



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Regional Economic Development
Title of Cabinet paper	Provincial Growth Fund: November 2019 to July 2020 Report and Performance	Date to be published	23 September 2020

List of documents that have been proactively released

Date	Title	Author
23 September 2020	Minute of Decision DEV-20-MIN-0165	Office of Minister for Regional Economic Development
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Information redacted

YES / NO (please select)

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In Confidence

Office of the Minister of Regional Economic Development
Chair, Cabinet Economic Development Committee

Provincial Growth Fund: DEV Report Back November 2019 to July 2020 and Performance Highlights

Proposal

- 1 This paper is a report back to the Economic Development Committee (DEV) on the Provincial Growth Fund (PGF), covering the key PGF and PDU activities between November 2019 and July 2020.
- 2 In addition, this report considers the performance of the PGF since it was established in relation to the Indicators of Effectiveness agreed by Cabinet in February 2018. These consider the performance of the PGF and the PDU in:
 - 2.1 managing the pipeline of applications,
 - 2.2 administering the PGF and supporting Ministers, and
 - 2.3 having direct impacts on economic activity in the regions.

Executive Summary

- 3 Before the COVID-19 health and economic crisis, the PDU was on track to fully commit the PGF's \$3 billion. In May 2020, the PGF was reoriented to better support the Government's economic response to COVID-19. By the end of June 2020, the PGF has committed \$2,771 million, approved \$2,628 million, contracted \$2,013 million, and paid \$659 million.
- 4 The PDU has been given responsibility for administering more than \$1b of additional projects through the New Zealand Upgrade Programme, the Infrastructure Reference Group and the Worker Redeployment package. Across the total funding administered by the PDU, it has committed \$^{Commercial Information} [redacted], approved \$^{Commercial Information} [redacted], contracted \$^{Commercial Information} [redacted], and paid \$^{Commercial Information} [redacted] paid.
- 5 The PDU has accelerated its contract negotiations and disbursement of PGF funds as part of the PGF's response to COVID-19. Contracts for approved projects, with commercial parties, are typically negotiated within 30 business days from the time the applicant is informed about the decision.
- 6 As this is the last report back to DEV for this term of Government, I want to highlight a number of the key achievements of the PGF, which include investments in:
 - 6.1 The One Billion Trees programme, forestry employment and wood processing

IN CONFIDENCE

- 6.2 Post-COVID-19 redeployment of workers through fencing of waterways and renovations of marae, town halls, Pasifika churches and war memorials
 - 6.3 Skills, training and employment support, including significant pastoral support for those with low levels of work readiness
 - 6.4 Improvements to the rail network across the regions, including refurbishment of the North Auckland line
 - 6.5 Co-investment with the private sector, catalysing investments by small and large businesses to increase productivity
 - 6.6 Investment to bring whenua Maori into production
 - 6.7 Sustainable water storage and relief for Northland droughts and floods
 - 6.8 Investment in marine and coastal assets, from Opotiki harbour development to West Coast ports to Raglan wharf
 - 6.9 Establishment of PGF Limited and **Commercial Information**
[REDACTED]
 - 6.10 Programmes to address Meth addiction in response to concerns raised by local mayors and businesses
 - 6.11 Enhanced digital connectivity in the regions, including marae
- 7 The PGF has created over 13,000 jobs. We have exceeded the target we set ourselves of 10,000 jobs and this jobs number will continue to rise over time.

Key activities over the reporting period

- 8 Regular updates on the progress of the PGF were requested by Cabinet in July 2018 [CAB- 18-MIN-0347 refers], including reporting on funding decisions made and the performance of the fund. The report covers two reporting periods because my last PGF report back was delayed as a result of COVID-19. As such, this report back covers the period of July to October 2019 [DEV-20-0001 refers].
- 9 The PDU was on track to fully commit the PGF's \$3 billion before the COVID-19 health and economic crisis. Two years after the Fund was formally announced, in March 2020, the PGF had \$2,869 million committed, \$2,403 million approved, \$1,305 million contracted, and \$ [REDACTED] ^{Commercial Information} paid to recipients across the PGF.
- 10 In May 2020, the PGF was reoriented to better support the Government's economic response to COVID-19. There was a renewed focus on progressing projects that provided immediate employment opportunities, had construction commencing within 6 – 12 months and were visible to the public to provide confidence that economic activity was underway. The PGF response to

COVID-19 included a number of approved PGF projects being terminated with funds reprioritised to investments that were more closely aligned with the Government's COVID-19 response.

- 11 The PDU worked quickly and closely with the Crown Infrastructure Partners and local government to identify "shovel-ready" infrastructure projects, which were progressed by IRG Ministers. The PDU also progressed a range of worker redeployment on road and rail initiatives, as part of the Government's broader economic support package, which set aside \$100m for worker redeployment support. The PDU was able to support these broader government initiatives based on its established processes and connections with a range of regional stakeholders.
- 12 The PDU has published Regional Dashboards on the Grow Regions website outlining PGF funding by region. If you wish to receive copies of these documents, my office can make these available to you. For a list of all PGF funding announcements this is also available on the Grow Regions website.

Progress of the PGF post COVID-19

- 13 Cabinet approved changes to PGF allocations in response to COVID-19 [CAB-20-Min-0197 refers]. The remainder of this funding will be signed off by RED Ministers at their final meeting in August and following that by delegation to the Ministers of Finance and Regional Economic Development.
- 14 The PDU has accelerated its contract negotiations and disbursement of PGF funds as part of the PGF's response to COVID-19. The focus of the PGF's investments shifted towards projects that would have more immediate benefit in the economy as well as lasting value to the regions. To achieve this, co-contribution requirements were made more favourable to applicants while contracting timeframes were shortened.
- 15 Contracts for approved projects, with commercial parties, are typically negotiated within 30 business days from the time the applicant is informed about the decision. Contracts with local government were provided to applicants within five business days, as per Cabinet's direction. This reflects that these are simple contracts designed to get cash out the door and into the economy efficiently. Since the PGF was reprioritised in May, there have been 30 projects approved and contracted with the first payments made by [REDACTED] Commercial Information. This illustrates the speed at which certainty has been provided to applicants and funding has been disbursed into the regional economy.
- 16 There has been a high degree of interest in the PGF's response to COVID-19. Since June, there has been an increase from approximately 12 to 82 applications per week. This level of interest is an issue to be managed as the remaining funding in the PGF and the impending election mean most of these applications will not be progressed. The PDU will communicate with applicants about these issues and will hold applications for consideration by the next Government.

PDU support provided to infrastructure projects and worker redeployment projects

- 17 The role of the PDU has broadened to provide support to delivering a range of Government investments in the regions. Based on the successes of the PDU's PGF processes and relationships with the regions, Ministers have directed the PDU to assist with a range of other high priority government funds:
- 17.1 In December 2019, Budget Ministers allocated an additional \$300 million of funding for regional infrastructure investments, which are part of the Government's \$12b New Zealand Upgrade Programme. These assets include almost \$90 million in coastal assets, including the Ōpōtiki Harbour Development, \$88.2 million on regional roads, and upgrades to the Tāupo and Milford airports.
- 17.2 In July 2020, IRG Ministers transferred 98 "shovel-ready" infrastructure projects, totalling approximately \$^{Commercial Information} to the PDU to deliver across a range of sectors. PDU-managed projects will be delivered in packages relating to small scale environmental, community and social development, and transport projects. The PDU will be responsible for due diligence, contract negotiations and project monitoring and reporting.
- 17.3 The PDU is also assisting with the delivery of the \$100 million Worker Redeployment package. That package helps redeploy affected workers into short term employment opportunities. The PDU is administering this funding due to the high level of engagement and cooperation between the PDU and district councils and the PDU's experiences in contracting, monitoring and administering payments. Projects have been funded in Queenstown Lakes, Northland, Central Hawkes Bay, Wairoa, Rotorua, and are predominantly designing/constructing footpaths, cycleways, playgrounds, vegetation management and roadside clearing.
- 18 By the end of June 2020, across the PGF and other funds the PDU administers, it has committed \$3,068m, approved \$^{Commercial Information} contracted \$^{Commercial Information} and paid \$^{Commercial Information} paid. Of these, the PGF has committed \$2,771 million, approved \$2,628 million, contracted \$2,013 million, and paid \$659 million.

Performance of the PGF

- 19 As this is the last report back on the PGF, this report discusses the performance of the PGF over the past two and a half years. This will be the subject of more fulsome evaluation once the impacts of the PGF's investments are manifest in 3-5 years' time – and also through an evaluation report that will be available around mid-2021.
- 20 In the meanwhile, this report notes out the activities that the PGF and the PDU and other agencies have undertaken that progress the Indicators of Effectiveness agreed by Cabinet in February 2018.

21 The Indicators of Effectiveness relate to:

- 21.1 developing and managing a strong pipeline of applications and projects
- 21.2 developing and administering processes that support applicants and decision makers in the preparation, consideration and delivery of the projects in the PGF pipeline
- 21.3 putting in place longer term arrangements that will lead to the delivery of PGF outcomes and early indicators of these outcomes.

22 The Indicators of Effectiveness are set out below:

2018: pre-investment and remedial infrastructure	Late 2018-2019: funding decisions	2019-2021: delivery of projects
Pipeline: <ul style="list-style-type: none"> • Number, quality of proposals • Conversion of high-quality initiatives and feasibility studies into proposals 	Pipeline: <ul style="list-style-type: none"> • Number and quality of initiatives • Conversion of proposals into approved investments • Spread of investments across regions, tiers, risk profiles and for Māori 	Pipeline: <ul style="list-style-type: none"> • Number, quality of projects underway and delivered to specification • Sustainability of projects beyond life of Fund • Exit of projects that are not delivering
Administration: <ul style="list-style-type: none"> • Capability of applicants lifted • Applications progressed efficiently • Improved capability of Government to engage with regional partners and Māori 	Administration: <ul style="list-style-type: none"> • Decision makers supported to make choices that optimise the spread of investments across regions, tiers, risk profiles and for Māori 	Administration: <ul style="list-style-type: none"> • Support for decision makers to adjust investment in projects (e.g. exit, change delivery or timing)
Direct impacts: <ul style="list-style-type: none"> • Greater partnering activity between regional players, and with the private sector • Programmes delivered for youth NEET • Remedial infrastructure projects beginning to get underway • Trees planted and planting pipeline developed 	Direct impacts: <ul style="list-style-type: none"> • Greater investment interest from private sector following early government investments • Number of NEET now work ready • Number of jobs created through early investments • Infrastructure projects underway and delivered • Trees planted 	Direct impacts: <ul style="list-style-type: none"> • Infrastructure projects underway and delivered • Enhanced regional connectivity • Reduced NEET • Number of jobs created • Improved productivity, export earnings • Emissions abatement (by gas) • Trees planted

23 Attachment Three sets out the activities that have been undertaken against the PGF’s indicators of effectiveness. The three phases of the PGF from inception to the present are shown with commentary and demonstrate the progression and maturing of the fund, its administration and direct impacts. These show significant progress since February 2018 in setting up and delivering the PGF.

Pipeline

- 24 The PDU has worked with applicants to deliver quality applications that are relevant to the current economic context and needs of individual regions (at times, this has also included exiting from projects that are not delivering for the PGF). The pipeline was developed over time as applications were submitted and as the PDU and partner agencies worked with potential applicants in the regions. Initially a wide range of projects were brought forward to decision makers when they were ready for consideration. Later, more specific priority areas for investment were identified as gaps in the regional and sectoral spread of projects emerged. On the strength of the PGF's pipeline, Ministers have invested further funding to the PGF and the PDU through the New Zealand Upgrade Programme, "shovel-ready" infrastructure projects, and worker redeployment programmes.

Administration

- 25 The PDU have worked with other parts of government to support the regions in identifying and developing applications for priority projects. This included working closely with and providing support to regional partners and Maori.
- 26 The PDU has supported Ministers to make effective decisions in relation to individual applications, regional packages and sectoral priorities. To do so, the PDU worked with other agencies to ensure comprehensive advice was available to Ministers for each investment. The PDU also provided advice on principles for PGF investment in key sectors. Further, the PDU provided advice on the use of different investment vehicles (grants, loans and equity) and developed bespoke investment approaches for individual projects as needed.

Direct impacts

- 27 The PGF investments in skills, business and infrastructure are beginning to deliver in the regions, including providing employment opportunities as projects go into construction post COVID-19.
- 28 The initiation of core skills and infrastructure projects in 2018 has meant that many projects are now entering the construction phase. This is delivering real employment benefits that are helping to offset the economic downturn caused by COVID-19.
- 29 Investments in skills and capability are also beginning to flow through to work and employment placements. Early signs of the impacts that the PGF is having on employment, general economic development, Maori economic development and remediation of infrastructure are emerging and will become more marked over the next 2 – 3 years.
- 30 COVID-19 has required changes to the nature of the projects in PGF's pipeline, greater pace of the processes used to administer the PGF and stronger emphasis on jobs and construction activity as part of the direct impacts of the PGF. The PDU has delivered these changes while continuing to deliver on the existing PGF projects, NZUP projects, Worker Redeployment and Infrastructure Reference Group projects.

- 31 The operation of the PGF continues through to June 2021. The PDU will continue to deliver against the indicators of effectiveness over this time. Decisions about the future of the PGF will need to be made ahead of this time. The incoming Government will need to make decisions about the future of the PGF and management of its investments.

Highlights of the PGF

- 32 As this is the last report back on the PGF, I would like to note the highlights of one of our Coalition's most significant initiatives.. These highlights relate to the investments made through the PGF, the value of the PGF to New Zealand economic structure and the operation of the public service. While early on the PGF was characterised as a slush fund, over time it has become clear that it is based on sound economic principles, leading edge public sector delivery and making a genuine difference in regional New Zealand.
- 33 The PGF's underlying objective is to create sustainable lifts in regional productivity potential. The design of the PGF is based around three investment Tiers. Tier One is based on establishing employment opportunities; skills and training; Tier Two is based on strengthening to core sectors and firms in the regional and national economy; Tier Three is based on investment in infrastructure, such as road, rail, ports and digital connectivity.
- 34 The PGF goes to the heart of New Zealand's productivity challenge, as identified by the Productivity Commission, by increasing the capital stock in the regions – physical capital, financial capital, human and social. The PGF's investment in capital stock is already providing a strong basis on which to increase productivity in the regions. This will only increase as PGF projects are completed and contribute to their regional economies and as PGF funds are recycled into further projects in the regions. The benefits of PGF investments will endure and lead to further investments by others in the regions.
- 35 The PGF has demonstrated new ways for agencies to work together to deliver programmes in the regions, utilising a single source of funding to drive a wide range of mutually reinforcing public sector investments that further support private sector investments. It is novel to have a number of agencies individually and mutually responsible for the delivery of a single funding source, reporting to a collective group of Ministers. Through this we have learnt new ways to drive public sector performance for New Zealand.
- 36 New levels of regional cooperation by agencies have been a core tenet of our approach, as has working directly with applicants in the regions. Responsiveness to a changing environment has been another, as demonstrated during COVID-19. The PGF has showed ongoing innovation and flexibility of approach, continually exploring new means to lift outcomes in the regions. It is gratifying to see out lessons being picked up by others, including references to PGF approaches in other Cabinet papers referring to delivering government programmes in new ways.

- 37 A most noteworthy highlight is the shift in the relationship between Wellington and the regions. Increasingly, the contributions and requirements of the regions are acknowledged by the public sector in Wellington and recognised as a distinct element of the New Zealand economy. Much of our economic prosperity originates from activities in our regions, as the role of the primary sector demonstrated through COVID-19. A more nuanced understanding of the New Zealand economy will benefit policy makers into the future as we look to lift the country to its full and sustainable potential.
- 38 The PDU has worked collaboratively with government agencies, local government, Māori, non-government and private sector organisations in the regions to identify projects that could be funded by the PGF. This has enabled PGF funding to facilitate the realisation of many projects and supported greater levels of central government, local government and broader regional cooperation.
- 39 Indeed, the highlights are many, but the most significant to me as the Minister of Regional Economic Development is the enduring contributions that will be made by the PGF investments into the economic, social, and cultural lives of the communities and regions. People now have more skills, work readiness, employment opportunities and digital connectivity. The PGF has created over 13,000 jobs, exceeding the target we set ourselves of 10,000 jobs and this will continue to rise over time. Businesses and sectors have been started or strengthened. Essential infrastructure is in development and the infrastructure deficit is being addressed. The regions are being revitalised.
- 40 The diversity and scale of investments handled by the PGF throughout all regions and across many sectors are worth noting and includes:
- 40.1 **The One Billion Trees programme, Forestry employment and wood processing.** The One Billion Trees programme received over \$400m from the PGF for 10 years of operations. Wood processing projects include \$19.5m for the Wood Cluster Centre of Excellence in Tairāwhiti, \$3.1m for Wood Engineering Technology in Tairāwhiti, and \$^{Commercial Inform} for Woodspan PLT Panels in Taranaki and investment in Minginui.
- 40.2 **Post-COVID-19 Redeployment of workers.** Programmes were established to provide employment opportunities for workers that lost their jobs following COVID-19. These allocations focus on a range of activities from road and rail projects through fencing of waterways and renovations of Marae, town halls, Pasifika churches and war memorials.
- 40.3 **Skills, training and employment support.** Te Ara Mahi and He Poutama Rangatahi investments in work readiness for NEETs and hard to employ New Zealanders. One of the successful HPR projects is the Wahine Toa project, which received \$421,050 of PGF funding. Wahine Toa was a five month training programme where ^{Comme} rangitahi (^{Comme} women and ^{Commercia} men) from South Hokianga and Kaikohe attained

forestry qualifications, which enabled them to receive full time employment in the forestry sector.

- 40.4 **Rail infrastructure investment.** Investment of \$130m in strengthening regional rail infrastructure across the country, \$204.5m in upgrading the North Auckland Line and \$6m in re-establishing the Napier to Wairoa line.
- 40.5 **Private sector successes.** Catalysing investments by small and large businesses that increase the productivity of the business and the region. E.g. the Limery in Hawke's Bay to Geo40 in the Bay of Plenty.
- 40.6 **Investment to bring whenua Maori into production** e.g. \$5m for the Raukokore/Waihau Bay 200ha Kiwifruit Development, \$4.3m for the Hineuru Cherry Land Development Project, and \$2.125m for the Miro-Meihana Koata Berry Farm.
- 40.7 **Sustainable water storage and relief for Northland droughts and floods.** The PGF has provided significant investment in water storage schemes in Northland, Hawke's Bay and Wairarapa.
- 40.8 **Marine and coastal infrastructure assets**, which connect land and sea on a large and small scale, from the \$79.4m Ōpōtiki harbour development to West Coast Ports to \$2.5m Raglan wharf.
- 40.9 **Aquaculture sector investments** e.g. \$19.95 m for Sugarloaf Wharf in the Coromandel, \$24.85m to build a mussel farming and production facility in Ōpōtiki, and \$6min a land-based aquaculture pilot to see whether yellowtail kingfish can be commercially farmed in Northland.
- 40.10 **Meth use remediation.** This includes a \$20m allocation focussed on supporting local and unique solutions to reduce the harm from Methamphetamine to support people to re-enter the workforce.
- 40.11 **Enhanced digital connectivity in the regions**, e.g. \$21m for marae digital connectivity and \$22m for the Milford Fibre Link and Milford Highway Fibre Connection.

Anticipated impacts of PGF investment

- 41 As noted above, the PGF is having marked impacts on employment, general economic development, Maori economic development and remediation of infrastructure in the regions. These are discussed below.

Employment from PGF funded projects and PDU managed projects

- 42 The COVID-19 Level 4 lockdown period gave the PDU the opportunity to take stock of how it does things to best support regional New Zealand through economic recovery, with a big focus of this being on job creation. During this time, the PDU sought to undertake analysis of the how jobs created through PGF investment would be affected.

- 43 After directing that deeper analysis should be undertaken on some of the PGF's major investments, such as the \$10m investment into the Ruapehu Alpine Lift's Sky Waka and the \$14.5m investment into the Māori Battalion Museum, it became clear that some job creation data was not being collected in a consistent manner, potentially leading to an underestimate of actual job numbers. In particular, we wanted to better understand the cumulative number of people employed on PGF projects to give us a fuller picture.
- 44 Once it was clear that accounting for the cumulative figure was giving us better data to understand the impacts of our projects to the regions, we decided to investigate job numbers for every PGF project to ensure our understanding of total numbers is robust.
- 45 The PDU is undertaking a stocktake of the number of people who have worked on each PGF project and PDU managed Worker Redeployment and regional infrastructure projects progressed as part of the New Zealand Upgrade Programme – both current and in the past, and the expected number of workers in the future.
- 46 From responses received to date, there have been a total of 13,021 people who have worked on PGF projects (broken down by 7,105 people currently working on projects and 5,886 people who have previously worked on projects), and a further 11,319 people are expected to work on PGF projects in the future. 11,090 participants have enrolled in PGF funded He Poutama Rangatahi (HPR) and Te Ara Mahi programmes.

Impacts for Māori

- 47 The New Zealand Institute of Economic Research (NZIER) evaluated¹ the PGF's \$495 million in investment in Māori economic development (MED) projects as at 31 January 2020. NZIER have assessed significant outcomes from this investment. These include: an increase of GDP by \$^{Commercial Information} per annum, the creation of ^{Commercial Infor} jobs, and an additional \$^{Commercial Information} added to household incomes – benefitting in particular the Bay of Plenty and Tai Tokerau/Northland (both surge regions).

Flow on effects in the economy

- 48 While it is too early to see the full impacts of the PGF investments, it is evident that investments are catalysing further spending in the regions. This achieves the PGF's objectives by providing income to other businesses and sustaining or growing their activity and/or stimulating others to invest alongside the PGF.
- 49 An example of this is Te Rau Aroha in Waitangi and the effects of the \$14.5 million PGF investment. Approximately ^{Comme}% of the PGF funding has been spent with ^{Comme} businesses and contractors in Northland businesses supported locally and regionally. Attachment Four provides further information. ^{Withheld in Full Due to Commercial Sensitivity}

¹ The full NZIER report can be read here <https://www.growregions.govt.nz/assets/Uploads/economic-impact-of-pgf-investments-in-maori-economic-development.pdf>

- 50 Project co-contributions from funding recipients are a key component of many PGF projects because it leverages other investment sources, which enhances the economic impact of the PGF's contribution to regional economies. At least \$^{Commercial Inform} of co-contributions were included in PDU contracts by the end of June 2020. This figure excludes co-contributions for PGF projects delivered by other agencies, such as 1BT, KiwiRail projects, Crown Infrastructure Partners' (CIP) digital connectivity projects, and Department of Conservation projects.

Infrastructure

- 51 Key infrastructure projects underway to address the infrastructure deficit in the regions. The benefits of these investments will take 2 – 3 years to become apparent given the long lead times to construction. Despite these timeframes, these investments were priorities for the PGF because of their significance to regional productivity.
- 52 Roothing was the priority issue raised by Tairāwhiti and many of the PGF's surge regions. The PGF has invested in roading across the country as parts of a wider approach to updating regional transport and logistics networks. PGF investments in physical connectivity and digital connectivity will bring the regions closer to their markets while investments in water storage will expand the potential economic base of the regions.

Future matters

Evaluation of the PGF – update

- 53 The full evaluation of the PGF has been delayed due to COVID-19. In March 2020, RED Ministers were informed that the final evaluation report will not be available until mid-2021 at the earliest. This is because COVID-19 poses a number of challenges for proceeding with the PGF evaluation, including fieldwork logistics and decoupling the impact of PGF investment from the impacts of COVID-19. An evaluation plan has been developed by an independent provider, and work is underway to run a procurement process to appoint a provider to undertake the evaluation itself.
- 54 In the meantime, a smaller formative evaluation, looking closely at six PDU-managed projects, is underway and being undertaken by MBIE's Evidence and Insights team to provide some early insights and information about:
- 54.1 how well the PGF processes have worked for applicants and others involved in the process and any improvements that can be made for future funds, and
 - 54.2 any impacts COVID-19 has had on PGF fund recipients that may lead to changes being made to the evaluation.
- 55 The formative evaluation results are expected to be available in October. Through the formative evaluation, it is expected that some insights about the impacts of the PGF funding for the recipients and their communities will also be gathered.

- 56 So far, all the parties invited to participate in the formative evaluation have been very keen to be involved and to meet with the evaluators to discuss their PGF funded projects.

OAG report due to be tabled in August 2020

- 57 The Auditor General is understood to be nearing completion of an audit of the PGF and the three main departments (MBIE, MPI, and MOT) involved. The PDU has assisted the Auditor-General with their audit and has provided feedback to draft versions of their report. The OAG has indicated that it is likely to table the report in the House in August 2020.

Changes to Provincial Growth Fund Limited (PGFL)

- 58 The PGFL is an established and fully functional Schedule 4A asset holding company, holding loan and equity investments made through the PGF. Establishing PGFL ensures there is an entity in place with appropriate oversight that is responsible for holding these investments beyond the life of the PGF and ensures the Crown benefits from its investments.
- 59 The Minister of Finance and Minister for Regional Economic Development, on behalf of the Crown, each hold 50% of the issued ordinary shares in the company ("Shareholding Ministers"). The board of directors appointed to provide oversight of the investments held within PGFL.
- 60 When the assets of the PGFL exceed \$200 million, the preference was for the PGFL to be an active company. The approved assets that have, or will shortly be held by the PGFL now total \$ Commercial Information with further increases expected from the "shovel-ready" infrastructure projects transferred by IRG Ministers to the PDU.
- 61 Cabinet has authorised the Ministers of Finance, Regional Economic Development and Climate Change to finalise the design and operation of an active PGFL in June [DEV-20-MIN-0101]. Following final decisions, amendments will need to be made to the PGFL Constitution and other related documents. Given the complexities involved, completing the transition of PGFL to an active company will take up to three months.
- 62 The transition to an active company will also allow active subsidiary companies to be established under PGFL. Given the size and scale of the PGFL portfolio it is logical, where appropriate (i.e. because of the number and size of related investments, and their strategic importance), to consider how related investments can be managed as a portfolio to achieve the greatest collective impact and to create administrative efficiencies. Cabinet will soon consider a proposal that invites PGFL to Commercial Information

Managing the delivery of the PGF

- 63 The PDU is planning for managing the PGF as the final allocations are made, the residual work that will be required, and resourcing requirements. Ongoing tasks will include: client management for recipients, monitoring of the

progress of funded applications against the conditions of their contracts, information management, monitoring of data, analysis and reporting, managing payments and repayments, support to PGFL and any subsidiaries, and managing project outcomes/completion reports.

- 64 The outcomes of projects will need to be monitored and tracked against the PGF's performance framework. In the longer term, the outcomes of the PFG will also need to be evaluated 3-5 years following the end of the funding.

Implications

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

Proactive Release

- 66 I intend to release a copy of this paper in accordance with Cabinet's proactive release policy.

Recommendation

The Minister for Regional Economic Development recommends that the Committee:

1. **note** the progress of the Provincial Growth Fund between 1 November 2019 and July 2020.

Authorised for lodgement

Hon Shane Jones

Minister for Regional Economic Development

Attachments

1. Provincial Growth Fund + Regional Investment Opportunities (Pre-PGF Reset Commitments) as at June 2020 **Withheld in Full Due to Commercial Sensitivity**
2. Provincial Growth Fund after the COVID-19 Response Reset as at June 2020 **Withheld in Full Due to Commercial Sensitivity**
3. PGF Indicators of Effectiveness **Withheld in Full Due to Commercial Sensitivity**
4. Te Rau Aroha Information **Withheld in Full Due to Commercial Sensitivity**