

Te Tai Tokerau impact study

Kānoa – Regional Economic Development & Investment Unit

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Making sense of the numbers

Business and Economic Research Limited (BERL) was commissioned by the Ministry of Business, Innovation and Employment (MBIE) to conduct an independent study on the impacts of investments in Te Tai Tokerau (Northland) by Kānoa – Regional Economic Development & Investment Unit (Kānoa) through multiple funds..

The economy of Te Tai Tokerau

The economy of Te Tai Tokerau underperformed, compared to the national economy, in the 2012–2022 period. While the region had an average Gross Domestic Product (GDP) growth of three percent per year, which is on par with the national average, a large population growth of 23 percent meant that GDP per capita has only grown 0.9 percent per year. Additionally, labour productivity growth has decreased by 0.2 percent annually in the region. Although its strong population growth rate has been a positive contribution to the region, many regions struggle to attract people to come and settle.

Most of the top 10 largest industries in Te Tai Tokerau experienced growth in employment from 2018–2022, with many industries performing better in the region than nationally. However, the agriculture industry, the largest industry in the region (9.6 percent), had a fall in employment of seven percent throughout the period. In 2022, employment fell by three percent in this industry, contributing to the overall decrease in employment growth in 2022.

Despite some industries performing better in the region than the national economy, Te Tai Tokerau is still underperforming against the national economy, particularly in GDP per capita. One reason is the region's poor performance in agriculture. Another reason is the lower share of employment in the professional, scientific, and technical services industry within the region's economy (3.8 percent) compared to the national economy (6.8 percent). This is relevant because this industry has grown significantly in the past decade and has strong potential for further growth.

Economic Impact Assessment of Kānoa funding

Since 2017, Kānoa has distributed nearly \$797 million of funding through loans and grants to 210 organisations in Te Tai Tokerau. These include local Councils, private businesses, charitable trusts, and Māori organisations.

To understand the economic impacts of Kānoa funding, an Economic Impact Assessment (EIA) was conducted. After accounting for additionality, the direct investment from the total Kānoa funding of projects in the region was \$619.3 million. In total, this direct investment created economic activity worth \$1.19 billion. This generated around \$519.8 million in total GDP, which is sufficient to support the total employment of 5,571 full-time equivalents (FTEs) in Te Tai Tokerau.

The data provided by Kānoa showed that project funding commenced in 2017 and continued through 2022, with the bulk of the funding being provided in 2020. On average across the six years, this totalled \$103.2 million annually. In total, accounting for all upstream, downstream, and induced impacts, the annual average of \$103.2 million in investment created total activity of \$199.1 million. This generated a total annual GDP of \$86.6 million, sufficient to support the employment of 929 FTEs annually.

Impacts on communities

To understand the wider impacts of Kānoa funding on Te Tai Tokerau (social, cultural, environmental, and economic impacts), we selected and invited 20 fund recipients to participate in interviews. Our selection of interviewees aimed to cover the whole range of project types, industry types, and sub-regions, to provide a representative sample. Given the difficulties caused by the floods and Cyclone Gabrielle in early 2023 for selected participants, we could only complete 16 interviews within the research timeframe. We are confident that this sample size was sufficient, and represented a significant and broad presentation of the projects.

The majority of the interviewees mentioned that their projects greatly benefitted local contractors and the local workforce as a whole. Most organisations managed to hire predominantly local contractors to undertake the work for their Kānoa funded projects. Moreover, in some projects, there was a focus on hiring Māori contractors, which further benefitted Māori small-to-medium businesses in the region.

Many interviewees mentioned that the local contractors they hired undertook skill development specifically for their Kānoa funded projects. On top of that, some interviewees commented that the fact that they were providing contractors with large and long-lasting projects gave contractors the certainty and confidence to make capital investments in tools and equipment that will likely be used for other projects in the future.

Numerous interviewees stated that there is a growing sense of pride in the region as a result of projects funded by Kānoa. One way this is expressed is through the promotion of local employment. This enabled people, especially younger workers, to stay in the region. This was particularly important for Māori, and interviewees commented that they were satisfied that there was support for rangatahi Māori to stay in the region.

Some interviewees, especially those from charitable trusts and Māori organisations, mentioned that their projects have delivered excellent cultural and educational benefits to their communities and to visitors. These same projects would often not deliver substantial economic benefits, as this was not their main purpose, which made it incredibly difficult for them to secure funding from private lenders.

Some of these projects funded by Kānoa involved the construction or revitalisation of museums, art galleries, training centres, and marae. Interviewees mentioned that these projects have, in the case of museums and art galleries, enabled the organisations to host school groups, researchers, and the general public. They also mentioned that these projects delivered a significant cultural benefit, that could not be measured in monetary terms.

Kānoa has also funded projects that are of cultural significance for Māori. These included the clean-up of waterways, which opened up new access points to culturally significant sites, and the revitalisation of marae. These impacts are not quantifiable in a monetary way, and the Māori organisations that undertook those projects stated that they would not have been able to secure funding otherwise.

Kānoa funding also went into infrastructure projects in Te Tai Tokerau. This included riverbank reinforcement, roads, pedestrian infrastructure, and water storage. These projects improved the region's resilience to natural disasters, increased the region's economic competitiveness, promoted road and pedestrian safety, and promoted the diversification of the region's economy.

Kānoa funded projects delivered significant environmental benefits to the communities in Te Tai Tokerau. These included reforesting riparian areas, cleaning-up waterways, and fencing waterways adjacent to dairy farms. The main purpose of these projects was to promote environmental well-being among the local communities, and hence they faced barriers to accessing funding from private lenders. Kānoa became the enabler in these instances.

Impacts on organisations

Apart from promoting skills development among contractors and the community, projects funded by Kānoa also promoted skills development within the organisations. This was predominantly among the smaller organisations that were not used to undertaking larger scale projects. Some interviewees commented that they had improved their management skills.

The vast majority of projects that received funding from Kānoa enabled the organisations that delivered the projects to build capacity and capability.^{1,2} The majority of projects involved building something new or revitalising spaces that had previously been unsuitable for use. For instance, interviewees commented that museums and art galleries were built, revitalised, or expanded. These are now able to host, or have increased their capacity to host, events, school groups, researchers, and tourists.

¹ Capacity can be defined as the number of projects or products an organisation can deliver (how many/much they can deliver).

² Capability can be defined as the types of projects or products an organisation can deliver (what they can deliver).

Increasing capacity can allow organisations to increase their revenue, number of employees, and market share, and increasing capability allows an organisation to gain access to new types of clients, projects, and markets. Increasing both capacity and capability is necessary for increased productivity.

Kānoa enabled innovation to take place among organisations that received its funding. Some interviewees mentioned that they, or the contractors they hired, were enabled to promote innovation through the material aspects of the project. This means that new, innovative equipment was purchased or used to complete projects, and will be available for use in future projects.

Frequently, interviewees mentioned that Kānoa promoted institutional innovation in their organisation. This enabled new organisational processes to manage projects more effectively. Some interviewees, particularly local Councils, mentioned that they took the opportunity to improve their relationship with the community, iwi, and hapū.

While all interviewees reported that they were satisfied with the overall experience of undertaking a project funded by Kānoa, most stated that there were some challenges. Many interviewees, particularly those from smaller organisations, commented that the costs related to the administration and reporting of their projects were high. This was not likely to be a problem for the larger organisations that already had a relatively large administrative team and well-established processes.

Another common challenge was the disruption of supply chains caused by the COVID-19 pandemic. This was a widespread issue that affected most organisations in some way or another, but it was predominant among those that undertook construction-related projects.

Lastly, while interviewees commented on these challenges, overall they were very grateful and satisfied with the support they received from MBIE staff and their involvement in the projects.

Observations

Our analysis was limited in scope to projects within Te Tai Tokerau. Nonetheless, it shows Kānoa has been successful in contributing to many significant outcomes in the region. Furthermore, a significant proportion of the projects were not yet completed or were just at the start of the project. We would suggest that a follow-up evaluation be completed in the future to test if the proposed outcomes have been achieved.

Lastly, interviewees commented on some of the challenges they faced with the Kānoa programme. Their comments provided relevant insights into what improvements can be made to the programme. We suggest that MBIE undertake further engagement and ongoing discussion with organisations that received funding. The goal of this engagement should be to further improve processes in the receiving organisations, as well as Kānoa, to maximise the positive impact.

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1 Introduction

Business and Economic Research Limited (BERL) was commissioned by the Ministry of Business, Innovation and Employment (MBIE) to conduct an independent study on the impacts of investments in Te Tai Tokerau (Northland) by Kānoa – Regional Economic Development & Investment Unit (Kānoa) through multiple funds.

In this report, we detail our estimate of the impacts of the Kānoa funding. We begin with a general overview of our methods, followed by an overview of the economic position of Te Tai Tokerau, and a description of the investment outcomes framework.

We then describe the Economic Impact Assessment tool that we built specifically for Te Tai Tokerau, and comment on our estimate of the impact of Kānoa on the region's economy. Additionally, we comment on the information collected in our interviews with organisations that received Kānoa funding, followed by a section covering our conclusions from this research and observations.

1.1 Kānoa – Regional Economic Development & Investment Unit

Kānoa was established in 2018 within MBIE to facilitate the delivery of government funding to enhance economic development opportunities in regional New Zealand. The overall objectives of the programme are to promote economic well-being in regional New Zealand. Although Kānoa administers multiple funds, for this report we limit our scope to the following funds:

- Provincial Growth Fund (PGF)
- COVID-19: Infrastructure Investment
- COVID-19 Response – Worker Redeployment Package
- Regional Growth Initiatives (2016–2021)
- Strategic Tourism Assets Protection Programme (CRRF-TSRF)
- Regional Investment Opportunities (NZ Upgrade Programme).

Among the funds listed above, the PGF is the most significant, funding 84 percent of the projects relevant to this impact study. The PGF aimed to lift productivity in the provinces. Its priorities were to enhance economic development opportunities, create sustainable jobs, enable Māori to reach full potential, boost social inclusion and participation, build resilient communities, and help meet New Zealand's climate change targets.

2 Methodology

To assess the impacts of Kānoa – Regional Economic Development & Investment Unit (Kānoa), we developed an investment outcomes framework for the regional economic development projects that were funded by Kānoa. This framework contains a series of outcomes, and the direct and indirect indicators that inform each of them.

2.1 Scope

Project location – Te Tai Tokerau

For this report, we focused only on projects in Te Tai Tokerau. Since 2017, Kānoa has distributed nearly \$797 million of funding through loans and grants to 210 organisations in Te Tai Tokerau. These include local Councils, private businesses, charitable trusts, and Māori organisations.

Timeframe

Kānoa was originally established in 2018, under the name of “Provincial Development Unit”. The timeframe of our economic and well-being analysis is from 2018 until the present.

2.2 Economic Impact Assessment calculation tool

Ministry of Business, Innovation and Employment (MBIE) commissioned Business and Economic Research Limited (BERL) to create a tool to calculate an estimate of the economic impact of proposed investment funding in Te Tai Tokerau. This tool will be used by Kānoa to evaluate the potential economic impact of future investment funding, as part of the assessment decisions of any proposed funding in Te Tai Tokerau.

The purpose of the tool is to enable Kānoa to calculate the potential economic impact of a proposed single project, or group of projects, in Te Tai Tokerau in terms of value add (GDP) and employment (FTEs) in the region. The outputs from this tool could be used as one of the inputs in evaluating the economic feasibility of a proposed single project, or group of projects, before Kānoa approves any funding applications.

2.3 Economic Impact Assessment

Our chosen method for measuring economic outcomes is an Economic Impact Assessment (EIA) of the funding from Kānoa towards projects in Te Tai Tokerau.

Measures of economic impact

The three measures we use to describe economic impact are:

Output (Expenditure): The value of production, which is built up through the national accounts as a measure of gross sales or turnover. This is expressed in \$million at constant prices (i.e., removing the effect of inflation) and includes GST.

Real GDP: The increase in output generated along the production chain, which when aggregated, totals Gross Domestic Product (GDP). This is the sum of:

- Compensation of employees (i.e., salaries and wages)
- Income from self-employment
- Depreciation
- Profits
- Indirect taxes less subsidies.

Note that the expenditure measure is made up of the above (value added) plus:

- Intermediate purchases of goods (other than stock in trade)
- Intermediate purchases of services.

Employment: The volume of employment is usually expressed as full-time equivalents (FTEs). These are estimated as the number of full-time employees, working proprietors, and one-third of the number of part-time employees, converted to an annual basis.

FTEs provide a measure of total labour demand associated with expenditure – e.g., four full-time jobs running for three months, or three part time jobs running for a year, would be shown as a single FTE.

Understanding impact types

We calculate the total economic impact broken down by direct, indirect, and induced impacts:

Direct refers to the direct economic activity generated by the investment, such as money spent on capital costs and operations.

Indirect refers to the economic activity generated by industries associated downstream and upstream of the project, for instance, farms, transport haulage, and building construction.

Induced refers to the economic activity generated by industries not associated with the project in the value chain, but that would still be affected by the additional economic activity. For instance, retailers in regional New Zealand could see increased customers if there were additional workers in the region.

The data used in the EIA was sourced from MBIE, and directly from fund recipients through interviews.

2.4 Data

Interviews

To understand the impacts of Kānoa funding on Te Tai Tokerau, we undertook interviews with 16 fund recipients. The interview questions were designed with the goal of reporting on the indicators from the investment outcomes framework, when possible. We also conducted an EIA of the Kānoa funding.

The interviews were conducted on Microsoft Teams and Zoom, with a semi-structured format of around 10 questions. The interview questions can be divided into three themes that inform the indicators from the framework:

1. Project information: General information on the projects that received funding from Kānoa
2. Benefits to the organisations: How Kānoa investments benefitted the organisations funded
3. Benefits to the community: How Kānoa investments benefitted the communities impacted by the projects.

In some topics, we have grouped our analysis of the interviews by organisation type (local Councils, private businesses, charitable trusts, and Māori organisations) to account for the focus on different outcomes.

Input-Output table

To calculate the economic impact of Kānoa funding, we used a method that employs multipliers derived from inter-industry Input-Output tables for Te Tai Tokerau. Te Tai Tokerau Input-Output tables are derived from national Input-Output tables, and additional data, from Butcher Partners – a recognised source for regional Input-Output tables and multipliers. Multipliers allow the identification of the direct, indirect, and induced effects of additional activity or expenditure in terms of Output (GDP) and FTE employment.

Since the COVID-19 pandemic began in 2020, there has been some disruption to industries due to shortages in labour and some inputs, and delays in global trade shipments of exports and imports. These disruptions will have seen some businesses adjust their operations because of these effects. Even with these disruptions, it is highly unlikely that any adjustments made will have sufficient scope and scale within industries to alter the Input-Output relationships, as described in the national and regional Input-Output tables. Therefore, BERL is comfortable in not adjusting the Te Tai Tokerau Input-Output tables used in this report.

In addition, it should be noted that a considerable portion of Kānoa funding measured in this report occurred prior to, or within the first year of, COVID-19 in 2018, 2019, and 2020. As such, the economic activity generated by this funding would have occurred prior to any adjustments made by businesses in 2021 and 2022.

It is important to understand that the Input-Output multipliers only calculate the economic impact of the activity generated from the initial investment or direct expenditure, and do not include any ongoing economic impacts that may occur in the future because of the initial investment. This means that the total output, GDP, and employment numbers shown in this report have been generated solely from the activity resulting from the initial Kānoa funding amounts.

For example, if Kānoa provided \$1,000,000 of funding to build a road, water storage facility, building, or other capital asset in Te Tai Tokerau, then our economic impacts calculation would only estimate the total output, GDP and employment that would be generated to build that million-dollar capital asset, rather than the ongoing economic impacts that may occur through the operation of that capital asset. Determining the ongoing economic impacts in terms of output, GDP, and employment numbers from the projects was out of scope for this project.

2.5 Data limitations

Interviews

Twenty fund recipients were originally selected based on criteria agreed upon with Kānoa, however, ongoing difficulties caused by the weather events in early 2023 meant some fund recipients were not able to participate in the interviews. Due to the tight timeframe of the research, we did not have enough time to identify and contact new fund recipients that also met the criteria. This meant it was only possible to complete interviews with 16 fund recipients. Therefore, the sample size represented eight percent of the recipient organisations, rather than the intended 10 percent (210 fund recipient organisations). We mitigated the risks of selection bias by spreading the 20 selected fund recipients across different industries and sub-regions.

Many interviewees mentioned that their projects were still in progress, or had just finished, which made it difficult to fully evaluate the impacts. Also, many interviewees who delivered projects related to the tourism industry stated that they had not yet fully realised the benefits of their projects, due to the slow recovery of international tourism in Te Tai Tokerau.

Additionality

It is generally true that when an investment is made in an area, it creates positive economic impacts. However, the question is, would the investments have occurred even if Kānoa did not fund the project? In other words, what proportion of the total economic impact created by the investments is new or *additional* to what would have occurred anyway. We have augmented our methodology to account for this by asking our interviewees for information allowing us to estimate the *additionality*. We detail this in Section 5.1.

Direct employment

Multiplier Analysis is concerned with the *economic activity* associated with an investment or a programme. Consistent with best practice, we report the direct employment created by this economic activity. However, this direct employment is not the same as the number of staff supported by Kānoa. Instead, it is a measure of how many jobs can be sustained by the *economic activity*.

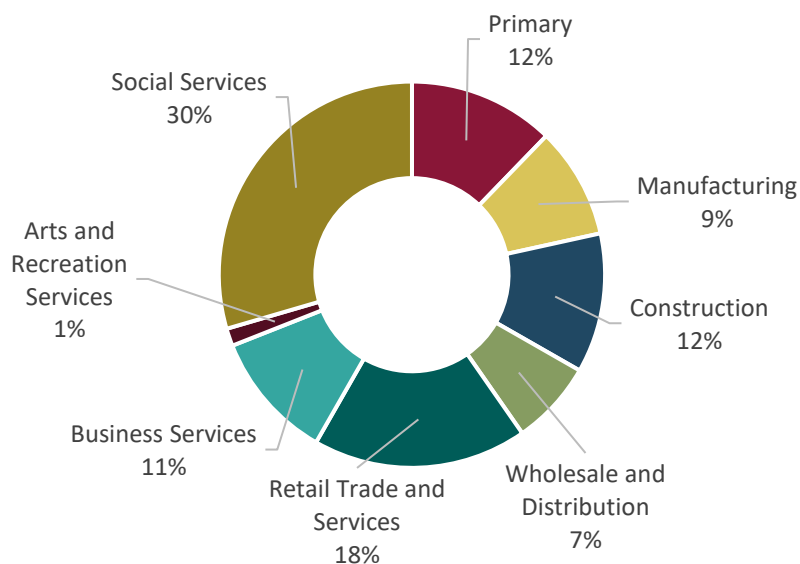
3 The economy of Te Tai Tokerau

In this section, we analyse the economic performance of Te Tai Tokerau, with a focus on the past five years. Te Tai Tokerau is the northernmost region of New Zealand, with an estimated population of 201,500 people, representing 3.9 percent of the country’s population. The region is divided into three districts: Whangarei, Kaipara, and Far North.

The region’s GDP was \$10.3 billion in the year ending March 2022, representing 2.9 percent of the country’s GDP. The region’s annual GDP per capita was \$51,133 in the same quarter, which is significantly lower when compared to the average GDP per capita for New Zealand, which is \$70,510 per annum.

In 2022, the largest sectors in the region by employment were social services, retail trade and services, primary, and construction (Figure 3.1).

Figure 3.1 The eight sectors in Te Tai Tokerau, by FTEs, 2022



Source: BERL analysis

Agriculture is the largest industry employer in the region, comprising 9.6 percent of the region's FTEs. The top 10 industries in Te Tai Tokerau in terms of full-time equivalent (FTE) employment are outlined in Table 3.1. Other industries in the region that employ a large share of FTEs are in the health sector (hospitals and medical and other health care) and education.

Table 3.1 Te Tai Tokerau largest industries by employment

Industry	Employment (FTEs)	
	2022	% of total
Agriculture	6,656	9.6
Preschool and School Education	5,241	7.5
Construction Services	4,418	6.3
Hospitals	4,194	6.0
Other Store-Based Retailing	2,910	4.2
Food and Beverage Services	2,794	4.0
Medical and Other Health Care Services	2,680	3.9
Professional Scientific and Technical Services	2,673	3.8
Public Administration	2,419	3.5
Food Retailing	2,320	3.3

Source: BERL analysis

Over the past decade, the economy of Te Tai Tokerau has not been performing as well as the rest of the country. As Table 3.2 indicates, while GDP grew three percent on average per year, which is on a par with the national economy's average annual growth of 2.1 percent, faster population growth meant that GDP per capita stayed almost constant, growing only 0.9 percent per year over the past decade.

Table 3.2 Key Performance Indicators 2012–2022

Key Performance Indicators	Percent per annum for 2012–2022	
	Te Tai Tokerau	New Zealand
Resident population growth	2.1	1.5
GDP growth	3.0	2.9
GDP per capita growth	0.9	1.4
Employment growth	2.8	2.7
Labour productivity growth	-0.2	0.2
Business units' growth	1.5	2.1
Business size growth ³	2.4	2.2

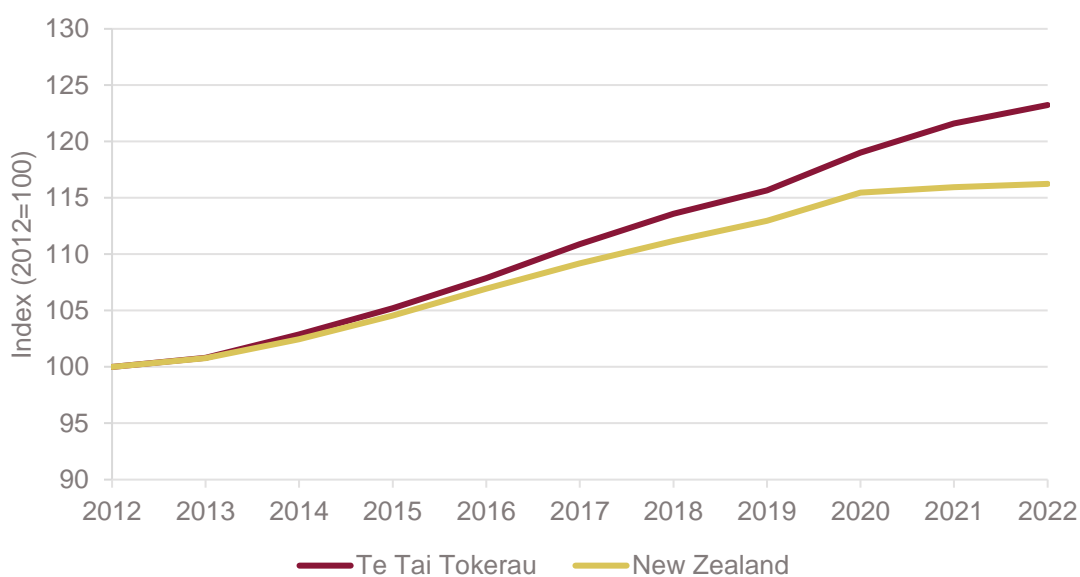
Source: BERL analysis

³ Business size refers to the number of FTEs a business employs.

Employment grew 2.8 percent per year in the region, which is similar to the 2.7 percent annual growth nationally. Furthermore, labour productivity growth is of concern for Te Tai Tokerau as it decreased by 0.2 percent on a yearly basis in this period, which is below the national yearly average of 0.2 percent growth.

While the region is underperforming in most indicators, it is strong in population growth, which is an indicator that many regions struggle with. In the 2012–2022 period, the population grew 23 percent in the region, while it grew 16 percent nationally (Figure 3.2). This strong growth in population is one of the factors impacting GDP growth in the region.

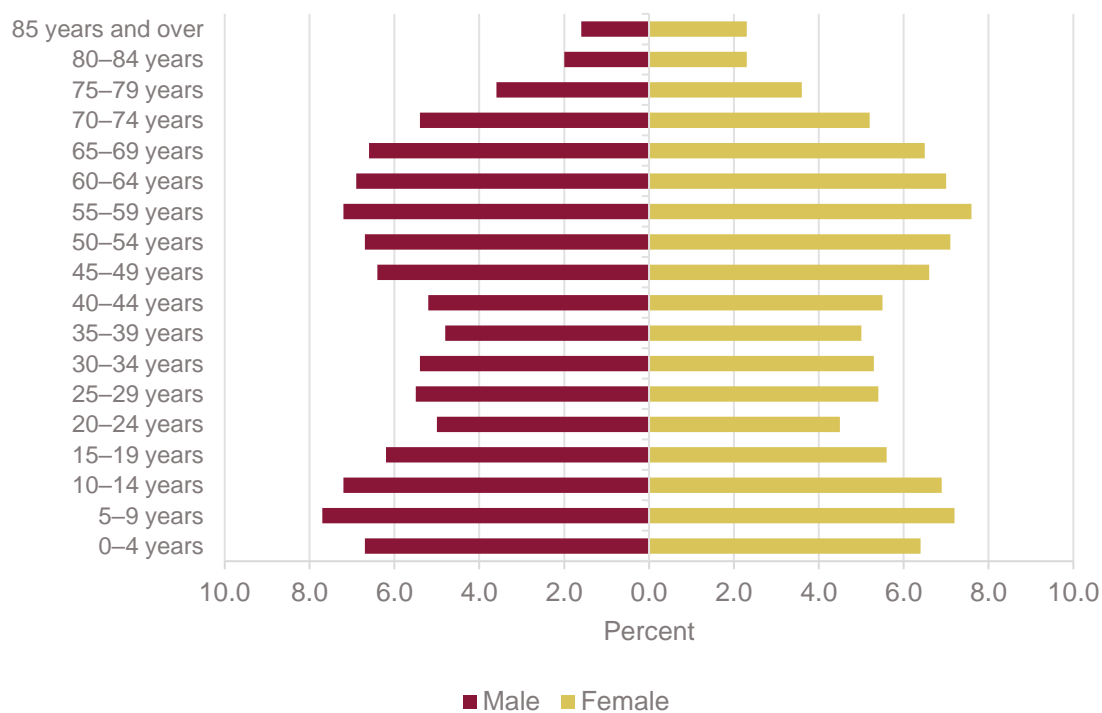
Figure 3.2 Index of population, Te Tai Tokerau vs New Zealand, 2012=100



Source: Statistics New Zealand

Additionally, it is likely that this population growth is mostly resulting from a higher birth rate in Te Tai Tokerau than nationally, and retirees migrating to the region from other parts of the country. These conclusions are supported by the region’s demographic pyramid, which shows that population in the region is more concentrated in the younger and older age groups.

Figure 3.3 Demographic pyramid Te Tai Tokerau, 2018



Source: Statistics New Zealand

In 2022, the region's economy continued to underperform compared to the national economy, as Table 3.3 shows.

Table 3.3 Key Performance Indicators 2022

Key Performance Indicators	Percent per annum for 2022 year	
	Te Tai Tokerau	New Zealand
Resident population growth	1.4	0.2
GDP growth	3.3	4.9
GDP per capita growth	2.0	4.7
Employment growth	1.6	3.1
Labour productivity growth	1.6	2.1
Business units' growth	6.6	5.1
Business size growth ³	-4.7	-1.9

Source: BERL analysis

The combination of a faster population growth than the national economy (1.4 percent vs 0.2 percent) and a slower GDP growth (3.3 percent vs 4.9 percent), resulted in slower growth of GDP per capita in the region (2 percent) when compared to the 4.7 percent growth nationally. Employment growth picked up in the region in 2022. It grew 1.6 percent, which is higher than the region's population growth. Nonetheless compared to the national economy, it was still lagging as national employment grew 3.1 percent.

While business units grew faster in the region than nationally (6.6 percent vs 5.1 percent), they also reduced in size at a greater rate than nationally (-4.7 percent vs -1.9 percent). This means that there were more business units being created in the region when compared to the national economy, but at the same time, business in the region reduced in size at a greater rate. Hence, the research suggests that Te Tai Tokerau is recovering more slowly from the economic shock of the COVID-19 pandemic when compared to the national economy.

3.1 The top 10 industries in Te Tai Tokerau

In this section, we outline how the top 10 industries in Te Tai Tokerau (in terms of FTEs) have performed in the last five years. The goal of this comparison is to analyse the economic impacts of Kānoa in the region, and how each industry is recovering from the economic downturn caused by the COVID-19 pandemic and containment measures in the region and nationally.

As Figure 3.4 shows, FTE growth in Te Tai Tokerau followed the same trend as the national FTE growth over the past two decades. However, it should be noted that the region suffered stronger adverse effects on FTE growth during the 2008 Global Financial Crisis, and it is recovering more slowly from the pandemic, when compared to the national economy.

From 2017 to 2021, FTE growth in Te Tai Tokerau was faster than nationally, but it dipped below the national economy in 2022. The region's worst performance in FTE growth was from 2009 to 2015, as it dipped to -3.3 percent in 2010, while nationally, FTE growth dipped to -1.5 in the same year.

Figure 3.4 Total FTE growth annually



Source: BERL analysis

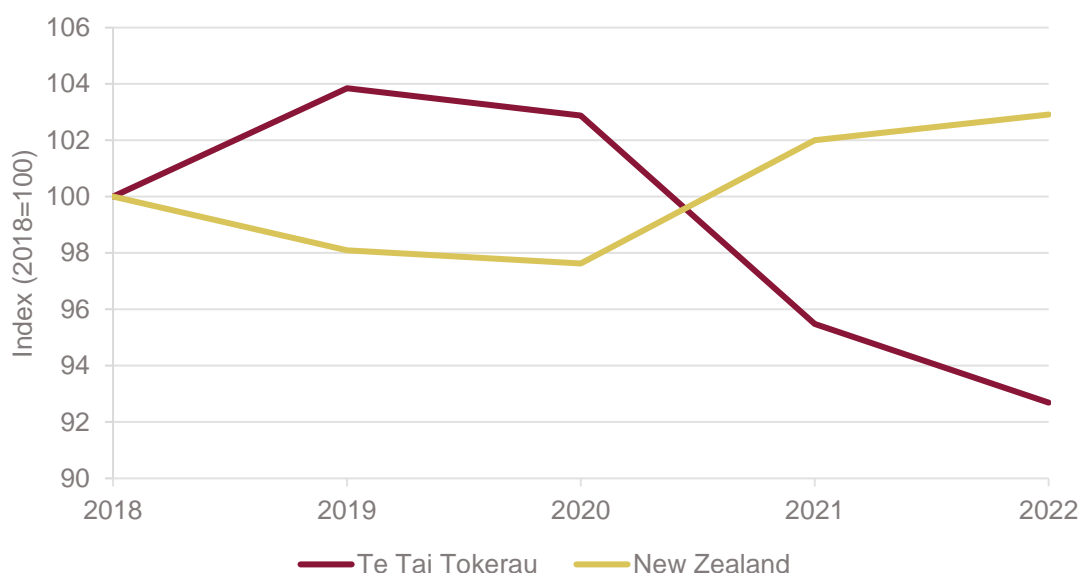
We focused on each of the industries in Table 3.1 to understand how employment in these industries changed over the past five years. We also compared the trends in employment in the same industries at the national level. To compare employment in New Zealand and Te Tai Tokerau, employment is presented as an index. The amount of employment in each industry in both the locations in 2018 has been set to an index level of 100. The movements over the last five years show the change in employment relative to its level in 2018.

3.1.1 Agriculture industry

Employment in the agriculture industry grew strongly in the region in 2019, and it outperformed the industry nationally until 2020 (Figure 3.5).⁴ However, employment in the agriculture industry fell sharply in 2021 and 2022 in the region, while nationally, employment in the industry experienced significant growth. This suggests that the agriculture industry, which is the largest industry in the region in terms of employment (9.6 percent), is struggling to recover and is an important contributor to the region's slower recovery when compared to the national economy.

There have been some additional contributing factors to the slow recovery. The region experienced drought conditions in 2019 and 2020.⁵ In addition, the data shows that the kiwifruit, berry fruit, citrus fruit, and other fruit and nut growing industries have seen multiple large annual changes in their employment across the five-year period. The drop in employment has been a result of all of these compounding factors, as well as the changes in land use that are currently being undertaken in the region.

Figure 3.5 Index of employment in the agriculture industry, 2018=100



Source: BERL analysis

⁴ The agriculture industry includes the following subsections as per the Australian and New Zealand Standard Industrial Classification (ANZSIC): Nursery and Floriculture Production, Mushroom and Vegetable Growing, Fruit and Tree Nut Growing, Beef Cattle and Grain Farming, Other Crop Growing, Dairy Cattle Farming, Poultry Farming, Deer Farming, Other Livestock Farming.

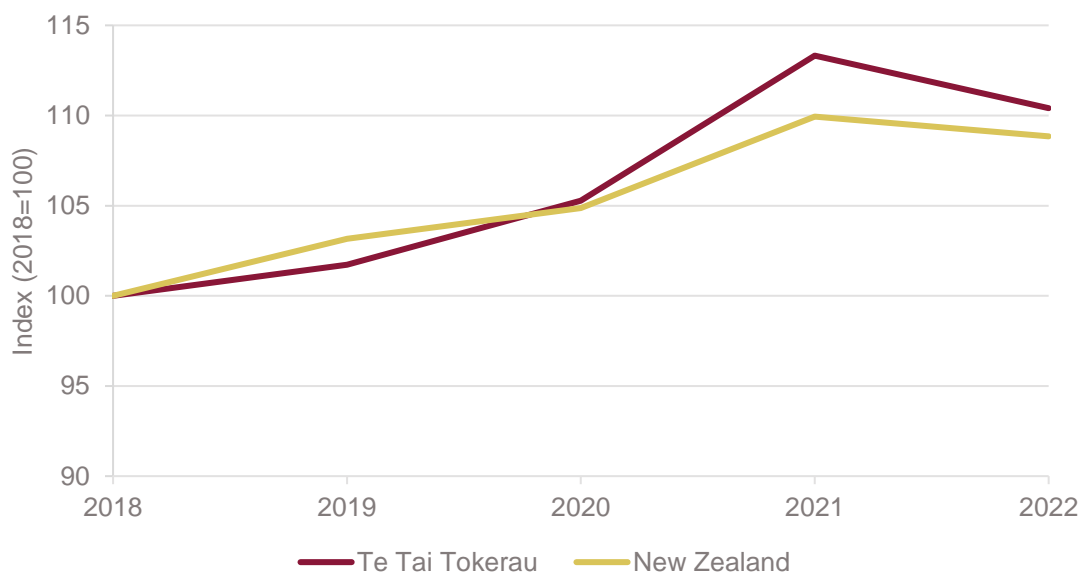
⁵ <https://www.nrc.govt.nz/news/2020/may/drought-firmly-locked-in-in-northland/>

3.1.2 Preschool and school education industry

Employment in the preschool and school education industry grew significantly in both the region and nationally across the observed period, with employment in the region surpassing national growth since 2020 (Figure 3.6). In the region, the industry's FTE numbers grew 13 percent from 2018 to 2021, falling 2.7 percent in 2022. The resilience of the preschool and school education industry through the COVID-19 pandemic is largely due to the fact that employment in this industry comes almost entirely from the public sector, which was able to continue to support employment in 2020 and 2021.

Moreover, the drop in employment in 2022 is the result of a decline in the number of primary school employees. Given the timing of this change, we concluded that this is likely due to the Government's COVID-19 Vaccine Mandate in schools, resulting in a reduction in the number of primary school employees.

Figure 3.6 Index of employment in the preschool and school education industry, 2018=100



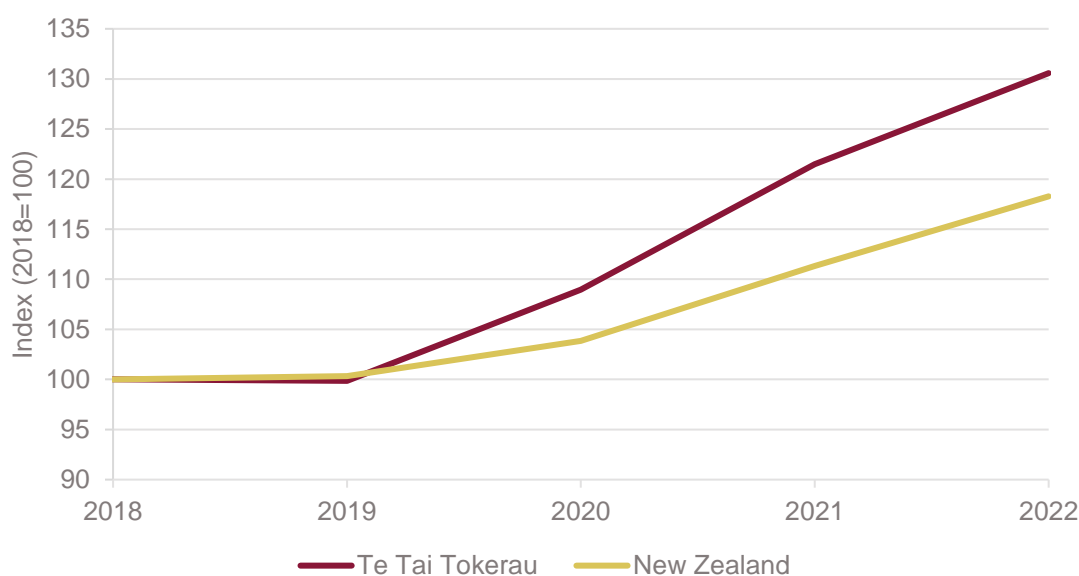
Source: BERL analysis

3.1.3 Construction services industry

Figure 3.7 indicates that the construction services industry has been one of the best performing industries in the past five years, both in Te Tai Tokerau and nationally. Construction services are one of the largest contributors to the economic recovery, as they did not shrink during the pandemic. From 2018 to 2022, employment in this industry grew 31 percent in the region, which is an outstanding result since it is considerably larger than the 18 percent growth nationally. The industry's activities could continue during most of the COVID-19 pandemic levels. Moreover, record low interest rates in 2020 and 2021, along with high demand for housing, boosted the construction sector as a whole over the past five years.

Strong population growth in the region across the period could also have supported employment growth in this industry to surpass the national economy, as a fast-growing population demands more housing and infrastructure. Moreover, given that many projects that received Kānoa funding were related to infrastructure, it is likely that this also boosted growth in employment in this industry in the region.

Figure 3.7 Index of employment in the construction services industry, 2018=100

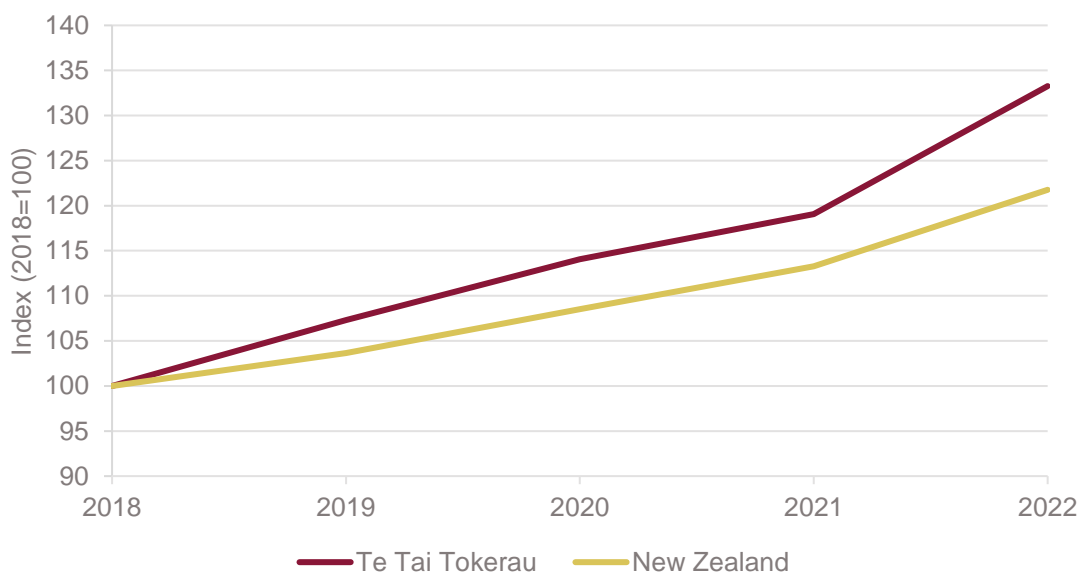


Source: BERL analysis

3.1.4 Hospitals industry

The hospitals industry is another industry where employment is almost entirely supported by the public sector. Because of this, the industry has experienced a growth of 33 percent in terms of employment in the past five years in Te Tai Tokerau, and 22 percent nationally, as Figure 3.8 depicts. Moreover, the hospitals industry is one of the few industries that grew the fastest in 2022, which could be due to the record investment in healthcare in the 2022 budget. This growth came partially from allied health professionals moving from the medical and other health care industry to the hospitals industry.⁶

Figure 3.8 Index of employment in the hospitals industry, 2018=100



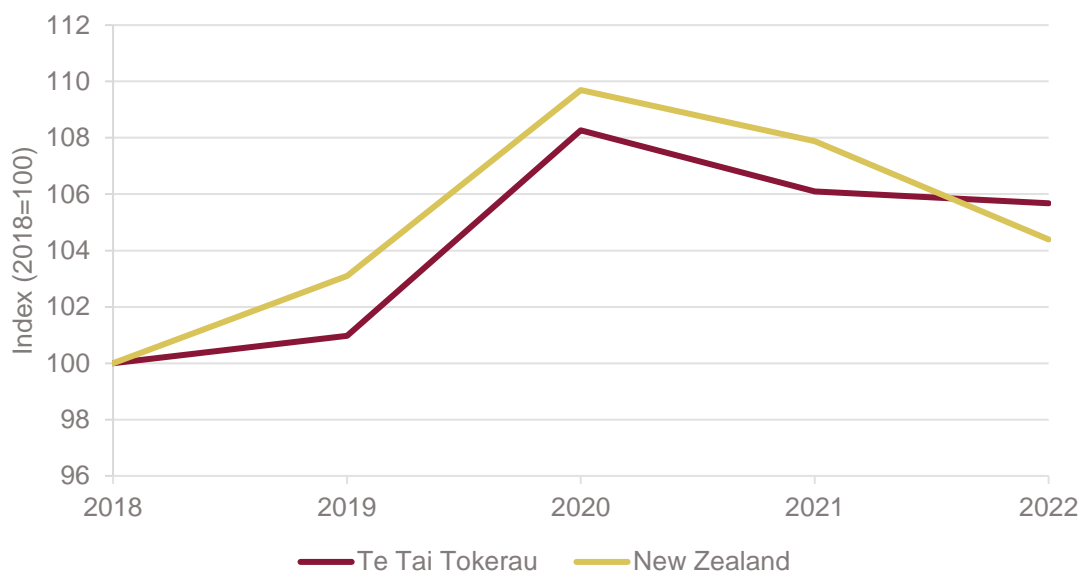
Source: BERL analysis

⁶ <https://www.health.govt.nz/about-ministry/leadership-ministry/allied-health>

3.1.5 Other store-based retailing industry

Figure 3.9 shows how employment in the other store-based retailing industry experienced strong growth in 2020 (around seven percent in both Te Tai Tokerau and nationally), before falling 2.4 percent in the region, and 4.8 percent nationally, between 2020 and 2022. Employment in this industry managed to stay somewhat static in the region in 2022, while it fell 3.2 percent nationally. It is likely that this industry will struggle to recover to pre-COVID-19 levels, as the pandemic accelerated the consumer behaviour trend of online shopping.

Figure 3.9 Index of employment in the other store-based retailing industry, 2018=100

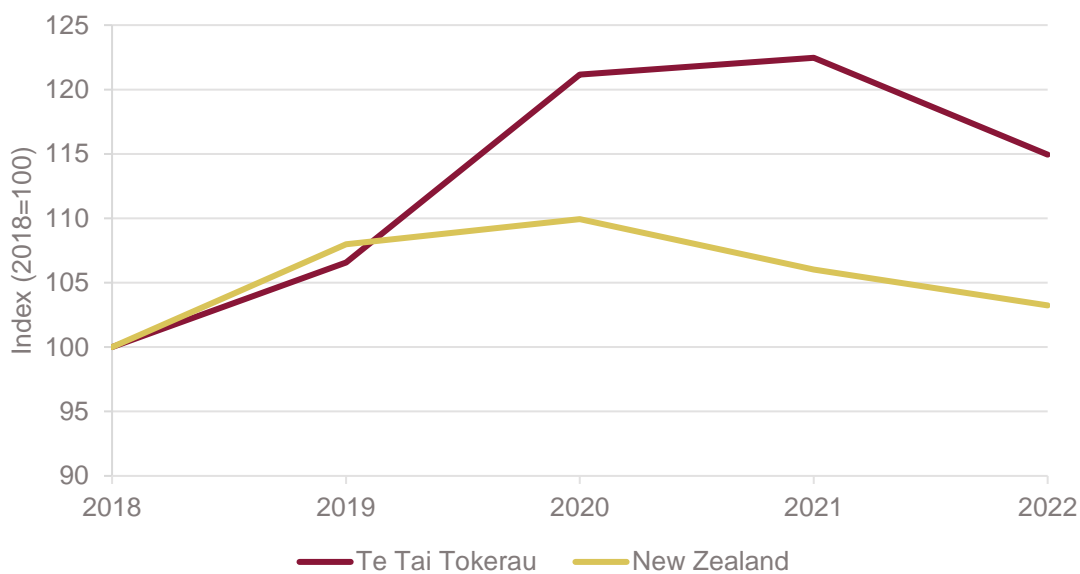


Source: BERL analysis

3.1.6 Food and beverage services industry

Figure 3.10 demonstrates how the food and beverage services industry experienced strong growth in employment in Te Tai Tokerau from 2018 to 2021 (22 percent) before falling 6.1 percent in 2022. In this industry, from 2018 to 2022, employment in the region grew by 15 percent, strongly outperforming employment nationally, which only grew by three percent. It is possible that a consistent and well-performing tourism sector in the region boosted growth in employment in this industry up to March 2020.

Figure 3.10 Index of employment in the food and beverage services industry, 2018=100

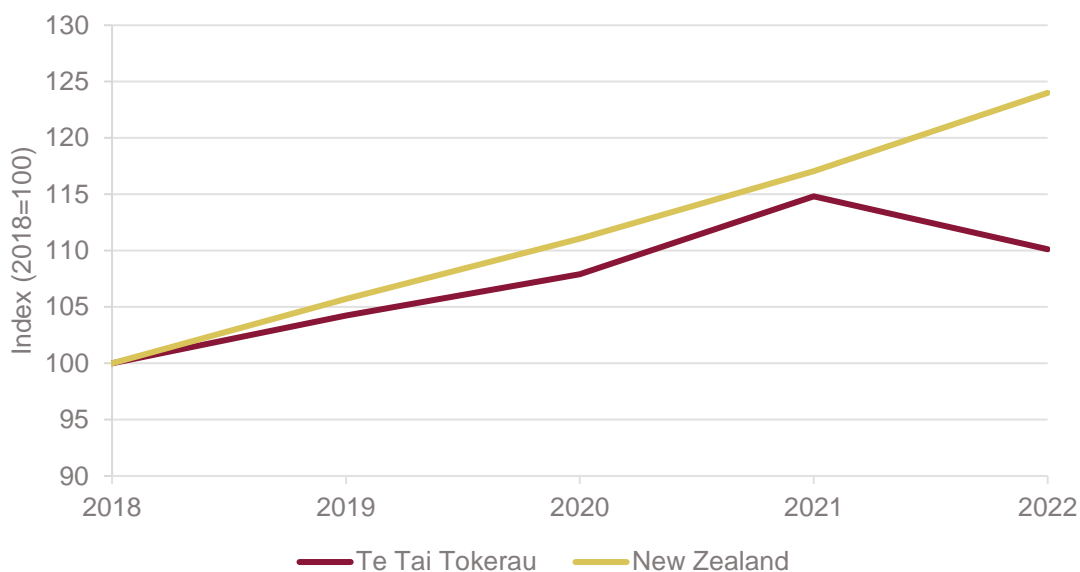


Source: BERL analysis

3.1.7 Medical and other health care industry

The medical and other health care services industry experienced strong growth in employment from 2018 to 2022 nationally and from 2018 to 2021 in Te Tai Tokerau (Figure 3.11). Employment fell in the region by 4.1 percent in 2022, after growing by 15 percent from 2018 to 2021. It is likely that this is due to the growth in employment in the hospitals industry. Nationally, employment in the industry behaved similarly, apart from the fact that it kept growing in 2022.

Figure 3.11 Index of employment in the medical and other health care services industry, 2018=100

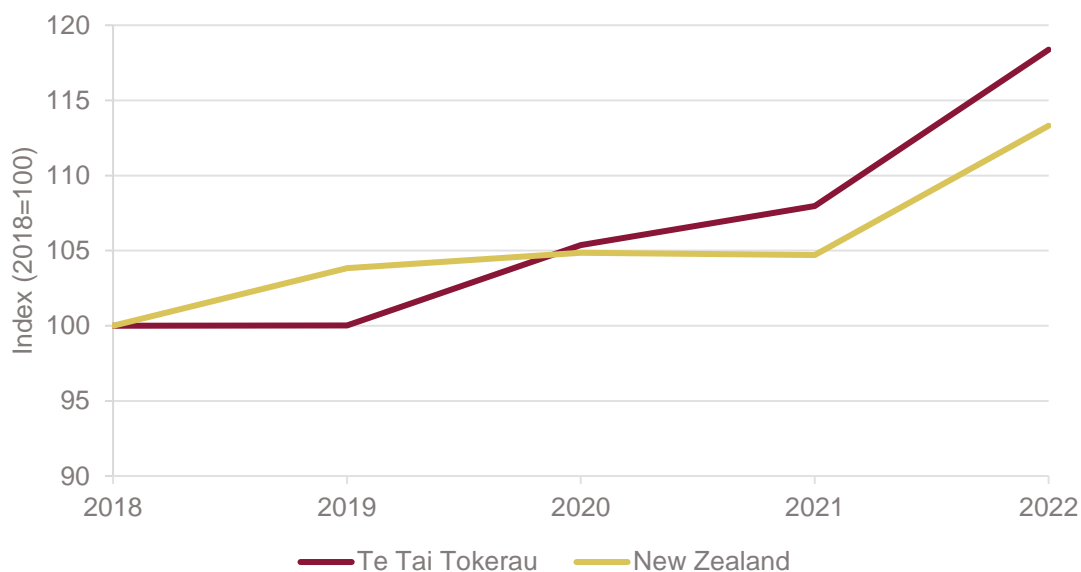


Source: BERL analysis

3.1.8 Professional, scientific, and technical services industry

Figure 3.12 indicates that employment in the professional, scientific, and technical services industry was not strongly affected by the COVID-19 pandemic economic downturn in the region, while it remained static in the national economy in 2020 and 2021. Employment grew 18 percent in the region from 2018 to 2022, while it grew 13 percent nationally. This is one of the industries that proved to be more resilient in the region than nationally.

Figure 3.12 Index of employment in the professional, scientific, and technical services industry, 2018=100

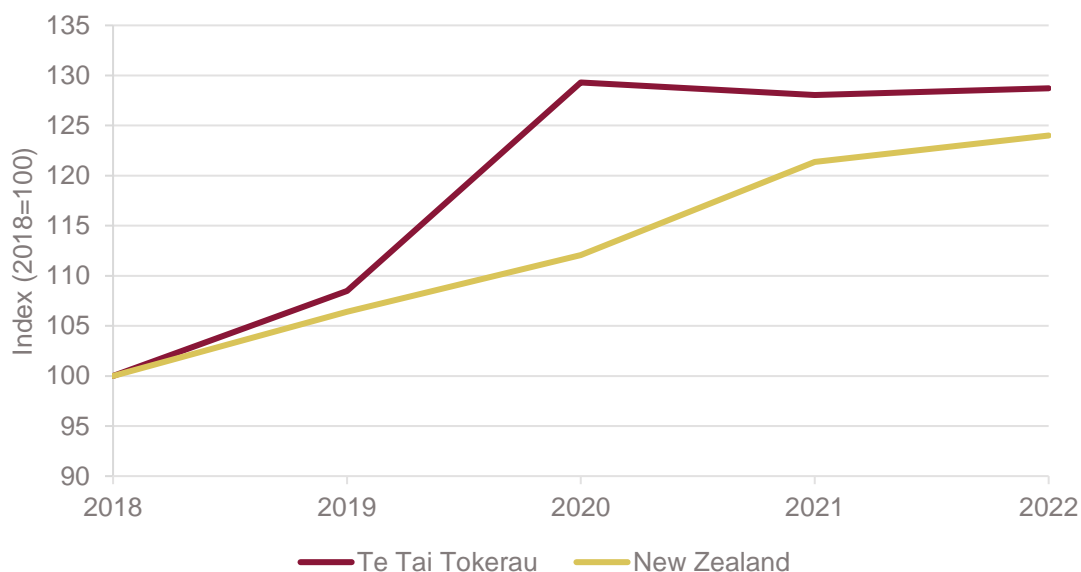


Source: BERL analysis

3.1.9 Public administration industry

Employment in the public administration industry, by definition, is supported by the public sector. In Te Tai Tokerau, employment in this industry grew 29 percent from 2018 to 2020, and then remained static until 2022 (Figure 3.13). In the March 2020 year, there was a jump in local government workers (120 FTEs) and an even bigger jump in central government employment (250 FTEs) in the region. Nationally, employment in the public administration industry grew 24 percent from 2018 to 2022, without large variations from year to year. This industry is particularly less impacted by market forces.

Figure 3.13 Index of employment in the public administration industry, 2018=100

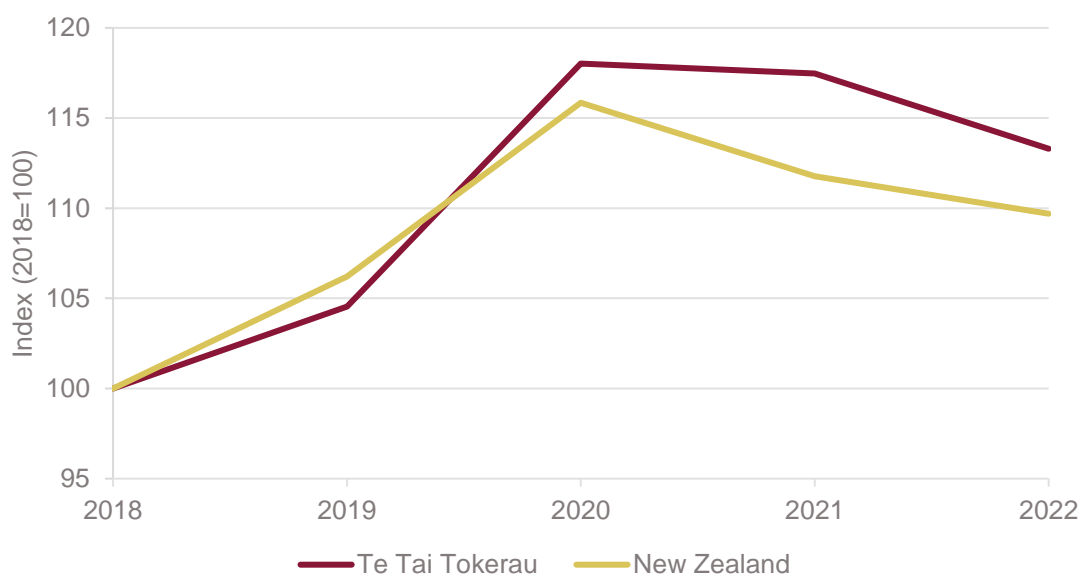


Source: BERL analysis

3.1.10 Food retailing industry

The food retailing industry saw significant growth in employment in 2020 in Te Tai Tokerau (12.9 percent) and nationally (9.1 percent) (Figure 3.14). However, this industry experienced a decrease in employment from 2020 to 2022 (-4.0 percent in the region and -5.3 percent nationally). Even though employment fell in the past two years in the industry, it fell at a slower pace in the region than nationally.

Figure 3.14 Index of employment in the food retailing industry, 2018=100



Source: BERL analysis

3.2 Conclusion

Our analysis shows that most of the top 10 largest industries in Te Tai Tokerau experienced growth in employment in the 2018–2022 period, with many industries performing better in the region than nationally. However, the agriculture industry was the main contributor to the overall decrease in employment growth in 2022, as it is the largest industry in the region (9.6 percent) and had a fall in employment of three percent.

Despite having performed better than the national economy in most of the industries analysed in this section, Te Tai Tokerau is still underperforming against the national economy overall, particularly in GDP per capita. One reason is the region’s poor performance relative to the national economy in agriculture, its main industry. Another reason is the share of employment in the professional, scientific, and technical services industry within the region’s economy (3.8 percent) relative to the share of the same industry in the national economy (6.8 percent). This is relevant because the professional, scientific, and technical services industry saw strong FTE growth in the 2018–2022 period (Figure 3.12).

4 Kānoa investments outcomes framework

The outcomes framework of Kānoa – Regional Economic Development & Investment Unit (Kānoa) has been informed by:

- The PRISM Regional Economies Framework tool⁷
- Treasury well-being frameworks, including the Living Standards Framework⁸
- He Ara Waiora⁹
- Objectives from the six fund types under consideration in the impact studies.

The following is a description of the outcomes framework structure. He Ara Waiora sits at the base of the framework, grounding the regional outcomes and the Living Standards Framework indicators in Wairua (spirit), Te Taiao (the natural world), and Te Ira Tangata (the human domain).

Above the outcome domains of He Ara Waiora are the regional outcomes. The fund type objectives, and early work on outcomes by the Kānoa team, have contributed to these regional outcomes.

Direct and indirect indicators have been categorised according to the four capitals of the Living Standards Framework – physical and financial, human, social, and natural. These capitals have a reciprocal relationship with the regional outcomes.

The five elements of the PRISM Regional Economies Framework (productive, resilient, inclusive, sustainable, and Māori enabling) support regions to prioritise factors that support their economic development. The Regional Strategic Partnership Fund (RSPF), which the PRISM Framework is used for, is out of scope for the impact studies. However, including PRISM within the outcomes framework will ensure there is continuity in measuring the outcomes of future Kānoa investments.

The key questions the framework, and therefore the impact studies, will aim to answer are:

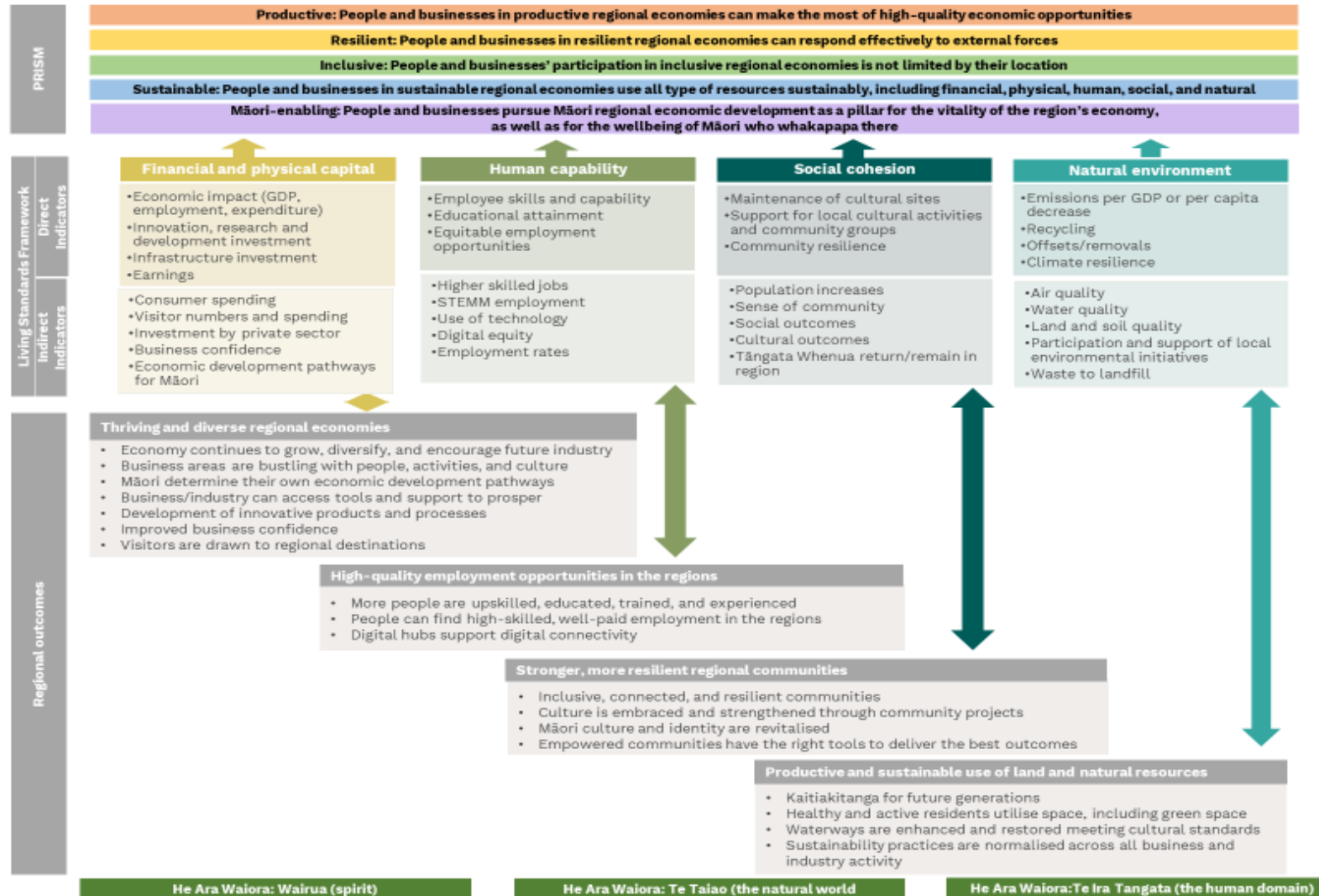
1. What have the impacts (intended and unintended) been?
2. How are the investments helping the region/sector?
3. What longer-term impacts are the investment outcomes likely to have?

⁷ <https://www.growregions.govt.nz/assets/content/prism-pillars-information.pdf>

⁸ <https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/our-living-standards-framework>

⁹ <https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/he-ara-waiora>

Kānoa investments outcomes framework



5 The impacts of Kānoa funding in Te Tai Tokerau

This section explores how projects funded by Kānoa – Regional Economic Development & Investment Unit (Kānoa) impacted financial and physical capital, human capability, social cohesion, and the natural environment in Te Tai Tokerau. To understand these impacts, we conducted an Economic Impact Assessment (EIA) and gathered further information through interviews.

5.1 Economic Impact Assessment

To conduct the EIA, a multiplier analysis was undertaken on the funding already contracted for the projects in Te Tai Tokerau. This process and its results are detailed in this section. We conducted an EIA of the realisation of projects in Te Tai Tokerau that received funding from Kānoa to illustrate the impact on the region's economy.

This analysis was broken down into three parts. The first considers the overall impacts of the funding from Kānoa for all projects in Te Tai Tokerau. The second considers the average annual economic impact the projects have had across the 2017–2022 time period. The third breaks down the impacts of the funding from Kānoa between the different sub-regions (Kaipara, Far North, and Whangārei).

Economic impacts are expressed in terms of the funding's contribution to GDP, employment, and expenditure generated. The total direct expenditure generated from the funding was \$619.3 million. From this, the total impact of the funding on the regional economy is greater than the amount of direct expenditure. This is because the money invested travels upstream and downstream of the investment. This creates multiple rounds of activity. Our methodology accounts for this complexity and estimates the final total impact. We also account for that portion of activity that represents imports and savings.

5.1.1 Additionality

An important consideration when conducting an EIA is the additionality of projects that received funding from Kānoa. Additionality is about determining the marginal impact the extra funding had on the economy, given that some activity would have occurred anyway. Almost all interviewees mentioned that their project(s) would not have gone ahead at the time they did without funding from Kānoa. In the analysis contained in this section, we have adjusted the investment amounts in the model to account for the additionality information collected in the interviews.

Not all of the 210 Kānoa funding recipients could be interviewed for this project to determine each project's additionality. We needed to estimate the additionality of the project funding, based on the results of the interviews, as well as previous work on Provincial Growth Funding (PGF) in Gisborne in 2022. In Appendix A, we have determined the 95 percent confidence interval range around the total economic impact, as noted in Table 5.1.

5.1.2 Total impact

In the first part on overall impacts, we calculated the total impact of Kānoa funding of projects in Te Tai Tokerau. The direct investment from the total Kānoa funding projects in the region was \$619.3 million.

This investment directly generated value-add (GDP) of \$246.1 million. This was sufficient to support 2,905 FTEs. Accounting for the upstream and downstream effects, we calculated that the direct investment of \$619.3 million created about \$394.1 million in indirect activities upstream and downstream from the investment. This created a value-add (GDP) of \$167.5 million, sufficient to support the employment of 1,851 FTEs.

Finally, when we account for the activity that the investment induces through the spend of employees, we calculate that this activity is around \$181.2 million, which generates \$106.2 million in GDP, sufficient to support the employment of 815 FTEs.

In total, the direct investment of \$619.3 million created economic activity of \$1.19 billion. This generated around \$519.8 million in total GDP, which is sufficient to support the total employment of 5,571 FTEs in Te Tai Tokerau. We summarise the results of our analysis in Table 5.1.

Table 5.1 Total economic impact of Kānoa funding in Te Tai Tokerau

	Direct	Indirect	Induced	Total
Expenditure (\$m)	619.3	394.1	181.2	1,194.5
GDP (\$m)	246.1	167.5	106.2	519.8
Employment (FTEs)	2,905	1,851	815	5,571

Source: BERL analysis

This analysis shows that for every \$213,200 directly invested by Kānoa (combined), it created activity to directly support one FTE. This is lower than comparable work we completed in April 2022, targeting all projects funded by the PGF in Gisborne, that showed that each direct FTE supported cost around \$300,247 in investment.¹⁰

5.1.3 Understanding the annual average impact

In the second part, we calculate the average annual impact of Kānoa funding for projects in Te Tai Tokerau. From the data provided by Kānoa, project funding commenced in 2017 and continued through 2022, with the bulk of the funding being provided in 2020. On average across the six years, this totalled \$103.2 million, and directly created an average GDP of \$41 million, which was sufficient to support the annual employment of 484 FTEs.

This investment created activity upstream and downstream within the economy. This activity totalled around \$65.7 million expenditure on average annually, generating \$27.9 million in GDP, sufficient to support 309 FTEs. The people employed by this activity also generated their own activity (induced). This totalled \$30.2 million, which generated \$17.7 million in GDP. This was sufficient to support 136 FTEs.

¹⁰ This result was calculated using data contained in https://www.gdc.govt.nz/_data/assets/pdf_file/0028/39943/BERL-Report.pdf

In total, accounting for all upstream, downstream, and induced impacts, the average annual \$103.2 million investment created total activity of \$199.1 million. This generated a total annual GDP of \$86.6 million, sufficient to support the employment of 929 FTEs annually. We summarise this data in Table 5.2. Finally, considering the region's GDP of \$10.3 billion in March 2022, the total annual GDP impact of \$86.6 million represents around 0.9 percent of the region's GDP.

Table 5.2 Annual average economic impact of Kānoa funding

	Direct	Indirect	Induced	Total
Expenditure (\$m)	103.2	65.7	30.2	199.1
GDP (\$m)	41.0	27.9	17.7	86.6
Employment (FTEs)	484	309	136	929

Source: BERL analysis

5.1.4 Sub-regional impacts

In the third part, we calculated the impact of Kānoa funding for projects in each of the sub-regions. The direct expenditure resulting from Kānoa funding for projects in the Far North sub-region was \$221.7 million (Table 5.3). This directly added \$89.4 million to the sub-region's GDP. When indirect and induced impacts are included, the total impact of Kānoa funding contributed \$424.7 million to Far North's total expenditure, generating a total GDP impact of \$186.7 million and supporting a total of 2,037 FTEs.

Table 5.3 Total economic impact of Kānoa funding in the Far North sub-region

	Direct	Indirect	Induced	Total
Expenditure (\$m)	221.7	138.1	64.9	424.7
GDP (\$m)	89.4	59.2	38.0	186.7
Employment (FTEs)	1,093	652	292	2,037

Source: BERL analysis

Kānoa funding for projects in the Kaipara sub-region generated \$97.4 million in direct expenditure (Table 5.4). This expenditure resulted in 462 direct FTEs, and directly added \$40.8 million to GDP. In addition, indirect and induced expenditure contributed a further \$42.1 million to the sub-region's GDP and supported an additional 406 FTEs. The total GDP impact in Kaipara was \$83 million, while the total employment supported was 868 FTEs.

Table 5.4 Total economic impact of Kānoa funding in the Kaipara sub-region

	Direct	Indirect	Induced	Total
Expenditure (\$m)	97.4	58.4	28.8	184.7
GDP (\$m)	40.8	25.2	16.9	83.0
Employment (FTEs)	462	276	130	868

Source: BERL analysis

The direct expenditure resulting from Kānoa funding for projects in the Whangārei sub-region was \$97.9 million (Table 5.5). This directly added \$36.3 million to the sub-region’s GDP. When indirect and induced impacts are included, the total impact of Kānoa funding contributed \$193.8 million to the Whangārei total expenditure, generating a total GDP impact of \$81.3 million and supporting a total 877 FTEs.

Table 5.5 Total economic impact of Kānoa funding in the Whangārei sub-region

	Direct	Indirect	Induced	Total
Expenditure (\$m)	97.9	67.3	28.6	193.8
GDP (\$m)	36.3	28.2	16.8	81.3
Employment (FTEs)	430	318	129	877

Source: BERL analysis

It should be noted that, if summed, the values on Table 5.3, Table 5.4, and Table 5.5 do not add up to the values on Table 5.1. This is because there are a significant number of projects that either spread across more than one sub-region or could not have their sub-region determined.

The impacts on human capability, social cohesion, and the natural environment are not captured through an EIA. To understand these impacts, we gathered further information through interviews.

5.2 Impacts on communities

In this section, we look at how the projects funded by Kānoa contributed to financial and physical capital, human capability, social cohesion, and the natural environment in the communities that they impacted.

5.2.1 Benefits to the local workforce and contractors

The majority of interviewees mentioned that their projects greatly benefitted local contractors and the local workforce as a whole. Most organisations managed to contract predominantly local contractors to undertake the work for their Kānoa funded projects. Moreover, in some projects, there was a focus on hiring Māori contractors, which further benefitted Māori small-to-medium businesses in the region.

5.2.2 Skill development, capacity, and capability

Many interviewees mentioned that the local contractors they hired undertook skill development specifically for their Kānoa funded projects. On top of that, some interviewees commented that the fact that they were providing contractors with large and long-lasting projects gave contractors the certainty and confidence to make capital investments in tools and equipment that will likely be used for other projects in the future. Hence, Kānoa funded projects have also promoted capacity and capability building among local contractors.^{1, 2}

Some of the less qualified and not so confident businesses have come through, and we don't have to hold their hands anymore. Quite a number of the more successful contractors have expanded and moved into the heavier side of things.

Moreover, some interviewees, particularly from local Councils, mentioned that the capacity and capability growth among local contractors meant that they expected to see more competition for local tenders, and that they would benefit from having a larger pool of capable local contractors available.

5.2.3 Supporting the most vulnerable

Furthermore, given the timing of most projects (2020 to present), Kānoa funded projects provided employment/contracts for employees/contractors right through the period of high economic uncertainty during the COVID-19 pandemic. Interviewees commented that the influx of funds into the region played a significant role in mitigating the economic downturn.

At the beginning of the pandemic everything was doom and gloom, and so, this injection of money kept the local contractors working, and that fed right down to the community.

Some interviewees stated that they had a focus on working with vulnerable members of the community. This meant hiring clients of the Ministry of Social Development in one instance, and undertaking a training and employment programme for incarcerated people in another.

A lot of guys had been on drugs, never held down jobs, and now they've been employed for two years and have been drug free.

5.2.4 Sense of pride

Many interviewees stated that there is a growing sense of pride in the region as a result of projects funded by Kānoa. One way this is expressed is through the promotion of local employment. This enabled people, especially younger workers, to stay in the region. This was particularly important for Māori, and interviewees commented that they were satisfied that there was support for rangatahi Māori to stay in the region.

The intent is to grow the opportunities for whānau to return home (...) to potential jobs. And then look if there's an opportunity for us to open up land to be able to live on as well and set up housing.

Other interviewees mentioned that the projects and the outcomes they've achieved are also increasing pride in the community, particularly among those from smaller communities. Interviewees felt that some of the communities had been overlooked by the central government for far too long, and now they were having the chance to develop something there.

Many interviewees mentioned that the added employment in their communities resulting from projects funded by Kānoa provided income to community members who were often experiencing deprivation. Moreover, the fact that these community members had a new source of income generated a great deal of pride for them and for their families.

So, within a matter of three months he [the contractor] had gone from having one full-time staff member and a couple of casuals to eight full-time staff, and one admin staff. So instantly, they were getting a weekly paycheck. And the impacts that a weekly paycheck, at living wage, has on a young Māori male (...) are massive.

Finally, enabling people to stay and thrive in their smaller communities tackles social inequality issues and can also be beneficial for the urban centres in the country, as it can ease housing demand and infrastructure pressure in the larger cities.

5.2.5 Cultural and educational outcomes

Some interviewees, especially those from charitable trusts and Māori organisations, mentioned that their projects have delivered great cultural and educational benefits to their communities and to visitors. These same projects would often not deliver substantial economic benefits, as this was not their main purpose, which made it incredibly difficult for the organisations to secure funding from private lenders.

(...) the Research Centre, which is again, going to increase our ability to host school groups and visiting researchers, genealogists, that kind of thing as they access our collection and archives.

Some of these projects funded by Kānoa involved the construction or revitalisation of museums, art galleries, training centres, and marae. Interviewees mentioned that these projects have, in the case of museums and art galleries, enabled the organisations to host school groups, researchers, and the general public. They also mentioned that these projects delivered a significant cultural benefit, that could not be measured in monetary terms.

It helps the local communities because they haven't been able to tell that story themselves. It is a place for people to come in to remember, to do research, to connect further, and to build more stories.

Interviewees mentioned that projects related to the development of training centres have also delivered positive results. Furthermore, some interviewees commented that formal training was required for the realisation and operation of their projects, even if the training was not the main goal of the project.

We were able to do the work-ready [training] with young people (...), and both build up their confidence and do some qualifications with them. Then, they would go out and work in the (...) for a period of time, we were able to then transition them through to other employment.

Kānoa has also funded projects that are of cultural significance for Māori. These included the clean-up of waterways, which opened up new access points to culturally significant sites, and the revitalisation of marae. These impacts are not quantifiable in a monetary way, and the Māori organisations that undertook those projects stated they would not have been able to secure funding otherwise.

5.2.6 Investment in infrastructure

Kānoa funding also went into infrastructure projects in Te Tai Tokerau. This included riverbank reinforcement, roads, pedestrian infrastructure, and water storage. These projects improved the region's resilience to natural disasters, increased the region's economic competitiveness, promoted road and pedestrian safety, and promoted the diversification of the region's economy.

Not all infrastructure projects were additional, but local Councils, in particular, have been able to either bring these projects forward by a number of years, deliver them faster, or at least have been able to re-allocate the funds that were originally allocated for these projects for other activities. Moreover, local Councils have been able to offer benefits to their communities with transport infrastructure projects, such as safer and easier travel.

(...) is a low decile community with historically few pedestrian links to the CBD. So, this allows for accessibility of communities to some services which, unless they had a car, they hadn't been there previously. So, this definitely unlocks a more user friendly and safer way [for pedestrian travel].

Apart from the safety benefits mentioned above, one interviewee commented that a road surfacing project funded by Kānoa improved a road that leads to a site that is culturally significant and promotes tourism.

Reinforcing riverbanks was another type of infrastructure project that received funding from Kānoa. These projects are essential to providing flood protection to towns and farms. The importance of investing in riverbanks could not be clearer after the weather events of the first quarter of 2023. For instance, the Federated Farmers commented that the total on-farm costs resulting from Cyclone Gabrielle for all affected farmers and growers could top \$1 billion.¹¹

Water storage projects have also received funding from Kānoa. These projects often have a high initial cost, and deliver benefits over a long period of time, which makes it hard to secure funding. As droughts are common in the region, its dominant land use is dairy farming, even on lands with high-quality soil. Therefore, water storage projects are crucial for economic diversification in Te Tai Tokerau, as they will enable farmers to change their land use towards horticulture.

Moreover, there are significant benefits to shifting land use from dairy farming to horticulture. Interviewees stated that 100 hectares of land dedicated to dairy farming are needed to support one FTE, while 10 hectares of land dedicated to horticulture can support one FTE.

5.2.7 The natural environment

Kānoa funded projects that delivered significant environmental benefits to the communities in Te Tai Tokerau. These involved reforesting riparian areas, cleaning up waterways, and fencing waterways that are adjacent to dairy farms. The main purpose of these projects was to promote environmental well-being among the local communities; hence, they faced barriers to accessing funding from private lenders. Kānoa became the enabler in these instances.

You're reinvigorating the environment. Then all of a sudden, all along the waterway, you get people out and working on their land, and they've got access back into areas that were culturally significant. [They were] planting gardens and all of that sort of stuff. And in a depressed economy, in the situation that we're in this area. I mean, it was a huge reinvigoration.

¹¹ <https://www.fedfarm.org.nz/FFPublic/Media-Releases/2023/Counting-the-cost-of-our-most-expensive-weather-event.aspx>

Cyclone Gabrielle has also highlighted the importance of riparian forests as a nature-based flood mitigation mechanism.¹² Riparian forests slow down the flow of water, absorb water, and mitigate slips by anchoring the soil. Moreover, interviewees mentioned that the reforestation, waterway cleaning, and fencing projects reinigorated the environment and the community.

From seeing those fences go up, and now seeing that the cows weren't in there, that there weren't as many pollutants going into the river system, the community just felt better about harvesting that kai and then eating that kai and feeding those fish to the kids. So, from an environmental perspective the impact of this project was immediate.

There was a sub catchment that was hooked into a town supply, I think they've got a primary school and a preschool down there, they've been on a boil water notice for as long as anyone can remember. So, we targeted upstream from where the intake was. So, the impact on the community, again, is the water quality that they were consuming, giving to their children.

Furthermore, interviewees mentioned that they noticed a great community response to their environmental projects, and that the community seeing the positive results, was more willing to become engaged with environmental projects.

5.3 Impacts on organisations

In this section, we consider how the projects funded by Kānoa contributed to financial and physical capital, and human capability in the organisations that they impacted.

5.3.1 Skills development

Apart from promoting skills development among contractors and the community, projects funded by Kānoa also promoted skills development within the organisations that undertook them. This was predominantly among the smaller organisations that were not used to undertaking larger projects. Some interviewees commented that they had improved their management skills, as had other staff members.

When we started it, it used to take me two and a half days a month to do the reporting. By the time we finished, about eight months later, it was down to about four hours. So, we got better at it.

In another instance, the organisation took the opportunity to change their processes around project management and created a new dedicated team to manage projects. This change will continue to benefit them as they work on other projects.

[We] created a new Project Management Office (PMO) in response to having this project, and that currently employs three full time staff. Inside the [organisation], the PMO has created a framework which many different parts of the organisation benefit from, and through working with that, they have upskilled themselves as well.

In other instances, the projects involved the delivery of new facilities where events could be hosted. This enabled skill development in terms of event management for staff among the organisations.

¹² <https://link.springer.com/book/10.1007/978-3-319-56091-5>

5.3.2 Capacity and capability

The vast majority of projects that received funding from Kānoa have enabled the organisations that delivered the projects to build capacity and capability.^{1,2} The majority of projects involved building something new or revitalising spaces that had previously been unsuitable for use. For instance, interviewees commented that museums and art galleries were built, revitalised, or expanded. These are now able to host, or have increased their capacity to host, events, school groups, researchers, and tourists.

We are now able to host significant regional and national events, which we never were [before].

Among projects that were education-oriented, increases in capacity and capability from new buildings being finished and funding for education programmes meant that those organisations could now host students/trainees or host a larger number of students/trainees.

We have, for instance, entered into a partnership with [...] who are about to deliver their third horticulture-related course at the nursery we built with the PGF funds. All the students are from the local area. We are also exploring certificate-courses in barista skills and food hygiene as we now have a commercial-standard kitchen.

As mentioned in Section 5.2.6, Kānoa funded projects that created or will create water storage facilities in the region. These will enable local farmers to increase their capabilities as they will be able to pivot towards horticulture.

Kānoa also funded projects that were related to the production of goods or the provision of services in a private business setting. In one instance, Kānoa funded a Māori organisation to construct a mānuka oil distillery on Māori land. This will enable the organisation to unlock the economic benefits of its land by growing its capabilities.

In another instance, Kānoa funded a privately owned marina to purchase a new piece of equipment that would enable them to receive modern vessels more efficiently and cost-effectively, which increased their capability. Finally, increasing capacity can allow organisations to increase their revenue, number of employees, and market share, and increasing capability, allows an organisation to gain access to new types of clients, projects, and markets. Increasing both capacity and capability is necessary for increased productivity.

5.3.3 Innovation

Kānoa enabled innovation to take place among organisations that received its funding. Some interviewees mentioned that they, or the contractors they hired, were enabled to promote innovation through the material aspects of the project. This means that new, innovative equipment was purchased or used to complete projects, and will be available for use in future projects. For example, one organisation purchased Virtual Reality (VR) headsets, which will allow it to undertake an educational tourism activity.

Frequently, interviewees mentioned that Kānoa promoted institutional innovation in their organisation. This enabled new organisational processes to manage projects more effectively. Some interviewees, particularly local Councils, mentioned that they took the opportunity to improve their relationship with the community, iwi, and hapū.

An example of this is Te Hiku o te Ika Revitalisation Project. This project, undertaken by Far North District Council and funded by Kānoa, won the top prize for the Community Development Award at the Australasia Core Values Award.¹³

5.3.4 Challenges

While all interviewees reported that they were satisfied with the overall experience of undertaking a project funded by Kānoa, most stated that there were some challenges. Many interviewees, particularly those from smaller organisations, commented that the costs related to the administration and reporting of their projects were high. This was not likely to be a problem for the larger organisations that already had a relatively large administrative team and well-established processes.

[The organisation] had to pick up a lot of those administrative and overhead costs, [there were] unforeseen impacts towards our administration team more than anything.

Interviewees from local Councils also noted that projects funded by Kānoa were likely to incur a higher administrative burden.

The level of internal staff effort required to deliver a programme through this funding was probably higher than it would have been through standard mechanisms.

Another common challenge that interviewees mentioned was the disruption of supply chains caused by the COVID-19 pandemic. This was a widespread issue that affected the majority of organisations in some way or another, but it was predominant among those that undertook construction-related projects.

We had trouble procuring materials, it was pretty hard.

¹³ <https://www.fndc.govt.nz/Whats-new/Latest-news/Te-Hiku-revitalisation-sweeps-up-international-awards>

In addition, some interviewees mentioned that there could have been further support from Kānoa for them to account for and deal with cost escalations and supply chain disruptions.

There's a lack of flexibility within the structure of the PGF to cover unforeseen cost increases in the project, and it's a very difficult process. [...] These projects are just the same as if you're building a skyscraper, you know, things happen. [...] So, I think there needs to be a contingency within the PGF to have some flexibility around that.

While many interviewees stated that they improved project management and administrative skills within their organisation as a result of Kānoa, it was noted that it would be beneficial to have more support to improve these skills further.

One of the things that became glaringly clear to all of us who had PGF funding was the lack of project management capabilities and operational management capabilities in the North. [...] So, looking at workforce development, if that's something MBIE might be looking at in the future for the North, project management skills, in every kind of aspect, would be a massive contribution to Northland.

Lastly, while interviewees commented on these challenges, overall, they were very grateful and satisfied with the support they received from MBIE staff and their involvement in the projects.

6 Conclusion and observations

6.1 Conclusion

In this report, we describe a framework to guide the evaluation of outcomes from Kānoa's investment programme. We also undertook a review of the economic position of Te Tai Tokerau and employed a robust and well-established methodology to understand the economic impact of the funding allocated through Kānoa.

Since 2018, Kānoa has distributed nearly \$797 million of funding through loans and grants to 210 organisations in Te Tai Tokerau. After accounting for additionality, this funding totalled \$619.3 million in direct expenditure.

This direct expenditure created total economic activity of \$1.19 billion, supported 5,571 full-time equivalent employees (FTEs), and contributed \$519.8 million to New Zealand's Gross Domestic Product (GDP). This is an additional contribution that, if not for Kānoa funding, would not have happened or would have happened over a longer period.

Kānoa funding is guided by an overall framework that includes wider goals beyond economic impact. We assessed Kānoa funding against these stated objectives using an Economic Impact Assessment (EIA) and targeted interviews. The outcomes are categorised according to the four capitals: financial and physical capital, human capability, social cohesion, and the natural environment.

We identified 20 organisations of interest that received Kānoa funding and completed interviews with 16 of these. They included local Councils, private businesses, charitable trusts, and Māori organisations.

According to interviewees, Kānoa has:

- Supported the local workforce and local contractors through a time of high uncertainty
- Promoted skill development, and capacity and capability building among the local contractors and workforce
- Supported Māori individuals and Māori organisations
- Achieved cultural outcomes
- Funded essential infrastructure projects
- Promoted the revitalisation and protection of the natural environment
- Enabled capacity and capability building among fund recipient organisations.

Interviewees also commented on the challenges they faced with their Kānoa funded projects, which included:

- Cost escalation and supply chain disruptions due to the COVID-19 pandemic
- Higher administrative costs
- The need for further skill development.

6.2 Observations

Our analysis was limited in scope to projects within Te Tai Tokerau. Nonetheless, it shows Kānoa has been successful in achieving many significant outcomes in the region. Furthermore, a significant proportion of the projects were not completed yet or were just at the start of the project. We would suggest that a follow up evaluation is completed in the future to test if the proposed outcomes have been achieved.

Lastly, interviewees commented on some of the challenges they faced with the Kānoa programme. Their comments provide relevant insights into what improvements can be made to the programme. We suggest that MBIE undertake further engagement and ongoing discussion with organisations that received funding. The goal of this engagement should be to further improve processes in the receiving organisations, as well as Kānoa, to maximise the positive impact.

Appendix A Confidence interval

To determine a confidence interval, a significance level, the size of the population, and the standard deviation of the variable being assessed are required. For this report, the main variable that requires a confidence interval to be calculated is the additionality of each project. This is because this variable was unknown for each project. While this additionality has become known for those recipients who we were able to interview, for the remainder it must be estimated based on the results obtained from interviews and other data sources (Table A.1).

Table A.1 Confidence interval for the total economic impact

	Direct	Total
Expenditure (\$m)	(596 – 642)	(1,150 – 1,239)
GDP (\$m)	(237 – 255)	(500 – 539)
Employment (FTEs)	(2,654 – 2,859)	(5,092 – 5,484)

Source: BERL analysis

Appendix B Kānoa investment comparison

For every \$213,200 directly invested by Kānoa (combined), it created activity to directly support one FTE in Te Tai Tokerau. This return is lower than comparable work, which we completed in April 2022 and targeted all projects funded by the PGF in Tairāwhiti showed. In this instance, each direct FTE supported cost around \$300,247 in investment. Table B.2 shows the percentage share of additional funding by investment sector that occurred in both Te Tai Tokerau and Tairāwhiti and reveals that there are some differences in the percentage share in funding between the two regions that would help explain the difference in additional funding required to support one FTE in each region.

As shown in the table, while Tairāwhiti received almost 40 percent of its additional funding for roading projects, Te Tai Tokerau only received around seven percent, although it did receive around 32 percent of its funding for infrastructure projects. Infrastructure projects include additional funding for rail, wharves, and other marine infrastructure. The table also shows that while Tairāwhiti received around 18 percent of its additional funding for training skills and a further 15 percent for wood processing, Te Tai Tokerau instead received more funding for tourism (10 percent), water storage (11 percent), forestry (16 percent), and regional projects (including improvements to regional churches and maraes) (14 percent).

Table B.2 Percentage share by investment sector for Kānoa investments

Investment sectors	Percentage share of additional investment	
	Te Tai Tokerau	Tairāwhiti
Agriculture / Horticulture	4.0	7.0
Infrastructure	31.9	1.9
Forestry	16.1	8.1
ICT & Digital Connectivity	0.9	0.8
Other	0.0	2.5
Regional Projects	14.1	5.7
Roading	7.1	37.3
Tourism	10.3	1.4
Training Skills / Employment	4.2	17.9
Waste / Recycling	0.1	0.0
Water Storage / Management	11.2	2.9
Wood Processing	0.0	14.6
Total	100.0	100.0