an activity performed outside Aotearoa New Zealand where a good or service (e.g. plant, equipment, materials and consumables) is purchased from and used in an overseas location. This includes advice from third parties and labour.</p> <p>Goods and services that are:</p> <ul style="list-style-type: none"> – purchased overseas and used in Aotearoa New Zealand are not overseas expenditure. <p>We will only contribute towards expenditure on activities performed overseas if you can demonstrate the following:</p> <ul style="list-style-type: none"> – it is not possible, or not relevant to your innovation, to perform the activities in Aotearoa New Zealand, and – the activities are integral to the success of your innovation project, and – performing the activities overseas will not detract from generating benefits to the innovation ecosystem in Aotearoa New Zealand.
Domestic and international travel	<p>Domestic/international travel could be, for example, to visit markets / customers / competitors / suppliers / distributors / partners.</p> <p>We will only contribute towards transport and accommodation (room) costs, and these must be essential for the progression of the innovation project.</p> <p>The maximum expenditure on travel that we will contribute towards is the lesser amount of the following:</p> <ul style="list-style-type: none"> – 20% of approved eligible [project] costs, or – \$200,000. <p>Our maximum contribution to travel is \$60,000.</p> <p>Travel costs will only be reimbursed once travel has been completed.</p> <p>Examples:</p> <ul style="list-style-type: none"> – A business has \$500,000 of approved eligible [project] costs. This can include up to \$100,000 of travel costs (i.e. 20% of approved eligible project costs). We will contribute \$30,000 (i.e. this reflects the 30% we will co-fund). – A business has \$1.2 million of approved eligible [project] costs. This can include up to \$200,000 of travel costs (i.e. \$200,000 is the maximum amount we will contribute to). We will contribute \$60,000 (i.e. this reflects the 30% we will co-fund).

<p>Internal labour – wages and salaries</p>	<p>Paying employee wages and salaries is an eligible expenditure where the employees’ work is directly related to, required for, and integral to the innovation project. The eligible hourly rate for staff comprises the total of:</p> <ul style="list-style-type: none"> – salary and wage costs paid to internal staff, and – overheads (calculated at 20% of the hourly rate). <p>For salaried employees, divide the PAYE yearly contracted salary by 1,752 hours (this is the maximum number of chargeable hours per year, allowing for statutory holidays, annual leave and sick leave).</p> <p>For waged employees, use the employee’s hourly rate.</p> <p>Note: You must be able to verify any internal labour costs, i.e. you need to keep records (such as pay slips or invoices) showing how much you paid to employees and when. You must retain this evidence and be able to provide it if you are audited. Internal labour costs not able to be verified will not be eligible for reimbursement.</p>
<p>Shareholder labour</p>	<p>The cost of paying owner or shareholder labour is eligible. For individuals with a shareholding of 5% or greater, the hourly rate is limited to the lesser of:</p> <ul style="list-style-type: none"> – up to \$80 per hour plus overheads, or – the current direct/actual shareholder payments. <p>Note: You must be able to verify any labour costs, i.e. you need to keep records (such as pay slips or invoices) showing how much was paid. You must retain this evidence and be able to provide it if you are audited. Labour costs not able to be verified will not be eligible for reimbursement.</p>
<p>Overheads</p>	<p>Overheads are the indirect costs or fixed expenses of operating a business. We apply a fixed overhead rate of 20% on internal labour costs to take into account the following indirect costs or fixed expenses of operating a business:</p> <ul style="list-style-type: none"> – insurance – rates – utilities, e.g. power, water and heating – office rent (local and international) – office cleaning – security – repairs and maintenance – phone, postage, printing and stationery – non-R&D related lease payments unrelated to your innovation project.
<p>External labour</p>	<p>The cost of paying external labour is eligible, with external labour defined as:</p> <ul style="list-style-type: none"> – non-PAYE labour or contractors who invoice for their time, or – internal team members who are not PAYE employees. <p>Note: You must be able to verify any external labour costs, i.e. you need to keep records (such as pay slips or invoices) showing how much was paid. You must retain this evidence and be able to provide it if you are audited. Labour costs not able to be verified will not be eligible for reimbursement.</p> <p>If your innovation project involves the use of overseas labour, see “Overseas Expenditure” above.</p>

Ārohia Trailblazer Grant Ineligible Activities

An activity is generally not eligible for Ārohia Trailblazer Grant funding if:

- it is carried out prior to the start date or after the end date of a Callaghan Innovation Ārohia Trailblazer Grant Funding Agreement
- it is an R&D activity which is eligible under the Research DTI or New to R&D Grant
- it is unrelated to the innovation project (this includes costs specifically to realise the benefits to the innovation ecosystem. Benefits should be a consequence of the innovation not a specifically funded item).
- it is carried out after initial market entry, i.e. after the first sales of the novel innovation in its key target market (Ārohia Trailblazer Grant funding cannot be used to support projects beyond the point of first sales in its key target market.
- it relates to developing/commercialising the next version or iteration of an existing product, process, service or business model where updates and changes do not qualify as sufficiently novel.
- it would bring the reputation of the grant initiative, Callaghan Innovation, or the Government into disrepute.

The following activities are not eligible for Ārohia Trailblazer Grant funding:

Item	Ineligible activities
Research and Development (R&D) related activities	<p>The following R&D-related activities are ineligible:</p> <ul style="list-style-type: none"> – any activities that meet the definition of R&D as per RDTI definitions – recruiting a competent professional with a specific skill that: <ul style="list-style-type: none"> ○ is needed to resolve a scientific/technological uncertainty, or ○ contributes to a supporting activity that is integral to the resolution of that uncertainty (this may be eligible under the RDTI) – resolving any scientific or technological uncertainty related to scaling up a process, e.g. from laboratory scale to industrial scale pilot or demonstration plant (this may be eligible under the RDTI) – planning and managing clinical trials to resolve a scientific/technological uncertainty (this may be eligible as a supporting activity under the RDTI).
Manufacturing and production	<p>Executing a full-scale production run, i.e. to manufacture the final product in sufficient quantities to meet the market demand, is an ineligible activity.</p>
Research to develop new markets	<p>Research to investigate a new target market which is outside the scope of the approved innovation project is ineligible. The Ārohia Trailblazer Grant supports getting your innovation into the first target market. It does not fund expansion beyond the market targeted for a first market launch.</p>
Remuneration	<p>Types or remuneration that are ineligible include:</p> <ul style="list-style-type: none"> – paying a discretionary bonus or performance related payment – making a dividend payment.
Capital Raising Costs	<p>Costs incurred to raise capital to fund your share of the project are ineligible</p>

Acquire land and property	Purchasing land or property is ineligible.
Obtain professional advice and support	<ul style="list-style-type: none"> – The following advice/services are ineligible for Ārohia Trailblazer Grant funding: – general legal/compliance advice (unrelated to your innovation project) – paying an independent auditor or accountant to prepare financial reports – paying someone to prepare an Ārohia Trailblazer Grant application.
Entertainment	Entertainment is an ineligible expense.
Costs incurred outside the Funding Agreement period	An activity is ineligible if it is carried out prior to the start date or after the end date of a Callaghan Innovation Ārohia Trailblazer Grant Funding Agreement.
Activities that would impact reputation	An activity is ineligible if it would bring the reputation of the grant initiative, Callaghan Innovation, or the Government into disrepute.