



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Regional Economic Development
Title of Cabinet paper	Provincial Growth Fund: DEV Report Back July – October 2019	Date to be published	27 May 2020

List of documents that have been proactively released

Date	Title	Author
27 May 2020	Minute of Decision DEV-20-MIN-0001	Office of Minister for Regional Economic Development
27 May 2020	Provincial Growth Fund: DEV Report Back July – October 2019	Office of Minister for Regional Economic Development

Information redacted

YES / NO (please select)

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Some information has been withheld to protect the confidentiality of advice tendered by ministers and officials, to protect the commercial position of the person who supplied the information, and to maintain the effective conduct of public affairs through the free and frank expression of opinions.

In Confidence

Office of the Minister for Regional Economic Development

Chair, Economic Development Committee

PROVINCIAL GROWTH FUND: DEV Report Back July – October 2019

Purpose

- 1 This paper provides the Cabinet Economic Development (DEV) Committee with a report on Provincial Growth Fund (PGF) progress from 1 July to 31 October 2019.

Overview of the paper

- 2 In July 2018, Cabinet requested regular updates on the progress of the PGF [CAB-18-MIN-0347 refers]. This report back sets out the wide range of activities that have been undertaken by the PGF, RED Ministers and PGF agencies over the last four months and the activities we expect over the next four months. It also addresses progress on the disbursement of approved PGF funding, which was a concern raised by members of DEV in previous meetings

- 3 In July 2018, Cabinet requested regular updates on the progress of the PGF [CAB-18-MIN-0347 refers]. This report covers the PGF's:

- a. **PGF focus over last four months (July – October 2019)**

- Accelerating project delivery
- Communicating our achievements
- Increasing investments in commercial sector projects
- Broadening investments to include projects in non-surge regions

- b. **PDU and key agency activities over last four months (July – October 2019) in relation to the key phases of the PGF**

- Investment decisions
- Announcements
- Contracting
- Project delivery
- Reporting
- Communications
- The evaluation of the PGF

- c. **Looking forward: Next four months (November 2019 – February 2020)**

- Committing the remaining PGF funding
- Increasing level of contracting and disbursement
- Greater focus on project execution and physical works

- d. **Disbursement and economic activity in the regions:** Stimulating the economy by ensuring that the appropriate money is paid out in the timeframe as agreed in contracts.

- 4 **The table below compares the PGF's progress from the last Cabinet report back period. The figures below illustrate the PGF's consistent growth over time**

across a range of indicators. In particular recently there has been an increase in the number of contracts signed and cash paid out. This trend has been evidenced in data collected on PDU managed contracts which shows there has been over 50 contracts signed each month. Current stats for the Financial Year to date 2019/2020 show an average of \$3 million paid by the PDU per week, in October this climbed to \$4 million per week.

PGF Funding Headline Information		
Metric	At as June 2019	As at October 2019
Committed	\$2,365m	\$2,611m
Approved	\$1,353.8m	\$1,921m
Contracted	\$887.2m	\$1,076m
Paid	\$220.2m	\$336.9m

Focus over the reporting period, July – October 2019

- 5 In the last PGF reporting period, we focused on the speed of our contracting processes to support applications that accelerate project delivery¹. There has been a strong emphasis on client management, signing contracts, disbursement of funds to recipients, and the delivery of projects. In consultation with RED Ministers, I authorised the PDU to implement the operational changes to support timely decision-making. Further, Cabinet agreed to broaden the Head of the PDU's decline delegation to support these operational changes and ensure the best investment decisions are made [DEV-19-0260 refers].
- 6 We have also focused on communicating the achievements that our investments are beginning to generate in the regions, such as training and development of those not in education, employment, or training (NEETs). I have announced significant PGF investments and visited a number of projects that have been completed or where significant milestones have been met. Further information on these focus areas is provided in the sections below.
- 7 While we continue to invest in skills and infrastructure, we have increased our focus on projects in key commercial sectors to achieve a balanced investment portfolio. This includes investment in the waste, energy, wood processing, aquaculture, manufacturing and engineering sectors. The PGF are also supporting workers to move from sunset industries into new sectors, by investing in sustainable and clean projects that create jobs for many years to come. We have also broadened our investments beyond regional packages in surge regions to include projects in non-surge regions to support regional economic development across the country.
- 8 The PDU has focused on setting up PGF Limited, which will hold the investments of the PGF as projects are delivered. This has included completing an Order in Council process by October 2019, to add it to Schedule 4A of the Public Finance Act 1989 and Schedule 1 of the Ombudsmen Act 1975. This will give effect to previous policy decisions.
- 9 Some Ministers have asked about the compatibility of PGF investments with the Government's economic strategy, which is communicated through eight key


¹Once projects have been approved and contracted, the typical key phases of delivery are project design, delivery and completion.

economic shifts. The PGF makes a strong contribution towards the achievement of these economic shifts, which is summarised in Appendix 1.

- 10 Beyond the PGF's direct impact on economic shifts, our investment is catalysing further spending in the regions by stimulating external parties to invest alongside the PGF. The PDU estimate that PGF investment has led to up to \$423 Million circulating into the economy from PGF, businesses, Non-Government Organisations, Councils and Iwi. This includes \$297 Million PGF funding that has been paid to date, and at least \$144 Million of committed co-funding that has been leveraged to support PGF projects across at least 240 entities.

Key PGF and PDU activities – July – October 2019

Investment decisions

- 11 115 projects (including two Cabinet approvals), totalling \$455.3 million were approved in this period. This means that 505 projects and \$1.921 million have now been approved through the PGF. Between July and October 2019, the following groups met to consider PGF funding decisions:
- a. Cabinet considered a total of four papers, including approval of \$^{Commercial Information} of the \$300 million PGF rail investment [DEV-19-0213 refers] 
 - b. In July, Cabinet agreed to change the delegations for the PGF so that the Head of the PDU has the authority to decline any applications that clearly do not meet the criteria of the PGF [CAB-18-MIN-0347 refers]. This has been an essential step forward in streamlining investment decisions.
 - c. Regional Economic Development (RED) Ministers met four times, where they made decisions on 47 PDU proposals, including 30 approvals. RED Ministers were also notified of loan terms to align with the delegation to approve loans from the Minister of Finance. RED Ministers has also approved the PDU's approach to PGF investments including the PGF's position on wood processing.
 - d. The Independent Advisory Panel (IAP) met five times in this period to provide advice to Cabinet and RED Ministers on the above referred proposals.
 - e. Senior Regional Officials (SRO) also met four times in the reporting period, where they have made decisions on 82 PDU proposals, including 66 approvals.
 - f. I have held meetings with Ministerial colleagues to determine the PGF's approach to investment in the South Island, the energy sector, and the Chatham Islands. Proposals discussed in these meetings are being assessed by the PDU and will be considered by RED Ministers in the upcoming reporting period.

Announcements

- 12 I have announced a number of key projects and packages from July- September 2019 including:
 - a. \$94.8 million towards the North Auckland Line Essential Works
 - b. \$20 million towards Kiwirail Dunedin Hillside Workshops
 - c. \$19.5 million towards Invercargill inner-city redevelopment
 - d. \$15 million towards Geo40 Limited, Ohaaki's large scale silica extraction plant
- 13 The numbers of approved and contracted projects continue to climb each month, providing ample announcement opportunities across a variety of regions and sectors.
- 14 There has been a boost of PGF funding in the Southland and Otago regions from July-October. \$19.9M has been announced for Dunedin's Waterfront Development, revitalising and stimulating tourism opportunities. There have also been nine separate engineering projects funded in Otago totalling \$27.9M. This injection realises the region's pioneering spirit and enhances manufacturing productivity and efficiency in Otago. I have recently announced funding for a further 10 engineering firms in Southland, which will enable them to buy the appropriate equipment to allow Otago and Southland to work collaboratively towards more productive outcomes.

Contracting and project delivery

- 15 The PDU are at a key juncture as final investment recommendations are being made, and there is an increasing focus on the delivery of approved projects. The PDU will keep Ministers informed as the final commitments of PGF funding are made. This may well occur in the next reporting period.
- 16 Once the PGF funds have been committed, the performance of the PGF and the PDU will relate to the management of the portfolio of investments, shifting the role of the PDU. To ensure this transition is well managed, the PDU is operating a continuous improvement model of delivery, identifying barriers that may slow delivery of decision making and contracting.
- 17 There have been numerous improvements implemented in the project delivery space and in supporting the delivery of milestones. The PDU have improved contract development, and are aware that timeframes need to be realistic with clear deliverables. As a result, more milestones are now being met and processes around contract signing improved.

Reporting update

- 18 A focus for the PDU over the last four months has been collating more targeted reporting information at a project level. This enables better tracking of projects through the approved, contracted and delivery stages. This information will be made available across Government, to ensure Ministers are aware of progress in their regions.
- 19 Work is ongoing with other PGF partner agencies to collect and standardise data across the PGF portfolio. Partner agencies now supply regular reporting to the PDU

meaning that consolidated PGF report is now available showing progress across the PGF Fund.

- 20 The rate of contracts approved and moving into delivery through the PDU process has accelerated over the last reporting period. The more targeted reporting will enable provision of better information on project delivery and financial progress of the PGF.
- 21 There have been improvements to reporting technology, reducing time and improving the accuracy of data. This has supported the PDU with gathering wider data from contracts, and producing a more accurate representation of recipient progress.

Communications update

- 22 The PDU continue to build awareness and understanding of the PGF, including how projects are contributing to strategic objectives. The communications team are now building the momentum of channel engagement established in the last reporting period, and enhancing how information is shared with clients
- 23 The PDU continue to ramp up the Fund's social media presence, posting an average of four Facebook and Twitter posts per weekday, and two posts across the weekends and public holidays. There has also been a concerted effort to share PDU client and agency social media posts along with local stakeholders including local and regional councils. This helps to communicate a wider understanding of PGF investments.
- 24 In line with these improvements, the PDU's digital reach has greatly improved since the last reporting period:
 - a. Facebook – Followers have increased 45%
 - b. Twitter – Followers have increased 248%
 - c. Digital – number of stories on the website have increased by 47%
 - d. There has also been a concerted effort on lifting the mainstream media engagement regarding the work of the PGF. There has also been a 15% increase in pitching stories and writing media releases, with the PDU contributing to over 220 different stories in the last three months.

PGF evaluation framework update


- 25 The project that will evaluate the effectiveness of the PGF's investment activity over the three years of its lifetime is about to get underway. The evaluation will provide insights and evidence of indicators of effectiveness as it progresses through the 2020 calendar year. A high level report on the Indicators of Effectiveness is annexed to this paper. A provider for the evaluation has been chosen, and work commenced in early November.
- 26 Procurement for the longer term evaluation of the PGF's impact on its wider, long term, objectives will commence next year.

Focus for November 2019 – February 2020

Investment decisions

- 27 The PGF invests in projects that deliver sustainable outcomes beyond the lifecycle of the Fund. While PGF funding may end after 3 years, projects will continue to provide benefits for the regions. To date approximately \$30 million worth of physical projects have been completed, which will continue to provide benefits and employment to the regions for many years.
- 28 At the end of October 2019, approximately 80 PGF funded projects have been completed, these include:
- a. Whakapapa Sky Waka / Ruapehu Alpine Lift
 - b. Bay of Islands Airport Terminal Upgrade
 - c. The Wilderness Cycle Trail in the West Coast

29 **Free and frank opinions**



Announcements

- 30 My colleagues and I will continue to announce PGF projects including those mentioned in the paragraph above. Further funding announcements will be spread across a number of regions.
- 31 The Provincial Development Unit will continue to encourage the regions to share their experiences of how PGF projects impact their regions.

Contracting and Project Delivery

- 32 The PDU will continue to work with other PGF partner agencies to progress project approvals, contract negotiations and project delivery. A focus will be on accelerating projects through the approval and contracting stages, while ensuring robust processes are maintained for the allocation of PGF funding.
- 33 The PDU approach to prioritisation will continue to be applied to areas where there are ready opportunities to invest in sector-focused projects. Potential future priority areas include:
- a. Commercial Sectors: Finalising the Waste, Energy and Wood Processing packages
 - b. Skills and Infrastructure: exploring programmes in areas where the PGF is investing in **Commercial Information**, exploring opportunities in coastal shipping
 - c. Regions: Further investment for the West Coast and disadvantaged sub-regions in non-surge regions (e.g. Waikato, Taranaki)
 - d. Within sectoral and regional priorities, ensuring appropriate levels of investment alongside mid-sized Māori asset owners (e.g. geothermal production, waste processing)

Communications

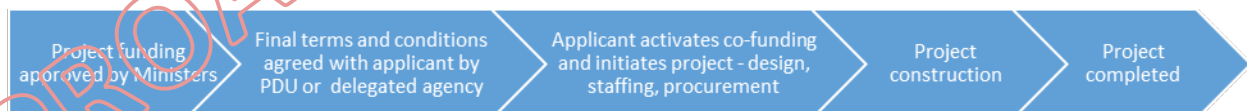
- 34 Over the next three months the PDU will focus on announcements of new projects as they are delivered and creating content around project milestones. In addition, with Whenua Māori and Te Ara Mahi activity increasing there will be a concerted effort to work with Māori media and iwi communications to provide updates on these work programmes.

Monitoring and reporting

- 35 PDU and partner agencies will continue work to align their reporting approaches in relation to PGF projects, including for the 1BT allocation. PGF agencies will continue to track project milestones and I will announce the achievement of milestones, including the completion of construction projects.
- In sectors where the PGF has investment over \$100m, PDU will work jointly with relevant partner agencies on projected cashflows, and current timelines in terms of construction and completion and actions that could accelerate progress.
 - The PDU will also continue to develop and refine its reporting suite to provide Ministers with an up-to-date picture of progress. PDU will also provide forecasts of contracted projects and disbursements for future DEV reports.

Funds disbursement and contracting

- 36 Ministers have asked officials about the level of disbursements relative to the level of approved projected. There is generally a delay between Ministers agreeing to fund a PGF project and the start of project construction. This is because there are activities that the PDU and the applicants need to undertake before construction can begin. The lifecycle of PGF projects involves:



- 37 Funds are disbursed to a project throughout its duration, rather than in full at its inception. This enables the PDU to ensure appropriate progress is being made on projects before funding is released. Key points when disbursements are made could include:
- in some instances at the time of signing the contract an “on-signing” payment is made assuming conditions precedents have been met
 - in general on completion of early stages of work (project planning, procurement, staff on boarding) and the start of construction
 - on completion of key stages of construction as specified in contracts
 - on completion of the contract
- 38 Disbursements of PGF funding contribute to stimulating economic activity in the regions. However, for applicants it is often certainty around PGF’s commitment to fund the project that is most important. Once they have that certainty around the contract with the PGF they can get their project underway. For this reason, the PDU

looks at the number of contracted projects as well as the level of disbursed funds to determine the current impact of the PGF in the regions.

- 39 Further, accelerating the pace of payments will not increase the pace of project delivery. Increasing the amount of funding that is transferred to recipients may not increase progress on delivery, as it may not be possible for a recipient to spend money any faster than they have currently scheduled. Transferring funds sooner in this situation would move funds from the PGF to the recipient without impacting on the delivery of the project. PDU has to balance the pace of disbursement with considerations related to the probity of government expenditure, so funding given early to projects that don't progress won't be wasted.
- 40 Officials are looking more critically at the number of payment milestones required for new contracts, to ensure they are not unreasonably granular and high in number.
- 41 Ministers have asked officials to explore whether there are ways to accelerate the disbursal of PGF funding to recipients. Officials have addressed this by:
- a. Seeking Cabinet and Ministerial sign off to changes in delegations that enable faster contract management
 - b. Looking at interagency processes and where processes between agencies can be accelerated and where accountabilities between agencies can be clarified
 - c. Focussing on concluding legal documentation within 60 days of project approval and developing 'fit for purpose' payment schedules that have a minimum number of stage gated funding decision points.
 - d. Clarifying the treatment of payments to other government agencies

Consultation

- 42 Relevant PGF agencies have been consulted.

Implications

- 43 There are no financial, human rights, legislative, regulatory, gender or disability implications.

Recommendations

The Minister for Regional Economic Development recommends that the Committee:

- 44 Note the content of this paper and the attached A3 provides information relating to funding decisions made and the performance of the PGF from July 2019 – October 2019.

Publicity

- 45 Agree to release this paper, with redactions as appropriate.

Authorised for lodgement

Hon Shane Jones

Minister for Regional Economic Development

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Appendix 1

PGF Contributions to the Economic Strategy

Economic shifts	PGF contribution
<p>The NZ economy moves from volume to value with Kiwi businesses, including SMEs, becoming more productive</p>	<p>The PGF has three tiers of investment: regional capability; sectors; and enabling infrastructure with an overall objective of enhancing the productivity potential of the regions. A primary focus of sector investments is to help firms move up the value chain, and investments are coordinated across the three tiers to support this.</p>
<p>People are skilled, adaptable and have access to lifelong learning</p>	<p>The PGF is supporting local people into local employment by investing in skills and employment through Te Ara Mahi (TAM). This \$^{Commercial Information} investment has a strong focus on people not in employment, education or training. Support is also targeted at those who may be underemployed, need extra support to retrain, or are ^{Commercial Information}. TAM is also supporting businesses and employers to access a ready workforce where and when they need it.</p>
<p>Deeper pools of capital are available to invest in infrastructure and grow NZ productive assets</p>	<p>One of the intended outcomes of the PGF is to grow confidence in regional economies and catalyse greater private investment. For commercial projects, for example, a 50% co-contribution is expected.</p>
<p>Strong and revitalised regions</p>	<p>The PGF is making a wide range of investments in the regions, helping to address key challenges and build on established strengths and competitive advantages.</p>
<p>Enable a step change for Māori and Pacific economies</p>	<p>One of the objectives of the PGF is Māori development, with a focus on enhancing the asset base of Māori. One of the ways the PGF is doing this is through its allocation of \$100 Million to Whenua Māori applications that will support Māori landowners to better utilise their land, can unlock potential for further investment, create employment for Whenua Māori allocation opportunities, and lead to increased incomes and wellbeing.</p> <p>The PGF has also invested \$8.85 Million to expand the successful Pacific Employment Support Service to regional New Zealand.</p>
<p>Sustainable and affordable energy Systems</p>	<p>The PGF has allocated \$40 Million for investment in sustainable energy opportunities, with a focus on demonstrating the viability of new energy systems.</p>
<p>Land and resource use delivers greater value and improves Environmental outcomes</p>	<p>One of the outcomes of the Whenua Māori allocation is to unlock latent productivity of under-utilised Whenua Māori. More broadly, all investments are subject to an assessment of a proposed project's environmental sustainability.</p> <p>The 1BT programme is also a large contributor to environmental benefits in the PGF. The environmental outcomes include</p>

Economic shifts	PGF contribution
	improved water quality, minimised effects from soil erosion. 1BT is assisting our climate mitigation efforts through carbon sequestration from planting. The wider conservation benefits of planting indigenous trees will lead to enhancing biodiversity, and increasing protection of our species and natural places
Transform our housing market to unlock productivity growth and make houses more affordable	A priority sector for the PGF is wood processing, and moving the sector up the value chain. It has made, and continues to consider, investments in firms that can contribute to productivity growth and housing affordability, such as in Commercial information and offsite manufacturing opportunities.

PROACTIVELY RELEASED

Appendix 2

Glossary

Term	Definition
Applications to PDU	These are the proposals received and managed by the Provincial Development Unit. Other agencies also manage PGF applications, such as Te Uru Rakau for the 1 Billion Trees programme which are excluded from this figure.
Approved Projects	The amount of projects that following evaluation and decision making have reached an approval and is inclusive of all contracted and completed projects.
Contracted Projects	The total number of Projects the PGF has signed agreements with.
Committed Funding	Committed funds include all formal allocations to specific funds such as Whenua Māori and digital connectivity, as well as all approved projects (some of which may not yet be publically announced).
Approved Funding	The approved total is the amount of all applications that have been approved by the authorised body. It excludes amounts that are committed to allocations which are not yet approved at a project level.
Contracted Funding	The value of PGF funding for contracted PGF projects
Paid	PGF funds that have been paid out by the PDU to recipients. In the event of funding transfers to partner agencies, PGF cash paid is reported by the relevant PGF agency.
Announced Projects	Publically communicated funding for PGF projects which may be contracted. This excludes total fund allocations which will be communicated at a project level e.g. Whenua Māori is a

	PGF allocation but any announcements are done by Project.
Sunset industry	An industry in decline, where products or services are no longer sufficiently profitable or available. The PGF are investing in clean and sustainable industries that will be beneficial for many years to come.

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Provincial Growth Fund (PGF)

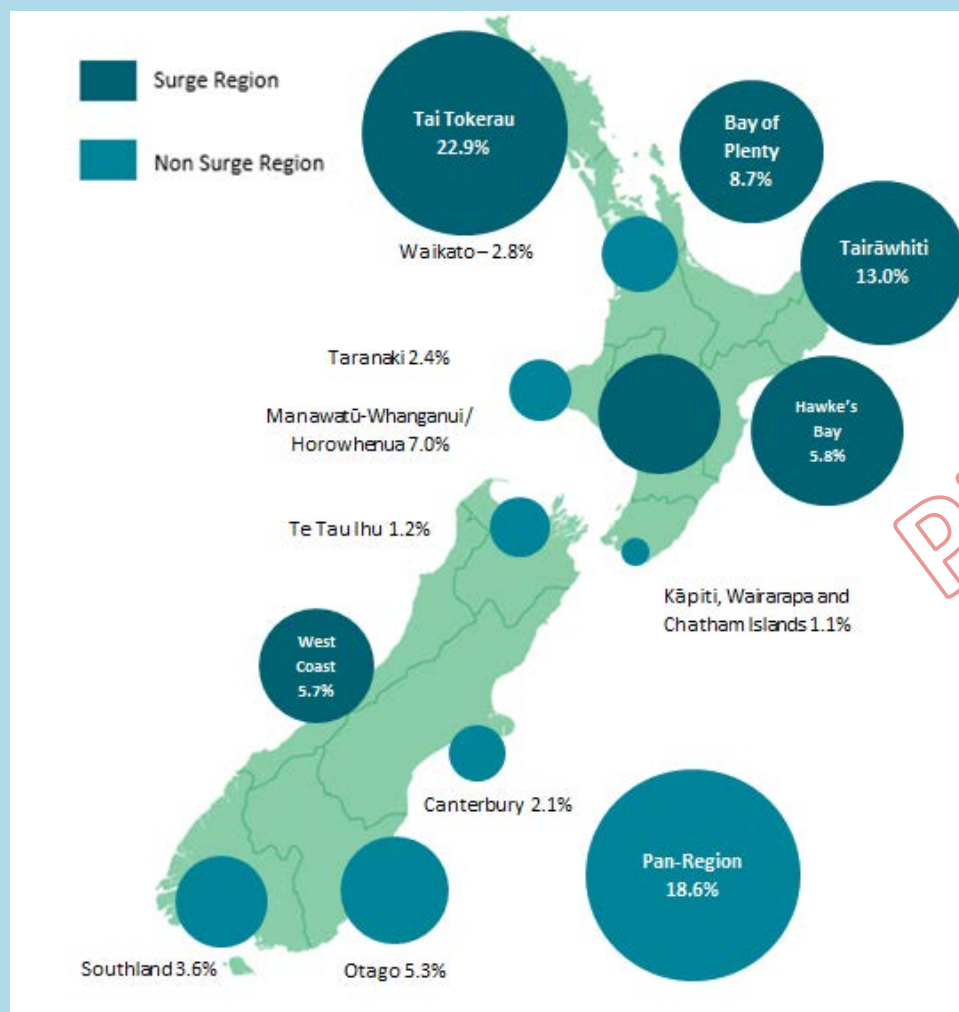
From Inception to end October 2019

DRAFT ONLY IN CONFIDENCE

HEADLINE INFORMATION

	February 2019	June 2019	October 2019
Applications to PDU	906	1115	1392
Approved PGF projects	330	370	505
Contracted PGF projects	156	289	405
Committed PGF funding (m)	\$1,736.6	\$2,365.0	\$2,611.0
Approved PGF funding (m)	\$861.5	\$1,365.0	\$1,921.0
Contracted PGF funding (m)	\$239.1	\$887.2	\$1,076.0
PGF Paid (m)	\$44.8	\$220.2	\$336.9

DISTRIBUTION OF APPROVED FUNDING



REGIONAL FUNDING

Region	Committed	Approved	Contracted	Paid
Tai Tokerau/Northland	\$405.3m	\$405.3m	\$229.4m	\$59.7m
Tairāwhiti/East Coast	\$229.7m	\$229.7m	\$88.3m	\$24.9m
Bay of Plenty	\$153.7m	\$153.7m	\$86.4m	\$24.9m
Manawatū-Whanganui/Horowhenua	\$123.5m	\$123.5m	\$50.7m	\$16.2m
Hawke's Bay	\$102.7m	\$102.7m	\$27.2m	\$10.5m
West Coast	\$100.0m	\$100.0m	\$82.6m	\$9.9m
Otago	\$93.5m	\$93.5m	\$43.1m	\$9.1m
Southland	\$64.1m	\$64.1m	\$28.6m	\$4.8m
Waikato	\$49.4m	\$49.4m	\$20.9m	\$4.9m
Taranaki	\$42.2m	\$42.2m	\$28.3m	\$4.2m
Canterbury	\$36.6m	\$36.6m	\$20.0m	\$4.9m
Te Tau Ihu/Top of the South	\$20.8m	\$20.8m	\$15.0m	\$2.4m
Wairarapa	\$16.0m	\$16.0m	\$9.0m	\$1.2m
Chatham Islands	\$12.6m	\$0.1m	\$0.1m	\$0.1m
Kāpiti	\$3.4m	\$3.4m	\$3.2m	\$1.1m
Pan-Region ²	\$1,157.4m	\$479.9m	\$343.1m	\$158.2m
Grand Total	\$2,611.0m	\$1,921.0m	\$1,076.0m	\$336.9m

*Includes national, multi-region or 1BT region unspecified projects, PGF agency operating costs (e.g. PDU and 1BT), and allocations (unapproved funding), such as Whenua Māori and Manifesto Contingencies.

MAJOR ANNOUNCEMENTS

Total amount of announced funding to date: **\$1,651.3m**

Amount	Description
\$94.0m	North Auckland - Line Essential Works. Works to bridges, track and corridor, embankments, vegetation, drainage, signals and yards on the North Auckland rail line.
\$27.9m	Otago - Engineering Package. There has also been a boost of PGF funding in the Otago Region from July-October. \$19.9m has been announced for Dunedin's Waterfront Development, revitalising and stimulating tourism opportunities. Nine separate engineering projects were funded in Otago totalling \$27.9m. This injection realises the region's pioneering spirit and enhances manufacturing productivity and efficiency in the Otago region.
\$19.9m	Invercargill - Our city for tomorrow. The redevelopment of the inner-city will be a major catalyst in improving the region's liveability, breathing life into the city and providing the commercial sector confidence in accelerating investment in Southland
\$15.0m	Rotorua - Government Garden Cultural Quarter. To create a dynamic cultural quarter in the heart of the city at Government Gardens. This bold & visionary project will fulfil the City's ambitions to create an economic engine from our cultural assets & restore, protect & connect our key historic places.
\$15.0m	Gisborne - Securing supply of quality fresh produce for New Zealand. LeaderBrand estimates indicate NZ will need to rely heavily on imported produce. Proposal to get ahead of the trend by diversifying the supply of vegetables grown outside the Gisborne, whilst also improving productivity of its land on the Gisborne flats.
\$12.0m	Activation Destinations (Central Waikato Tourism Trail). The construction of a 1300 seat theatre to be built on the old Hamilton Hotel site. As well as the construction, upgrading and enhancing of public spaces, pathways and related infrastructure along the river.
\$12.0m	Hawke's Bay Food Innovation Hub. The Hawke's Bay Food Innovation Hub will facilitate collaboration, innovation, development of operating capability and growth in employment and economic growth.
\$12.0m	Sarjeant Gallery Te Whare o Rehua Whanganui Redevelopment. Revitalise the Sarjeant Gallery in Whanganui, including construction of a major new wing and upgrades to the existing building.

SECTOR FUNDING

Sector	Committed	Approved	Contracted	Paid
Rail	\$533.8m	\$362.1m	\$146.6m	\$111.2m
Forestry	\$435.0m	\$262.4m	\$248.0m	\$26.6m
Tourism	\$311.7m	\$283.8m	\$218.3m	\$66.6m
Road	\$225.7m	\$225.7m	\$75.5m	\$22.7m
Training Skills / Employment	\$200.8m	\$90.4m	\$59.5m	\$16.3m
ICT & Digital Connectivity	\$130.2m	\$121.3m	\$98.3m	\$10.8m
Water Storage / Management	\$67.3m	\$67.3m	\$13.0m	\$1.5m
Manufacturing / Engineering	\$65.6m	\$65.6m	\$4.1m	\$1.1m
Agriculture / Horticulture	\$50.2m	\$50.2m	\$23.5m	\$4.3m
Other	\$50.0m	\$37.5m	\$9.2m	\$1.7m
Energy	\$48.1m	\$11.3m	\$1.1m	\$0.8m
Ports	\$44.0m	\$44.0m	\$16.3m	\$7.5m
Aquaculture	\$42.9m	\$42.9m	\$8.2m	\$1.6m
Waste / Recycling	\$40.1m	\$0.1m	\$0.1m	\$0.1m
Regional Projects	\$36.0m	\$36.0m	\$15.9m	\$8.1m
Mining	\$27.9m	\$27.9m	\$15.0m	\$5.0m
Wood Processing	\$25.8m	\$25.8m	\$2.7m	\$1.7m
Airports	\$15.1m	\$15.1m	\$10.1m	\$5.7m
Non-sector specific allocations ¹	\$261.0m	\$151.6m	\$110.6m	\$43.6m
Grand Total	\$2,611.0m	\$1,921.0m	\$1,076.0m	\$336.9m

*Includes operational costs and allocations (unapproved funding) such as Whenua Māori and Manifesto Contingencies

COMMITTED TIER FUNDING



Tier 1	Smaller scale initiatives aimed at smaller economic development projects, feasibility studies and capability building. Includes He Poutama Rangatahi and Te Ara Mahi.
Tier 2	Larger scale initiatives targeted at priority and/or high value economic opportunities, including the one billion trees programme and Whenua Māori.
Tier 3	Investments in regional infrastructure projects that enable regions to be well-connected from an economic and social perspective.
Other	Includes operational costs and allocations (unapproved funding) such as Manifesto Contingencies



2018: PRE-INVESTMENT AND REMEDIAL INFRASTRUCTURE

Pipeline

While the PGF is now focusing on the delivery of projects and funding decisions, there are still a number of quality proposals that are being considered. This steady pace shows an ongoing interest in regional investment.

- Over 270 new proposals were submitted to the PGF from June 2019 to October 2019
- 118 PGF projects have funding for Feasibility Studies and Business Cases, 43 of these projects are completed.
- The PGF received an additional 20 proposals for physical works projects, 8 have been approved for funding.

Administration

The PDU strengthens the capability of applicants through investing in project delivery and by utilising its regional connections .

- It is estimated as at 31 October 2019 that approximately \$53 m committed across 73 projects is dedicated specifically to capability and capacity building of applicants to improve project delivery. This includes \$5.6m which has been allocated to Regional Economic Development Agencies to improve the capability of delivering PGF funded activities in those regions.
- The PDU continues to work with potential applicants for Te Ara Mahi funding (TAM) to support them to develop and submit their applications. A number of TAM applicants have not applied for government funding before and therefore require significant support from PDU staff.
- PGF partner agencies take a coordinated approach to supporting landowners in the development of PGF applications. Intensive and proactive support is provided to Māori land owners as part of the Whenua Māori allocation to ensure quality applications.

Direct Impacts

PGF prioritises greater partnering activity with regional players and the private sector. Partner agencies work closely with local regional bodies to ensure collaboration and cohesion across PGF investments. We are also increasingly contracting to ensure social outcomes are considered during procurement. Examples include:

- Contracts which require the client to improve job prospects for Rotorua residents by partnering with iwi to ensure 25% of jobs are allocated to iwi members.
- In the Tairāwhiti roading package, contracting ensured local contractors and employees get preference where possible, and Rongowhakaata are involved in design and environmental management.
- In the Wairoa Roothing project, the Recipient will work with all contractors, through the tender process, to ensure they increase the size and skill level of the domestic construction sector workforce.

LATE 2018-2019: FUNDING DECISIONS

Pipeline

The PGF achieved its goal of encouraging broad and diverse applications across a range of sectors and regions, so it can invest in the best options.

- To date a total of 2569 applications have been received from PGF recipients. This also includes 1392 applications received from the PDU, 365 of which are still awaiting decision.
- 15 Regions received funding across the Primary Sector, Tourism, Infrastructure, Waste Management and Energy & Digital Connectivity sectors, demonstrating an optimised and balanced investment portfolio.
- In late 2019 an approval was granted for PDU to implement a more efficient decline mechanism to enable greater focus on progressing applications that best meet the deliverables of the Fund.

Administration

The PDU are focusing on greater distribution of investments across regions, tiers, risk profiles and for Māori, and enabling decision makers to affect greater change across the regions.

- Tier 1 - 139 projects approved to the value of \$236.7m. Tier 1 investments include funding for He Poutama Rangatahi, Te Ara Mahi and Economic Development New Zealand.
- Tier 2 - 256 projects approved to the value of \$1,172.1m, is improving sector productivity in the regions.
- Tier 3 - 110 projects approved to the value of \$1,016.0m for infrastructure investments focussed on increased economic growth, improved business productivity, tourism opportunities, and improved wellbeing and liveability in the regions.
- After prioritising the surge regions with \$1.11b (43%) of approved funding, decisions are increasingly focused on sector-based investments that prioritise high value growth, e.g. in the primary manufacturing, waste and energy sectors.

Commercial information

- \$138.7m road and \$600,000 of rail investment in the Tairāwhiti region, with programmes ahead of targets.

Direct Impacts

The PGF is stimulating external parties to spend in the regions.

- It is anticipated that up to \$[Commercial In] could be circulated into the economy from businesses, Non-Government Organisations, Councils and Iwi supporting PGF projects across at least 240 entities.
- PGF investments are supporting NEETs to become work ready. 1100 Rangatahi (includes pre PGF funding) have received training or employment outcomes through funded projects.
- Investment focussed on projects that deliver sustainable outcomes beyond the lifecycle of the fund and provide ongoing benefits for the regions. 16 completed physical work projects worth approximately \$30m will provide significant sustainable benefits, with a range of other projects also contributing to long term outcomes in the Regions.
- To date [Commercial In] individuals were employed across 15 regions and 17 Sectors to deliver projects. (This is a point in time calculation, so the cumulative number of employment is likely to be higher)
- [Commercial In] jobs were created in Tai Tokerau & Tairāwhiti.
- 24,681,000 trees funded through the One Billion Trees (1BT) Grants and Partnerships projects to date. The impact of 1BT will be seen in the long term as trees take an average of 10-30 years to grow, and there are a number of conditions that affect planting rates.

2019-2021: DELIVERY OF PROJECTS

Pipeline

- By February 2020, the PDU expects that PGF decision-makers will have allocated the remainder of the PGF with a wide breadth of investment contributing to sustained regional economic growth.
- By 2020 a larger number of projects will have been completed, however some projects will continue to be delivered in the out years, for example construction and infrastructure projects which can take considerable time.
- Investment in projects is expected to deliver benefits beyond the life of the Fund.

Administration

The PDU and other PGF agencies monitor delivery of projects to ensure milestones are being met and recipients are supported so projects are on track.

- 300 recipients have received over \$330m in payments. The fund administration and advisory processes have supported decision makers to allocate this funding.
- Since July 2019 the PDU has paid an average of \$3.2m each week against an average of 17 individual payments.
- In October, an average of \$4.2m was paid each week which is the highest cash paid in a month to date by the PDU. The PDU estimate that in November, \$14.7m across 67 payments will be paid each week.
- Towards the end of the fund as projects near completion there will be an ongoing assessment as to whether long-term projects are on track to deliver outcomes, and advice will be provided to decision makers.

Direct Impacts (anticipated)

- It is anticipated that by 2021 approximately [Commercial In] individuals including NEETS, across 50 training programmes, will be supported into sustainable employment prospects.
- It is expected that over 4800 rangatahi will be supported into training education by 2021.

Commercial Information

Examples of significant projects due to end between 2019-2021:

- Maori Battalion Museum in Tai Tokerau/ Northland contracted at \$14m
- Hundertwasser Art Centre in Tai Tokerau/ Northland contracted at \$[Commercial In]
- Clutha Gold Great Ride in Otago contracted at \$6.5m
- Titirangi - Puhi Kai Iti Connection: Summit Redevelopment in Tairāwhiti/East Coast contracted at \$6.1m
- Masterplan for Oparara Basin in West Coast contracted at \$5.7m