MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HIKINA WHAKATUTUKI

TE TAI ŌHANGA
THE TREASURY

BRIEFING

Tourism Recovery Fund – Loan terms and conditions and delivery mechanism

Date:	14 August 2020	**Priority:**	High
Security classification:	In Confidence	**Tracking number:**	2021-0526 T2020/2779

Action sought

	Action sought	Deadline
Hon Kelvin Davis **Minister of Tourism** Hon Grant Robertson **Minister of Finance** Hon Nanaia Mahuta **Minister for Māori Development** Hon Eugenie Sage **Minister of Conservation** Fletcher Tabuteau **Under Secretary Regional Economic Development**	**Agree** that the Provincial Growth Fund Limited (PGFL) will hold the STAPP and ITO loans on behalf of the Crown **Agree** that the Provincial Development Unit (PDU) will administer the STAPP and ITO loans on behalf of PGFL in line with the management agreement held between MBIE and PGFL **Agree** on the terms and conditions for STAPP loans **Agree** on the proposed implementation for STAPP and ITO loans	17 August 2020

Contact for telephone discussion (if required)

Name	Position	Telephone		1st contact
Danielle McKenzie	Acting Manager, Tourism Policy	04 896 5113	s 9(2)(a)	✓
Jean Le Roux	Manager, Transitions Regions and Economic Development, The Treasury			
s 9(2)(a)	Advisor, Tourism Policy	s 9(2)(a)	-	

The following departments/agencies have been consulted
Provincial Development Unit, Inland Revenue, New Zealand Māori Tourism

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments

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BRIEFING

Tourism Recovery Fund – Loan terms and conditions and delivery mechanism

Date:	12 August 2020	**Priority:**	High
Security classification:	In Confidence	**Tracking number:**	2021-0526 T2020/2779

Purpose

To seek agreement from Tourism Recovery Ministers (TRM) on the delivery agency and terms and conditions for Strategic Tourism Asset Protection Programme (STAPP) and Inbound Tourism Operators (ITO) loans.

Executive summary

This briefing recommends that the Provincial Development Unit (PDU) be the delivery agency for STAPP and Inbound Tourism Operator (ITO) loans.

The PDU have indicated that are able to deliver the loan scheme, and that it will cost up to $8 million over four years ($2 million in the first year and $6 million over three years) to administer it. This funding will be used by the PDU to source additional capacity to administer and deliver the 126 STAPP and 27 ITO loans.

There is currently $2 million set aside in the Tourism Recovery Fund, which we recommend is transferred to the PDU to cover some of the administration costs. The remaining $6 million will need to be sourced either by seeking further appropriation funding through Budget or any subsequent CRRF round, or use funding which is allocated but not utilised by firms or delaying a previously announced Tourism Recovery Fund.

We recommend that the terms and conditions of the loans be a five year loan term, an interest rate of 3% per annum and interest free for the first 24 months. All loans will be subordinated to other debt instruments and creditors, but in front of equity investors. Loans would also be unsecured.

Loans would be payable once firms have exhausted their grant allocations, except for Inbound Tour Operators who will receive loans immediately once the STAPP loan scheme is up and running as they are not eligible for STAPP grants. The loans would be treated as subordinated debt and no commercial viability assessment would be taken.

We also recommend using standard loan templates which reflect the terms that TRM decides. Firms would be able to negotiate minor administrative matters so loans can meet their individual situation. By using standard loan templates, the PDU estimates it will take 8-12 weeks for the loans to be delivered.

Given the tight timeframe due to the immediate need to support tourism firms, TRM has agreed to a high trust model. As a result, STAPP may provide support to some firms that many not necessarily be viable, particularly because of the uncertainty around the timing of the border reopening.

Recommended action

The Ministry of Business, Innovation and Employment (MBIE) and The Treasury recommend that Tourism Recovery Ministers:

Delivery agency

a **Agree** that the Provincial Development Unit be the delivery agency for STAPP and Inbound Tourism Operator loans

Agree / Disagree

b **Agree** that the Provincial Growth Fund Limited will hold the STAPP and Inbound Tourism Operator loans on behalf of the Crown

Agree / Disagree

c **Agree** that the Provincial Development Unit will administer the STAPP and Inbound Tourism Operator loans in line with the management agreement between MBIE and PGFL

Agree / Disagree

d **Discuss** with the Minister for Regional Economic Development that the Provincial Development Unit will be used as the delivery agency for STAPP and ITO loans

Agree / Disagree

e **Note** that a separate briefing will be provided to TRM on the fiscal implications including the necessary appropriations and accounting treatments.

Noted

Delivery cost and timing

f **Note** that administration costs represent $8 million over four years

Noted

g **Agree** that $2 million from the Tourism Recovery Fund for administrative costs be used to provide the Provincial Development Unit additional capacity to deliver STAPP and ITO loans

Agree / Disagree

h **Note** that there is an estimated $6 million shortfall between the amount requested to administer STAPP loans by the Provincial Development Unit and the remaining appropriation in the Tourism Recovery Fund and is a financial risk

Noted

i **Note** that the options to address the $6 million shortfall are:

- **Option one**: Use funding which is allocated but not utilised by firms to contribute towards the $6 million shortfall once grant and loan uptake is known
- **Option two:** Seek to address it through Budget or any subsequent CRRF round
- **Option three:** Explore if the funding can be found by delaying a previously announced Tourism Recovery Fund projects

Noted

j **Note** that officials will update TRM on grant and loan uptake, and provide additional advice on options to address the $6 million shortfall

Noted

k **Note** that the PDU currently does not have operational funding beyond 30 June 2021

Noted

l **Note** that the PDU has estimated that it will take 8-12 weeks to deliver STAPP and ITO loans

Noted

m **Note** that PDU, on behalf of MBIE, views that the approval of the lending under the STAPP loans (as required by the Public Finance Act) should remain with the Minister of Finance, rather than be delegated to officials. The PDU will undertake the work programme on that basis.

Noted

n **Note** that further advice will be provided to TRM on the implications of the Public Finance Act on STAPP and ITO loans, including who will be responsible for the public interest test

Noted

Loan terms and conditions

o **Agree** that the terms and conditions for STAPP loans be:

- A five year loan term
- An interest rate of 3%
- Loans would be interest free for the first 24 months
- Loans would be treated as subordinated
- Loans would be available once grants have been exhausted for STAPP applicants and immediately for ITOs
- No repayment required for 24 months

Agree / Disagree

p **Note** that if loans are treated as subordinated debt, it is unlikely that the Crown can recover any funds if supported firms enter receivership

Noted

q **Note** the risk that funding may go to some firms which are not commercially viable, and that some firms may therefore default on their repayments

Noted

r **Note** that no further assessments on a firm's commercial viability will be conducted

Noted

s **Agree** that STAPP and ITO loan recipients are provided with standard loan templates which reflect TRM decisions on terms and conditions

Agree / Disagree

t **Note** that firms would be able to negotiate minor administrative matters so loans can meet their individual situation

Noted

NZMT view on terms and conditions

u **Note** that New Zealand Māori Tourism's view is that STAPP loans should be more concessionary with:

- A loan term of 8 to 10 years
- An interest rate of 0.5% to 1.5%

- No repayments for three years

Noted

v **Note** that officials consider that New Zealand Māori Tourism's proposal would make STAPP more concessionary than other comparable loan schemes (such as the Small Business Cashflow Scheme)

Noted

w **Note** that this briefing contains legally privileged advice

Noted

x **Forward** a copy of this briefing to the Minister for Regional Economic Development

Forwarded

Danielle McKenzie
Acting Manager, Tourism Policy
Labour, Science and Enterprise, MBIE

14 / 8 / 2020

Jean Le Roux
Manager, Transitions Regions and Economic Development
The Treasury

14 / 8 / 2020

Hon Eugenie Sage
Minister of Conservation

..... / ...... / ......

Hon Kelvin Davis
Minister of Tourism

..... / ...... / ......

Hon Grant Robertson
Minister of Finance

..... / ...... / ......

Hon Nanaia Mahuta
Minister for Māori Development

..... / ...... / ......

Fletcher Tabuteau
Under Secretary, Regional Economic Development

..... / ...... / ......

Background

1. On 1 August 2020, the Minister of Tourism announced additional details on the Tourism Recovery Package, (the Package). The Package includes $230 million in grants and loans for 126 tourism firms and $20 million in loans for Inbound Tourism Operators (ITO).

2. In-principle policy decisions were made by TRM around certain parameters of the loan and subsequently communicated to eligible firms. In-principle decisions include the amount firms would be eligible to access, a term length of five years, and that the loan would be offered on a favourable interest rate.

3. At the TRM meeting on Wednesday 5 August 2020, Ministers considered the delivery mechanism for STAPP loans. Commercial banks, the Provincial Development Unit (PDU) and Inland Revenue (IR) were the main options considered.

4. Ministers commissioned MBIE and Treasury officials to consult with PDU and IR and report back on the recommended delivery agency and terms and conditions of the loans.

Agencies to deliver STAPP loans

5. Treasury has previously considered three options to deliver STAPP loans [briefing T2020/2577 refers]. These options were:

   - Commercial banks
   - Provincial Development Unit
   - Inland Revenue

Commercial Banks

6. At TRM meeting on Wednesday 5 August, Ministers asked Treasury and MBIE to consider commercial banks to implement the loan scheme and recommend a preferred delivery agency after consulting with PDU and IR.

7. We have not engaged with banks on the potential delivery of the STAPP loans. In our view commercial banks are not the ideal channel to deliver STAPP loans as:

   a. The procurement process for engaging on a fee for service basis, including negotiating with the banks is costly and time-consuming.

   b. As an entity independent to the Crown, they cannot simply be directed to deliver the loans, unlike the PDU or IR.

8. There are very little commercial incentives for banks to help deliver these loans. In this case we are not relying on the Bank's capital or credit assessment capability.

9. The purpose of the delivery agent for the STAPP loans is merely to issue and administer the loan on the Crown's behalf.

Provincial Development Unit (PDU) – preferred option

10. MBIE and Treasury consider that the PDU is the most suitable vehicle for administering STAPP loans given the time constrains around the issuance of the loans. The Provincial Growth Fund Limited (PGFL), an asset holding company that holds loan and equity investments that are managed by PDU, could be used as an entity that could hold these investments.

11. While investments are transferred to PGFL to hold, the PDU is responsible for day to day management and administration of PGFL's investments on the company's behalf.

12. The PDU would requires additional funding in order to administer STAPP and ITO loans as this wouldn't be covered in the existing budget which covers current commitments to deliver the PGF's COVID-19 response and more recently 'shovel ready projects' from the Infrastructure Reference Group.

13. PDU officials have estimated a budget of up to $8 million over four years ($2 million in the first year, $6 million over the following three years) is required to administer STAPP and ITO loans. The key assumptions of these figures is based on PDU having the capability to manage loan investments right through the end of its term: from applications, to assessment and possibly negotiations, to contract management and monitoring.

14. As the PDU is at full capacity, the majority of this funding would be to secure additional legal and commercial resources to help administer the loan contracts.

15. There are efficiencies in using the processes and expertise that the PDU has in place for managing loans. However, it would be relatively expensive to administer the loan scheme as the STAPP represents a comparatively large number of firms compared to the total loan amount ($191 million in loans spread over 153 firms).

16. The Tourism Recovery Fund has $2 million budgeted for administrative costs. We recommend that this appropriation is used to provide PDU with additional capacity to deliver the loans. The additional $2 million provides the PDU with initial support until the end of 2020/21 financial year and would enable them to issue the loans.

17. However the total administrative costs required are estimated at $8 million to ensure that the delivery of STAPP loans is completed, appropriately managed and administered over the term of the investments.

18. MBIE does not have the funding within its baseline to fund this work. Further, as the Tourism Recovery Fund is fully allocated, the remaining $6 million will need to be sought elsewhere. The options to cover this shortfall are:

    - Use funding which is allocated but not utilised by firms to contribute towards the shortfall once grant and loan uptake is known
    - Delaying or scaling back something already funded through the Tourism Recovery Fund
    - Seek funding from Cabinet to cover the shortfall either through a Budget 2021 bid or a subsequent CRRF round.

19. PDU has estimated that it will take 8-12 weeks to deliver STAPP and ITO loans. This timeframe begins once the PDU has received the necessary resources to begin the work. The PDU is currently operating at full capacity and resource to administer STAPP and ITO loans must be obtained before work can begin.

Public Finance Act requirements and Delegating authority to the PDU

20. The Public Finance Act (PFA) has a general prohibition on the Crown making loans without an express statutory authority. Section 65L of the PFA provides that the Minister of Finance may lend money to a person or organisation if it appears to the Minister to be necessary or expedient in the public interest to do so.

21. The Minister of Finance has delegated to the Chief Executive of Treasury, who has in turn sub-delegated to the Chief Executive of MBIE, who has in turn further sub-delegated to the Head of the PDU, the power to approve loans out of the PGF. Before entering into any such loans, the Head of the PDU must be satisfied that the public interest test is satisfied. This delegation applies only to loans funded from the PGF. It does not currently extend to any other loans, including STAPP loans.

22. The PDU, on behalf of MBIE, holds the view is that the approval of the lending under the STAPP loans (as required by the Public Finance Act) should remain with the Minister of Finance, rather than be delegated to officials. The PDU will undertake the work programme on that basis.

23. Officials are working through the implications of the Public Finance Act on STAPP and ITO loans and will provide further advice in a future briefing.

Inland Revenue (IR)

24. IR is best suited for a loan scheme that is light touch on eligibility assessment and requires trust based verification.

25. IR has the ability to provide loans if they have data on the eligible firms and that firms have been pre-approved. They are unable to undertake more complex tasks (such as assessing firms for viability) as they do not have the capacity or capability to undertake this.

26. IR has advised that they would require legislative authority to provide STAPP loans. IR has advised that the current amendments for IR to cover the Small Business Loans Cashflow Scheme (SBCS) under the Tax Administration Act do not extend to STAPP or ITO loans.

27. IR would not be able to use the systems developed to implement the SBCS for STAPP or ITO loans. These accounts were specifically configured for the terms and conditions of the SBCS, including the application process, branding, production and storage of the loan contract, interest rate and repayment conditions. IR estimates it would take between six to eight weeks to reconfigure this backend change but this timeframe might change should IR be asked to implement new type of loans during the same period.

28. IR is also facing significant capacity constraints due to COVID-19 pressures, caused by the mandate to deliver the SBCS. They have low confidence that they could deliver STAPP and ITO loans at the speed TRM have requested.

29. Because of the legislative requirement and lack of capacity, we do not recommend choosing IR as the delivery agency for STAPP and ITO loans.

Loans Terms and Conditions

30. Following the announcement made on 1 August 2020, successful STAPP applicants were given an early signal of some of the STAPP loan parameters. The firms were informed of:

- The loan amount they would be eligible for
- The term length (5 years)
- The fact that the loan would be offered at a favourable interest rate

31. At the TRM meeting on Wednesday 5 August 2020, Ministers noted the following points in relation to the terms and conditions of the loan scheme:

- An interest rate of 3% the term of 5 years has already been agreed
- 3% interest rate would be consistent with the other schemes
- The loan terms still need to be a concessionary
- In recognition that the tourism industry has reduced revenue, sometimes zero in the case of ITOs particularly, that the repayment terms should be favourable (for example interest free/no repayment in the first two years of operation)
- The simpler the scheme, the better, i.e. the same conditions across all loans
- The more similar to other government loan schemes the better

- A subordinated scheme is recommended

32. The main objective was to make the loans as concessionary and in line with existing schemes as possible to represent the uncertainty in forecast revenue for tourism firms.

33. The loan terms and conditions that need to be confirmed by Ministers are: the interest rate, repayment terms, timing of delivery, subordination, default conditions, interaction with other schemes and potential conditions to attach to the loans. Each term and condition is dealt with below:

Interest rates

34. TRM have indicated they want STAPP loans to be concessionary.

35. At the TRM meeting on 5 August 2020 Ministers discussed a 3% interest rate for the STAPP loans, sighting consistency with other schemes.

36. This rate is concessionary as if banks were lending to firms in the tourism sector in the current environment, the market interest rate for any unsecured loan would be much higher than 3%. For context the current market interest rate for a small/medium business overdraft facility is around 8%.

37. The rate, (3%), would also be in line with the SBCS and hence maintain some consistency with another government scheme with a similar policy goal.

38. If Ministers wanted to make the loan more concessional, through the interest rate then options include:

    a. a lower rate of interest

    b. an interest write-off option, similar to the SBCS where interest will not be charged if the firm repays the loan fully within the first year

    c. a zero interest rate for a specified period of time i.e. 24 months

39. The options above will have fiscal implications that will need to be considered. We recommend Ministers discuss these options and indicate a preference.

Repayment terms – deferred repayment

40. We recommend that STAPP and ITO loans are interest free for the first 24 months.

41. This is in recognition that the tourism industry has reduced revenue as a result of COVID-19, particularly in the case of ITOs. This is also aligns with the Small Business Cashflow Scheme.

Timing of delivery

42. In order to support firms quickly, we propose that STAPP loans are available to firms as soon as their grant allocation is exhausted. This means that loans could potentially be available in year one (as soon as the delivery mechanism has been established).

43. We anticipate that larger firms will need to access the loans sooner than smaller firms as larger firms have comparatively higher operational costs. Some firms have also indicated they will not take the grant, but are interested in accessing loans.

44. For Inbound Tourism Operators, firms will be provided funding as soon as the loan scheme is established.

Debt subordination/ranking

45. We propose the Crown be ranked last in terms of creditors, below other unsecured creditors. This is also in line with the SBCS

46. A key consideration for firms around uptake is that existing creditors such as banks may have the ability to restrict new borrowings. Having a very low ranking means the business is more likely to get consent to use the scheme.

Default conditions

47. Officials consider that not all supported firms will be able to make their repayment obligations, especially if international borders remain closed for longer than two years.

48. The PDU does not have any loan recovery powers because it is not a legislated entity or have a legislative mandate.

49. s 9(2)(h) [redacted]

50. s 9(2)(h) [redacted]

51. Given the tight timeframe due to the immediate need to support tourism firms, TRM agreed to a high trust model. As a result, STAPP may provide support to some firms that many not necessarily be viable. Ministers have indicated their comfort in this approach.

52. Thus, all STAPP and ITO loans would be unsecured. In the case of a default on repayments, PGFL would be the Crown entity responsible for debt collection.

Default interest rate

53. In the event of default, the loan could incur a default interest rate similar to the SBCS.

54. The default interest rate could be the sum of:

- the annual interest rate for the STAPP loan; and
- the annual rate of interest equal to our use of money interest (UOMI) rate for underpayments of tax (being the taxpayer's paying rate).

55. In this case of the SBCS the default interest rate is 3% plus UOMI.

Interactions with other schemes

56. Ministers have previously agreed that there is to be no 'double dipping' across the Government's targeted COVID-19 response packages.

57. For example, if applicants were to receive funding from the Department of Conservation's Wildlife Institutions Relief Fund, those funding components would need to be removed from the STAPP application and the funding amount re-calculated.

58. As part of their application, firms have already declared that they are not receiving support from other COVID-19 response packages. Since then, some government COVID-19 response packages have been extended while others have been made available. STAPP and ITOs may be eligible for this support.

59. If a firm is receiving support from any other COVID-19 response packages, MBIE will reconcile this through the grant process. The amount of funding received from elsewhere will be deducted from the firm's grant allocation at the end of Year One of the grant.

Conditions attached to the loans

Aligning STAPP with the government's economic objectives

60. Ministers have previously agreed that conditionality should be 'embedded in the design of the STAPP to ensure assets are operated in a manner that aligns with the government's key social, economic, cultural and environmental policies' [briefing 3344 19-20 refers].

61. Ministers have also agreed that, as part of reporting, successful STAPP applicants will identify one action from each of the four capitals in their funding agreement and report back to MBIE [briefing 3964 19-20 refers].

62. There is a trade-off between attaching conditions to the loans and the speed of delivery. If conditions are too weak, we may not see any change in firm behaviour. Likewise, if they are too burdensome on firms, this could reduce the uptake of STAPP loans.

63. STAPP grants already have conditionality attached (such as paying the living wage).

64. In order to progress STAPP loans quickly, we propose that no further conditionality relating to the government's economic objectives are attached to the loans.

New Zealand Māori Tourism's (NZMT) view

65. NZMT considers that the proposed conditions are not concessionary enough. They recommend an interest rate between 0.5 - 1.5% with a loan term of 8-10 years.

66. TRM have already indicated a preference for a 3% interest rate over a five year loan term.

67. The rate of 3% and the proposed repayment terms are still concessionary as if banks were lending to firms in the tourism sector in the current environment, the market interest rate for any unsecured loan would be much higher than 3% and repayment terms potentially less favourable. For context the current market interest rate for a small/medium business overdraft facility is around 8%.

68. The rate and repayment terms proposed also align with comparable COVID-19 government response packages (such as the Small Business Cashflow Scheme).

Implementing STAPP loans

69. In order to implement STAPP loans in a timely manner, we must consider the trade-offs between the simplicity of the loan scheme and the speed that it can be delivered. For example, the more extensive or complex the loan conditions are, the longer it will take to draft contracts, negotiate with firms and work through any legal issues.

Firms will be provided standard templates

70. We propose the development of a standard loan template which reflects the terms and conditions agreed to by TRM. Firms would be able to negotiate minor administrative matters so loans can meet their individual situation. They would not be able to negotiate any terms or conditions decided by TRM.

71. Drawing up these contracts is undertaken by an external contractor and we are working with our legal team and the PDU to deliver this.

72. PDU has estimated that it will take 8-12 weeks to deliver STAPP and ITO loans using this method. These timeframes begins once the PDU has received the necessary resources to begin the work.

Delivering STAPP loans to Inbound Travel Operators quickly

73. We understand that for Inbound Travel Operators (ITOs), Ministers have requested that funding is provided as quickly as possible. This reflects that ITOs are operating at or near zero revenue, and this will remain the case until international visitors return.

74. It is our intention to prioritise ITO loans and get them paid as quickly as possible.

Wider considerations

Accounting and Fiscal treatment

Appropriation to enable Crown investment in PGFL (capital amount)

75. We can use existing capital appropriation to make the Crown investment in PGFL so funding is available to the Company to make payments to loan recipients.

Accounting for the initial write down to fair value (IFVWD) (operating amount).

76. Accounting standards require that loans made on non-commercial terms must be written down to fair value (this reflects the interest concession and default risk). This fair value will be accounted for within the PGFL and no separate appropriation is required for it.

77. The STAPP loan scheme will be recorded in MBIE's (the Crown's) accounts as a loan asset, but that asset will not be valued at the amount of capital lent. Instead, accounting rules require that the loan asset is measured at fair value at the point when the loan contracts are entered into and the cash is advanced to the borrower (initial recognition). The difference between the capital amount lent and the fair value of the loan on initial recognition is the fair value write-down expense. A new appropriation is required to incur the initial fair value write-down expense. This expense does not affect cash (and therefore does not impact net debt) but it does impact the Operating Balance Before Gains and Losses (OBEGAL).

78. The table below outlines how the transactions from the R&D loan scheme will have different impacts on the Government's key fiscal indicators:

	OBEGAL	Net Debt (Cash)
Amount lent	No	Yes
Fair value write-down	Yes	No
Repayments	No	Yes
Interest unwind	Yes	No

79. The size of this appropriation is the fiscal cost to the Crown. Factors affecting this include:

- Default rate
- Interest concession
- Total amount loaned out

80. Officials suggest a 50% write-down amount as a placeholder to be updated at EFU. Using a conservative estimate is recommended given the uncertainty surrounding the data that has informed the assumptions. This will ensure there are no breaches while more work is done to adequately determine the write-down. This is an important task as there is an audit risk for the entity holding the loans that they will not be able to provide sufficient assurance over their valuation to enable a clear audit opinion.

81. A separate briefing will be provided to TRM with a more thorough analysis on appropriations and account treatments.

Risks

82. STAPP and ITO applicants have already been told that they will be eligible for loans. If a firm fails the public interest test and is subsequently denied access to the loan, there is a risk that the firm who is refused a loan may challenge that decision. In this scenario, there might be risk that the entity brings proceedings on the basis that it legitimately relied on the representations made by the Crown that it would be given a loan but was subsequently denied one.

83. STAPP applicants may default on their loan repayments, particularly if international borders remain closed for longer than two years.

84. Because STAPP loans are advantageous compared to what is available commercially, firms may become 'zombie firms' and incentivised not adjust economically while the position of their secured creditors is strengthened.

Next steps

85. Pending your decision, MBIE and the Treasury will work with the preferred delivery agency to begin delivering STAPP and ITO loans.

86. There is a substantial amount of legal, fiscal and administrative work required in order to deliver STAPP and ITO loans. These include setting up new appropriations, obtaining a delegation from the Minister of Finance and working through any financial implications. We will provide a separate paper on these matters to TRM as this work progresses.

87. If the PDU is the preferred delivery agency, forward a copy of this briefing to the Minister for Regional Economic Development.