MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Stuart Nash	Portfolio	Economic Regional Development
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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 Economic and Regional Development

Cabinet Economic Development Committee

Regional Strategic Partnership Fund: Further implementation decisions

Proposal

1 This paper seeks Cabinet's agreement to decisions to support the Government's strategic shift in our approach to regional economic development, and implement the $200 million Regional Strategic Partnership Fund (RSPF). I seek decisions on:

1.1 the RSPF, including settings and operationalisation for three out of the five programme streams, which incorporate the timing of RSPF activities, fund allocations across investment streams, eligibility criteria, access to the fund, and management and governance arrangements;

1.2 transitional arrangements to support the shift in our strategic regional economic development, including the reprioritisation of up to $101.110 million of the Provincial Growth Fund (PGF) to support the Provincial Development Unit's (PDU) operational costs and contribute to the $200 RSPF.

2 The paper also notes that over the coming months, following Cabinet decisions on the RSPF, the Ministry of Business, Innovation and Employment (MBIE) will have a clearer understanding of the ongoing operating requirements to support the RSPF and existing funds, and will provide more detailed advice to the Minister of Finance and me on the longer term operating model of the PDU. Additionally, the name of the PDU will be transitioned to Regional Economic Development and Commercial Services to better reflect its evolved role.

3 It also reports back the on decisions made by Shareholding Ministers to transition Provincial Growth Fund Limited (PGFL) to an active company [DEV-20-MIN-0101].

Relation to government priorities

4 The RSPF is a $200 million fund Government manifesto commitment, which supports the Government's objectives from the Speech from the Throne: to accelerate our economic recovery, and to lay the foundations for a better future. The RSPF supports the Government's five-point plan for economic recovery [CAB-21-MIN-0006 refers].

5 Cabinet has previously agreed that the PDU is responsible for the delivery of the RSPF. The PDU will ensure alignment between the RSPF and complementary government initiatives such as Joined-Up Government in the Regions, Regional Skills Leadership Groups, Just Transitions Partnerships, and will continue to work with other agencies, such as the Ministry for Primary Industries (MPI), Te Puni Kōkiri (TPK), and the Minister of Social Development (MSD) as appropriate.

Executive Summary

6 On 2 February 2021, Cabinet agreed to the broad parameters for the $200 million RSPF [CAB-21-MIN-0006]. The RSPF recognises each region has a role to play in New Zealand's recovery and rebuild from COVID-19. It builds on the significant support provided to regions by the PDU over the last three years.

7 Regional economic development is central to New Zealand's economic, social, cultural and environmental prosperity and, therefore, New Zealand's living standards and overall wellbeing. Regional economic development, through the RSPF, will contribute to the Government overarching Economic Plan for a more Productive, Sustainable and Inclusive economy, from the bottom-up, by partnering with enterprises whose outcomes support our ambitions.

8 As the major regional economic development lever, the RSPF aims to support regional economies to become more productive, resilient, inclusive, sustainable and Māori-enabling (PRISM) by delivering local approaches tailored to regions' particular needs and advantages. Cabinet noted that PRISM would guide the RSPF [CAB-21-MIN-0006 refers] and I propose these are the RSPF's objectives.

9 The RSPF is an evolved regional economic development approach that will support more strategic investments, improve strategic partnerships between central government and regional partners, lift regional capability and capacity, and leverage non-funding policy levers. The RSPF will invest in projects that enable regional economic and business development, accelerate Māori economic aspirations and support sector transformations, with a focus on firm-level and commercial investments.

10 I expect the RSPF to invest in all regions, excluding Auckland. Also, as previously proposed to Cabinet, investment opportunities should continue to focus on regions outside of the three main centres. Therefore I recommend the metropolitan areas of Auckland, Wellington and Christchurch be ineligible for funding.

11 The PDU will deliver the fund through the RSPF's five complementary programme streams previously agreed by Cabinet. I now seek agreement to the settings for three of the five streams and to operational decisions required to administer the fund:

11.1 **Stream 1 – Facilitating regional economic development partnerships:** Evolving from existing regional economic development groups in the regions that the PDU already works with, the PDU will support regional economic development partnerships to assess how well existing regional economic development planning documents reflect the current economic context, set regional economic development priorities, and update planning documents where necessary. Regional economic development partnerships are the foundation of the RSPF and their planning will inform and guide RSPF investments. Facilitating regional economic development partnerships will not entail establishing new regional economic development groups in the regions – rather regional economic development partnerships will be a mechanism through which the PDU supports regional economic development aspirations and progresses funding proposal for Ministers to consider;

11.2 **Stream 3 – Accelerating Māori economic aspirations**: **$40 million** will be allocated to fund capital improvements for whenua Māori to unlock land and develop commercial relationships;

11.3 **Stream 4 – Supporting sector transformations**. **$80 million** will be allocated to invest in firm-level investments targeted to regional comparative advantages that catalyse regional economic development. The scale of this investment stream will be amplified, and grow over time, by leveraging co-contribution and third-party investment and the use of debt and equity. Subject to future decisions by Cabinet, returns will be recycled into future regional economic development investments. Further funding will be sought in future years, through Budget, to continue investment, with the aim of moving towards a self-sustaining model in the long-term; and

11.4 **Operational settings**: the timing of RSPF activities, fund allocations across investment streams, eligibility criteria and access to the fund by stream, and management and governance arrangements.

12 Policy settings for **Stream 2 – Enabling regional economic and business development** (proposed to be **$60 million**) will be informed by the outcomes of Stream 1 priority setting, and as such I am not seeking detailed decisions at this time. I recommend that the Regional Economic Development Ministers Group be delegated decision-making on final settings for Stream 2.

13 **Stream 5 – Coordinating a more effective all-of-government system** is currently underway through alignment work across agencies.

14 The proposed allocation of funding across Streams 2 to 4 is broadly based on the level of impact at the regional level each stream is anticipated to generate. Stream 4 is proposed to receive the largest allocation as it will drive larger-scale investments that are likely to generate wider benefits than the other investment streams. Stream 2 is proposed to receive the second highest allocation in recognition of its broad population focus, including Māori.

15 Māori economic aspirations will be an important focus for Streams 2 and 4 and Māori are expected to benefit from these streams. Stream 3 ring-fences funding specifically for Māori-focused investment in areas of demonstrated need and opportunity.

16 To respond to emerging government or regional economic development priorities as they arise, remaining funding of at least $20 million will not be allocated at this stage.

17 Loans and equity will be the primary means of investing in commercial or quasi-commercial projects across all investment streams. These are direct, return-generating mechanisms that can grow the government's ability to continue to invest in economic development initiatives over time. Co-contributions on projects will also add to the scale of investment through the RSPF. As a guideline, co-contributions of 50 per cent will be required on commercial investments and 20 per cent on other investments. This will catalyse further investment into the regions through the RSPF.

18 The PDU will implement benefits management practices across RSPF investments to ensure the intended benefits from funding are realised and that they align to PRISM objectives. Planning and tracking the observable difference the RSPF will make to the economic and social wellbeing of New Zealanders (the benefits realised) will enable the government to track the wider regional impacts of the fund.

19 In February, I noted to Cabinet that this paper would cover the following. Paragraph references indicate where this information can be found:

19.1 potential reprioritisation of existing regional economic development funding decisions – paragraphs 100 to 109;

19.2 implementation of regional economic development partnerships – paragraphs 39 to 49;

19.3 allocation methods for investment streams – paragraphs 75 to 77;

19.4 eligibility and assessment criteria – paragraphs 78 to 82;

19.5 recycling of funding returned from completed or exited projects – paragraphs 116 to 117;

19.6 governance arrangements, including financial decision-making – paragraphs 83 to 99;

19.7 the role of the Independent Advisory Panel – paragraph 90;

19.8 the role of Senior Regional Officials – paragraph 96;

19.9 timing of the RSPF – paragraph 73;

19.10 a long term and sustainable funding model – paragraphs 63 to 64.

20 Following Ministerial direction, the PDU has considered what PDU-managed funding can be reprioritised: this is a mix of remaining available funding, funded projects that are delayed or where there are identified risks to project completion and approved projects which have not been contracted due to delays. The PDU has identified $101.110 million which can be reprioritised.

21 The PDU only has operational funding until 30 June 2021. I therefore recommend that $35 million of this funding is put towards the ongoing operational costs of the PDU (over the next 12 months). Over this time the longer term operating model will be considered by MBIE, in order to best manage the portfolio of $4.5 billion government investment, as well as the implementation of the RSPF. I recommend the remaining reprioritised funding go towards the RSPF.

22 Commercial Information [redacted]

23 On 17 June 2020, Cabinet Economic Development Committee agreed to further investigate whether the mandate of PGFL should be transitioned from a passive holding company to an active company, and authorised Shareholding Ministers to make decisions on the design and operation of an active PGFL and to report back to Cabinet [DEV-20-MIN-0101]. Shareholding Ministers have now made final decisions required to transition to PGFL to an active company; which this paper reports back on.

Background

24 The Government, through the PDU, has made significant progress in supporting regional economic development over the last three years. Working closely with other

agencies[1], MBIE), through the PDU, is the government's key strategic leader and delivery agency for regional economic development. As such, the PDU is positioned to deliver regional economic development using its established relationships with other agencies, regional connections, commercial expertise,[2] and systems and processes that ensure funding can be disbursed into regional economies and contracts effectively managed. PGFL[3] utilises the PDU's expertise to manage loan and equity investments.

25 The PDU and PGFL currently manage a $4.532 billion portfolio of regional economic development investments across a range of funds (Annex 1 provides a breakdown by fund). Most projects are underway and Crown funding for these investments is being disbursed as projects meet milestones. The PDU, PGFL, and partner agencies will continue to administer and manage existing investments until the projects have been completed and their benefits realised.

26 On 2 February 2021, Cabinet agreed to the broad parameters of a focused evolution of regional economic development to deliver the RSPF. The RSPF seeks to achieve PRISM regional economies through five work streams:

26.1 Stream 1 – Facilitating regional economic development partnerships;

26.2 Stream 2 – Enabling regional economic and business development;

26.3 Stream 3 – Accelerating Māori economic aspirations;

26.4 Stream 4 – Supporting sector transformations; and

26.5 Stream 5 – Coordinating a more effective all-of-government system.

27 Stream 1 recognises that placing local realities at the heart of development approaches results in more responsive and effective outcomes. Stream 2 recognises that significant PRISM progress can be made through small-scale investments driven primarily by local actors. Stream 3 recognises the centrality of whenua Māori development to regional Māori aspirations, and of Māori economic development to regional economic development overall. Stream 4 recognises the central role sectors also play in regional economic development and the potential for sector development to transform communities through investments into firms and industries. Stream 5 recognises the governance challenges to the delivery of regional economic development.

Regional economic development and our Economic Plan

28 My vision for New Zealand's economy is consistent with, and continues to progress, the Productive, Sustainable and Inclusive (PSI) economic plan we established in 2018: a high value economy, underpinned by sustainable principles and practices, which improves the wellbeing of all New Zealanders.

[1] In particular, the Ministry for Primary Industries, Te Puni Kōkiri, the Ministry of Social Development, New Zealand Transport Agency and the Department of Conservation.
[2] In particular, to partner with stakeholders to deliver firm and commercial entity-level investments, with a focus on capital investments.
[3] On 2 February 2021, Cabinet agreed to change the name of PGFL to Crown Regional Holdings Limited (CRHL).

29 My portfolios contribute to all areas of our economic vision by supporting those firms most likely to contribute to our economic transformation. The bottom-up, partnership approach of the RSPF will in turn contribute to each portfolio. For example:

29.1 our Industry Transformation Plans (ITP), developed in a tripartite relationship between government, industry and unions, help a shift of volume to value and lift the performance of key sectors in the economy. Opportunities to accelerate the strategic objectives set by ITPs will be a key consideration when making RSPF investments within relevant sectors;

29.2 within the Tourism portfolio I am working to re-set and rebuild tourism on a more sustainable and resilient model. Part of this work, especially for those regions hardest hit by COVID-19, means supporting regions to diversify their economies. The RSPF has an important role to play in this part of the plan;

29.3 a key work programme within the Small Business portfolio is making it easier for businesses to access the capital they need to grow and become more productive. PDU's ongoing experience working with firms previously unable to access capital to pursue ambitious growth plans aligned with our vision is helping to inform this work.

30 Investment made through the PDU represents a strategic shift in the approach to regional economic development. It adds a powerful new tool to help deliver this vision, through direct partnering with regions and firms. The PRISM vision for regional economies builds on the PSI vision by acknowledging the importance of *resilience* to regional economies as they face a range of global mega-trends, not least climate change, and the importance of *Māori-enabled* regional economies – both to Māori and to regions.

31 Our economic plan sets out a number of key economic shifts needed to achieve our vision. The PDU and RSPF will contribute to all of them.[4] The strategic value the RSPF provides is the ability for the government to complement its strategic vision and national level policies with a bottom-up approach which partners with regions and firms to deliver investments which appreciate and contribute to the inter-connected nature of challenges as experienced by people, communities, firms and sectors.

32 The RSPF will support a wide range of firms to grow and become more productive, while also actively contributing to achieving these shifts, by partnering with enterprises whose outcomes support our ambition. It will also support regions to grow their economic development planning and strategy capabilities so central and regional government actions are more aligned.

What success will look like

33 The RSPF seeks to support the creation of more productive, resilient, inclusive, sustainable and Maori enabling communities. Achieving more PRISM communities is a long term vision, which takes time and requires funding from not only the RSPF but also funding and other interventions from across government, regions, local communities and businesses.

[4] In particular: moving from volume to value, enabling a step change for Māori economies, land and resource use that delivers greater value and improves environmental outcomes, strong and revitalised regions, deeper pools of capital to grow our productive assets.

34 The RSPF approach is an evolution of the previous regional economic development approach, this means we will be building on the foundation of investments we know are having an impact in our regional communities. While achieving PRISM economies was not the focus of previous regional economic development investment, we can see the impact that these kinds of investments have in the creation of more PRISM economies through:

1.1 **Creating job opportunities:** which support local people into local employment, particularly in rural, isolated and deprived communities where there may only be limited employment options.

1.2 **Enabling spillover benefit to other businesses:** funded projects have engaged local businesses to provide goods and services which are necessary to the delivery of the funded project. The PDU has supported projects to consider broader outcomes procurement as part of their funding arrangements.

1.3 **Improving business confidence:** funded projects have spurred the establishment of related and complementary businesses that service the funded project.

1.4 **Unlocking future commercial opportunities:** potential commercial opportunities that are related to funded projects can attract private or third party investment when the success of funded projects are realised. This can help connect the region to more high value global value chains.

1.5 **Improving social wellbeing and commercial accessibility:** projects that created or upgraded infrastructure, including digital, roading and air connectivity, has improved physical and digitial connections within and between regions, enabling businesses to access markets more efficiently, and residents to better connect with whanau and friends in other communities.

1.6 **Catalyse other government investment:** it has also given other government agencies and community organisations the confidence to invest in these communities.

1.7 **Improving environmental outcomes:** through investments in water storage, more sustainable agricultural and horticulture practices, improving digital connections that reduce the need to travel. This improves the resilience and sustainability of regions.

1.8 **Improving Maori economic opportunities and outcomes:** through unlocking previously unproductive whenua Māori, supporting Māori to develop their unique commercial offerings, and enabling them to develop their assets.

1.9 **Enhancing community wellbeing, pride of place and nationhood:** through investments in sites of cultural and historical significance, such as museums and New Zealand land wars sites, and marae and Pasifika churches which are at the heart of those communities.

1.10 **Use Just Transition outputs:** in regions where Government's Just Transition Partnerships team works with iwi, communities and sectors; align RSPF investments with outcomes of just transition process.

2 For example, the PDU made a number of investments in Raukokore, including kiwifruit development, macadamia orchard development, assessing the feasibility of irrigation, water storage development, improved digital connectivity, and redevelopment of marae. These projects have had the following PRISM benefits:

2.1 **Creating job opportunities:** up to 120 jobs in the Raukokore/Waihau Bay area will be created. Some of these roles will be filled by local MSD clients, thereby enabling them to attain employment in the place that they live with their whanau and friend support networks.

2.2 **Improving business confidence:** Government investment has catalysed commercial investors, such as Seeka, and whanau and hapu trusts/incorporations. The projects mean that the Raukokore community now has a more diversified economy, which reduces reliance on one community, and improves business confidence in the region.

2.3 **Unlocking future commercial opportunities:** Seeka, a major commercial player has invested in the kiwifruit development. This provides the Raukokore community with access to future commercial opportunities. Unlocking previously unproductive land has also had a catalytic effect, with more than 200 ha of Māori freehold land planned for future conversion to orchards.

2.4 **Improving social wellbeing and commercial accessibility:** Investment has given other government agencies and community organisations confidence to invest in efforts to address methamphetamine harm, and install relocatable housing cabins. Marae investment supported broadband connection for this remote and isolated community.

2.5 **Catalyst other government investment:** MPI has provided technical support for the land assessments; TPK facilitated the consultation process with land owners to gain consensus on the land proposals; Ministry of Housing and Urban Development (MHUD) provided housing; Te Arawhiti provided land for papakinga; MSD provided a connector to support job placements.

2.6 **Improving environmental outcomes:** investment in water storage has become a catalyst for utilising previously unproductive land in an environmentally sustainable manner.

2.7 **Improving Maori economic opportunities and outcomes:** 39 whenua Māori land blocks have been unlocked for kiwifruit. TPK provided support to develop business plans. Landowners have developed governance entities to oversee the projects, which will provide a basis for the development of future opportunities.

3 Annex 2 includes more specific detail on a range of projects that are contributing to more PRSIM regional economies.

4 Annex 11 details indicators of success. The PDU will implement benefits management practices to identify, plan, measure and regularly monitor and report on the benefits for each project, programme, region, stream, and the RSPF as a whole.

Decisions on RSPF Streams settings

35 Cabinet previously agreed a more strategic approach to regional economic development be delivered through five coordinated work streams, with Stream 1:

Facilitating Regional Economic Development Partnerships as the foundation. The following set out how Stream 1 interacts with the investment streams.

Stream 1

Regional Economic Development Partnerships are the foundation of the RSPF. Partnerships will be supported by the PDU to:

- set regional economic development priorities in light of the impact of COVID-19, , which will be used to set regional investment priorities to inform RSPF investment;
- if necessary, update, existing planning documents to reflect priorities and current economic context;
- identify complementary funding opportunities across RSPF investment streams 2 to 4 to inform decision-making; and
- use information about funded projects to inform ongoing regional strategic planning that continues to build on RSPF investment, and prepares regions for accessing any further funding opportunities.

Stream 2

All investment priorities for Stream 2, *Enabling regional economic and business development,* will be set by Stream 1 Partnerships. The PDU will support Stream 1 Partnerships to work with potential applicants to develop applications that align with the identified Stream 1 priorities. Potential applicants will be identified through existing Stream 1 Partnership connections, PDU relationships and targeted communications

Stream 3

Investment priorities for Stream 3, *Accelerating Māori economic aspirations,* have been set in this paper to focus on whenua Māori projects. The PDU will work with both Stream 1 Partnerships, and agencies to identify whenua Māori projects. Identified projects will be prioritised by the PDU in consultation with agencies. Priority projects will be supported by the PDU to develop applications.

Stream 4

Stream 1 Partnerships will be consulted during the development of priority sector investment areas to confirm where regional sector investment should be targeted. Stream 1 Partnerships will also support communication within regions the opportunity for potential applicants to submit an expression of interest aligned with a regions sector investment focus.

Stream 1 – Facilitating regional economic development partnerships

36 A partnership approach will be the foundation of the RSPF. It will support regions to have a strong voice in regional economic development and build on the relationships and expertise the PDU has developed over the past three years.

37 The PDU will convene regional economic development partnerships based on existing regional economic development groups that the PDU already works with (refer to Annex 3. This will not entail establishing new regional economic development groups in the regions – rather regional economic development partnerships will be a mechanism through which the PDU supports regional

economic development aspirations and progresses funding proposal for Ministers to consider.

38 Regional economic development partnerships will have the flexibility to reflect their unique regional circumstances, including bringing in additional members where required to represent previously under-represented groups[5] and working through the Just Transitions Partnerships where they exist (currently Taranaki and Southland).[6]

39 The PDU will support the regional economic development partnerships to update regional economic development strategies and action plans to ensure they reflect contemporary regional economic development realities, and encourage them to demonstrate how these can contribute to the RSPF's objectives to support more PRISM regional economies. Through strategies and action plans, each regional economic development partnership will identify regional economic development priority areas that they want to seek investment for, through RSPF Streams 2 to 4, private investment and through other government initiatives. Partnerships in regions that have experienced a significant drop in tourism expenditure will be supported by MBIE to plan for transitioning to a more diverse economy.

40 Regional economic development partnerships will not make decisions on proposals for RSPF funding. The PDU will work with regional economic development partnerships to support the development of proposals to the RSPF for Regional Economic Development Ministers' consideration. The PDU will assess proposals and provide advice to Regional Economic Development Ministers in consultation with relevant government agencies.[7] I expect successful proposals to focus on the delivery of regional economic development outcomes that support a shift to a more PRISM economy, in particular, through firm and commercial entity-level capital investments.

41 Regional economic development partnerships will be the primary means by which complementary funding opportunities across investment streams will be identified. Complementarity with projects funded through other investment streams will be an important consideration when making investment decisions.

42 The timing of each regional economic development partnership's work to identify priorities will depend on the readiness of each region. Some regional economic development partnerships may need more capability and capacity support. The PDU and regional economic development partnerships will work together to determine the most appropriate support the PDU can co-ordinate or provide directly to each regional economic development partnership, based on their unique needs and circumstances.

43 I expect all regional economic development partnerships to have completed priority setting and updates of regional economic development strategies and action plans by the end of 2021. To provide Ministerial oversight of implementation, I propose that Regional Economic Development Ministers, the Māori Economic Development Ministers Group, and Cabinet Economic Development Committee receive updates on progress as part of regular reporting. This will include details about the makeup and progress of regional economic development partnerships.

[5] Membership could include representatives from local councils and economic development agencies, Māori and iwi (where iwi have not settled Treaty claims it may be more appropriate to engage at a trust or hapū level), regional tourism organisations, regional central government agencies where relevant such as the Ministry for Primary Industries, chambers of commerce, industry leaders and community groups;

[6] This reflects Cabinet's direction to adopt a Just Transitions approach where abrupt structural changes are required to a regional economy [CAB-21-MIN-006 refers].

[7] Advice will be developed in consultation with relevant agencies.

The PDU and agencies will ensure alignment across regional development programmes

44 Regional economic development systems are complex. Local stakeholders involved in economic development differ within and between regions and have varying connections with wider government regional development initiatives, including:

44.1 **Joined-Up Government in Regions:** The Public Service Commission (PSC) and Ministry of Social Development (MSD) are leading work to support a more joined-up approach from government agencies within regions. In 2019, Cabinet established Regional Public Service Leads (RPSLs) with a mandate to convene decision makers across government with an initial focus on the social sector while strengthening connections to the skills and economic sectors. Commercial Information RPSLs will continue work to develop regional public service priorities with officials, in collaboration with local government, iwi, hapū, Māori and communities. RPSLs will continue to support other regional leaders and stakeholders to navigate and connect across the public service.

44.2 **Regional Skills Leadership Groups (RSLGs):** The Ministry of Business, Innovation and Employment (MBIE) is leading the work on RSLGs, which aims to identify and support better ways of meeting future skills and workforce needs in our regions and cities. RSLGs currently operate on an interim basis, having been established expeditiously to support the immediate response to the regional labour market impacts and disruption arising from COVID-19. From July 2021, the interim groups will transition to their full-state. This will see them produce annual Regional Workforce Plans which will be used to inform regional stakeholders (such as employers, learners and communities) as well as central government supply systems (welfare, immigration and education) to ensure regions have access to the skilled workforces they require;

44.3 **Just Transitions Partnerships (JTP):** MBIE's JTP Team has active JTPs with Taranaki and Southland. These multi-stakeholder strategic partnerships use a flexible approach for supporting communities undergoing an abrupt transition to understand, plan and manage their transitions and coordinate central government agencies. JTPs generally build on existing planning and partnership structures encouraging a more holistic and longer-term focus and inclusive membership including iwi, business representatives, unions and community groups. MBIE's JTP Team works with and through existing agencies in the region to lead a coordinated surge in central government support for communities experiencing transition. MBIE's JTP Team is working closely to support RPSLs in both regions and intends to use both processes as an opportunity to help progress the PSC/MSD regional model; and

44.4 **Other regionally based agencies:** Primary sectors and Māori development are important to regional economic development. MPI and TPK play leadership roles in both of these areas and a strong, coordinated approach with these agencies will be critical. PDU officials will continue to build on the strong relationships already established with these agencies, both to deliver effective and aligned investments and to progress opportunities to better align their respective roles. MSD also has an extensive regional presence, considerable local knowledge and expertise, and delivers regionally-based programmes. The PDU will continue to work with MSD's Regional

Commissioners and RSLGs to ensure alignment of regional economic development priorities and workforce outcomes.

45 There will be opportunities to use and share the regional economic development partnerships' work to inform and support other programmes. For example:

45.1 sharing regional economic development strategies and action plans with RSLGs will ensure workforce planning is informed by regional economic development priorities; and

45.2 sharing regional economic development priorities with RPSLs to inform the overarching regional public service priorities, and with regional leadership groups, will enable them to consider other possible avenues for support where priorities cannot or should not be funded from the RSPF or require policy changes.

46 Key agencies the PDU will work with include the Public Service Commission, MSD, MPI, and TPK amongst others. (Annex 4 demonstrates how the work programmes align; Annex 5 outlines a working example of government agencies working together on regional development).

Stream 3 – Accelerating Māori economic aspirations

47 The Māori asset base is increasingly diverse but constraints to accessing capital and markets continue to be a barrier for Māori to leverage their assets and build commercial enterprises. There is a significant opportunity to support broader economic development outcomes, including opening up new markets and building the capability and expertise of Māori, creating intergenerational wealth and improved wellbeing outcomes.

Priority areas for Māori-specific investments

48 This investment stream, by focusing on whenua Māori investments, with a proposed allocation of up to $40 million, will create productive assets and jobs, raise incomes, and build resilience for Māori enterprises.[8] Investment will unlock private capital and leverage other government programmes and funds. More detail is in Annex 6.

49 This investment stream does not exclude Māori economic development aspirations from being a priority within other funding streams. Māori-Crown partnership principles will be built into all RSPF investment streams. Opportunities for complementary investment across investment streams will be an important consideration for decision-makers. For example, providing capital to develop whenua may open up new land for horticulture crops or the construction of downstream processing facilities, which could be considered through Stream 4 – Supporting sector transformations.

50 Whenua Māori-related development is a priority for Māori in all regions and the proposed funding allocation will not meet demand. I recommend the approach partner with the ready, and continue to build evidence for the value of investments into Māori communities and regions. This will enable us to seek further funding once RSPF funding is committed, to continue the investment programme on an ongoing basis.

[8] Loans and equity will be the primary means of investing in any commercial or quasi-commercial project; grants will be considered for non-commercial entities.

51 While of central importance to regional Māori economic aspirations, whenua Māori is only one element of the Māori economy. I recommend Cabinet delegates authority to the Māori Economic Development Ministers Group [CAB-21-MIN-0006] to make any further decisions required to deliver this investment stream, including the authority to amend the scope of the investment stream in response to emerging government priorities relating to Māori economic development. I recommend the Māori Economic Development Ministers Group be consulted on all investment decisions within this investment stream and those in other streams that are relevant to iwi, hapū and Māori.

The role of a broader Māori Economic Development strategy

52 Māori enterprises and organisations frequently cite the accessibility, fragmentation, sub-scale nature, and regional variability of current government economic support as significant barriers to growth. The PDU is working across MBIE, with TPK, Te Arawhiti, MPI, the Department of Internal Affairs, MSD, MHUD,, Department of Conservation, and the Treasury to ensure alignment with wider government Māori economic development objectives, including those under development in the Māori Economic Resilience Strategy and Māori Employment Action Plan, and the potential for the Ministers' group to drive stronger alignment.

Stream 4 – Supporting sector transformations

53 I propose an allocation $80 million be made to Stream 4: Supporting sector transformations. The size of this allocation recognises that potential investment opportunities are likely to be larger in value; attract a large portion of co-contribution; generate high impact regional economic development benefits; and help embed a long-term, fiscally sustainable, investment programme.

A firm-level and commercial focus is an important regional economic development lever

54 Firm-level investments targeted to regional sector strengths provide a significant opportunity to catalyse economic development and contribute to broader government objectives. Appropriately structured and negotiated deals can unlock private capital while generating return on investment for the Crown. Annex 7 provides examples of these investments.

55 The PDU's experience and capability to deliver firm-level and commercial projects is a key part of the focused evolution of regional economic development agreed by Cabinet in February [CAB-21-MIN-0006 refers]. This evolution is focused on investments to complement the wider government investment eco-system in the regions, in particular by aligning with and building on other agencies' funds and private sector investment.

A strategic approach to facilitate a critical mass of investment

56 A key strategic objective of Stream 4 is to facilitate a critical mass of private and government investment in sectors central to regions' comparative advantage and PRISM futures.

57 A critical mass of initial investment into a firm-level project can catalyse an ongoing cycle of regional economic development. This can be achieved by an approach that:

57.1 targets investment to specific sectors in specific regions (regional-sector priority investment areas);

57.2 uses government funding to unlock private capital through, for example, mandatory co-contribution, third party investment, underwrites and guarantees;

57.3 invests in projects that unlock opportunities for other investors within a sector;

57.4 works across government to coordinate wider public investment;

57.5 develops scalable investment packages;

57.6 builds on and augments existing regional assets, including PGFL assets;

57.7 builds on and extends the impact of earlier stage government investments and support programmes (e.g. feasibility studies, R&D, capability building); and

57.8 connects regions through complementary investments into national sector supply and value chains and innovation eco-systems.

Regional-sector priority areas for investment

58 Final decisions on regional-sector priority areas will be made by Regional Economic Development Ministers, informed by advice developed in consultation with regional economic development partnerships. Regional-sector priority investment areas will be aligned with regional comparative and competitive advantages. However, most regions have more than one of these areas, so decisions will also be guided by the quality of investment-ready projects within a region that fit the PDU's investment profile (Annex 8 contains a draft list of potential priority areas for investment). The strategic objective of supporting a critical mass of investment means the approach should avoid 'thinly spreading' funding within a region across unconnected investments.

59 Many regions have comparative and competitive advantages in primary sectors, which are the foundation of PRISM economies in the regions and for the country as a whole. The PDU expects many regional-sector priority investment areas will be connected to primary sector strengths. A strong partnership with MPI will be necessary to deliver a successful regionally-focused sector investment approach. Given this, I recommend the Minister of Agriculture be consulted on relevant decisions.

Making investment decisions within regional-sector priority areas

60 Even with this targeted approach, I expect a total value of eligible regional projects, which will contribute to regional PRISM outcomes, will easily exceed $80 million, and that available funding will be committed within the 2021/22 financial year.

61 I propose this investment approach be designed as an ongoing iterative investment approach that is regularly recapitalised, through Budget processes, commensurate with the quality of the pipeline of potential investments that could be delivered over a Budget year. Over time, with an emphasis leveraging co-contribution and third-party investment, and the use of debt and equity, this has the potential to become a self-sustaining, fiscally neutral, investment programme. This approach could supercharge the Government's commitment to regional economic development, as well as its ability to deliver on strategic objectives (such as zero emissions, industry transformations and Just Transitions) by sending a strong signal about the Government's commitment to working with the private sector to deliver on a wide range of its strategic objectives through regional economic development.

Alignment with the Government's wider strategic objectives

62 Regional-sector priority areas for investment, developed through regional economic development partnerships, will be consulted on with relevant government agencies. Alignment with, and opportunities to accelerate, the Government's wider strategic sector objectives through firm-level and commercial investments will be a key consideration when setting regional-sector priority areas. Opportunities to coordinate or leverage existing investments across regions to support our sectors to compete with the world, will also be important. To support national-level objectives, some investments may need to be assessed from a pan-regional perspectives and not be constrained by territorial boundaries.

63 To ensure alignment across government funds, in relation to firm-level investments, the PDU will work across agencies and Crown companies where necessary. Advice to Ministers on potential projects will be consulted with relevant agencies prior to being provided to Ministers.

Stream 2 – Enabling regional economic and business development

64 This section provides an update on Stream 2 - Enabling regional economic and business development. This stream will be largely informed by priorities that are developed by regional economic development partnerships. The policy principles guiding this stream of investment will be finalised and brought to Regional Economic Development Ministers for approval following early feedback from regional economic development partnerships.

65 While current indications show overall the economy is recovering well from COVID-19 impacts, some of our communities and businesses continue to struggle. In addition, smaller towns and provincial regions face long-standing challenges to economic development that cities do not face, such as a less dynamic economy without the firm entry and exit that can improve business capacity, capability and knowledge, access to markets and specialist skill sets. Regional firms have to work harder and smarter to make up for the lack of density and diversity compared to agglomerations in cities.

66 Previous PDU investment has shown that small-scale investments can support improved vibrancy, job opportunities, capability and capacity and viability of business in provincial regions. Investing in one business can create a flow-on effect, whereby business confidence in towns is improved and new firms are established and overall wellbeing is improved. For example, the PDU invested $490,000 into the final stage of the Waitangi Mountain Bike Park in the Bay of Islands. This investment not only created up to 160 jobs, but it also improved business confidence in the area with locals seeing the Bike Park as the beacon to base other related businesses off.

67 Through Stream 2, our government can continue supporting small-scale opportunities identified through regional priorities that create a real positive impact on communities and their wellbeing. Examples of this could include capability and capacity support, projects that improve productivity for SMEs, enable businesses to adapt and take up new technology, and shorten or reduce costs of supply chains. The scale of the funding proposed for Stream 2 will enable the PDU to fund new opportunities as well as leverage off opportunities created by other investment.

Operationalising the RSPF

68 The following section seeks decisions on operational matters required to implement the RSPF. This includes the phasing of the fund, allocations for streams, fund

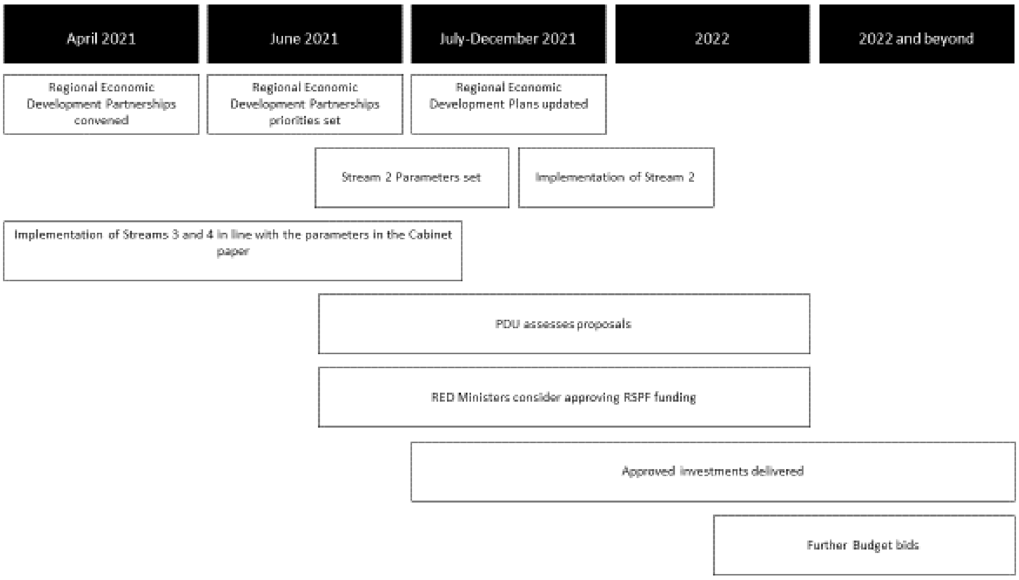
guidelines (including how to access the RSPF, eligibility criteria and exclusions) and further management and governance arrangements, which will ensure that the RSPF is administered and managed in an effective and robust manner. Within these parameters, I recommend that Cabinet delegates any further decisions required to the Regional Economic Development Ministers.

Objectives of the RSPF

69 In February 2021, Cabinet noted that the Productive, Resilient, Inclusive, Sustainable and Māori-Enabling vision for regional economies would guide the RSPF [CAB-21-MIN-0006 refers]. I therefore propose that these are the objectives of the fund.

Timing of RSPF activities

70 In order to deliver a focused approach to regional economic development through the RSPF, I propose the following indicative timeframes:



Fund design

71 Through the RSPF, the Government's evolved regional economic development approach seeks to create more PRISM regional economies [CAB-21-MIN-0006 refers]. Individual RSPF investments must contribute to components of a PRISM economy.

Allocations

72 Allocations across funding streams will help the PDU attract the type of proposals the government seeks to invest in and signal priorities to regions, achieve strategic regional economic development objectives and a balanced portfolio of investments.

73 I propose funding be allocated across investment streams, based on the level of impact at the regional level each stream is anticipated to generate. PDU officials consider the below allocations to be an appropriate split across the investment streams:

73.1 **Up to $60 million for Stream 2 – Enabling regional economic and business development** – this provides funding to progress investment priorities identified by the regional economic development partnerships across all eligible regions for RSPF funding. It is the second highest allocation of funding to recognise its broad population focus (including Māori). This level of funding will ensure all eligible regions receive some RSPF investment. It will incentivise regional economic development partnerships and their members to buy-in to the RSPF's approach to convene regional economic development partnerships, work with the PDU, include new members as required, and update their regional economic development planning documents;

73.2 **Up to $40 million for Stream 3 – Accelerating Māori economic aspirations** – this allocation recognises that Māori economic aspirations will be an important focus for investment streams 2 and 4, but ring-fences funding specifically for Māori-focused investment in areas of demonstrated need and opportunity, with a focus on improving the productivity of whenua Māori; and

73.3 **Up to $80 million for Stream 4 – Supporting sector transformations** – the largest allocation recognises that the sector investment stream will drive larger-scale investments that are likely to generate wider benefits than the other investment streams, with the potential to transform communities. The scale of this investment stream will be amplified, and grow over time, by leveraging co-contributions and third-party investments, and generating returns using debt and equity investments. This approach, and the size of the sector investment stream, will help to provide the evidence for the viability of a self-sustaining long-term investment model.

74 Remaining funding of at least $20 million will not be allocated at this stage. This allows the RSPF to respond to emerging government or regional economic development priorities as they arise.

Accessing the RSPF, including eligibility criteria and exclusions

75 Eligibility criteria ensures we achieve our strategic objectives and provides direction about what type of proposals we seek to invest in. All potential investments will meet the following criteria (further detail is included in Annex 9):

75.1 located in regional New Zealand (outside the three main centres of Auckland, Wellington and Christchurch, and excluding the Auckland region as a whole);

75.2 aligned with Government and regional economic development priorities, and PRISM objectives;

75.3 additionality;

75.4 co-contribution requirements; and

75.5 recipient's capability to deliver and implement the project.

76 A range of projects will be excluded from RSPF funding because there is other government funding available or government funded activity already underway. The RSPF will not invest in social assets, publicly-funded large-scale infrastructure, skills and training, housing infrastructure and the purchase of land. In exceptional circumstances, the RSPF may fund these types of investments as a sub-component of a broader proposal, if there is no other available government or private sector

funding. However, Māori, iwi-owned and Pasifika community assets and freehold land are eligible for funding because of a lack of alternative funding sources.

77 Sectors that have received significant funding over the past three years as a result of increased government investment are not a high priority for RSPF investment at this stage. These include tourism, energy, forestry, feasibility studies and business cases.

78 Access to the RSPF will be tailored for each RSPF stream, reflecting the different types of proposals and project partners expected across different streams. The PDU will assess all proposals across the three streams regardless of how the RSPF is being accessed and provide advice to decision-makers in consultation with relevant agencies. Further detail is provided in Annex 10:

78.1 Stream 2:the PDU will support Stream 1 Regional Economic Development Partnerships to work with potential applicants to develop applications that align with the identified regional priorities. Potential applicants will be identified through existing Stream 1 Partnership connections, PDU relationships and targeted communications;

78.2 Stream 3: the PDU will work with both Stream 1 Partnerships, and agencies with on the ground knowledge, to identify whenua Māori projects. Identified projects will be prioritised by the PDU in consultation with agencies. Priority projects will be supported by the PDU to develop applications ; and

78.3 Stream 4: the PDU will seek xpressions of interest following confirmation, through Stream 1 Partnerships, of priority investment areas. Quality expressions of interest will be invited to make applications.

79 Within the parameters above, and in the attached appendices, I propose that Regional Economic Development Ministers may make any further decisions relating to fund design required.

Management and Governance of the Fund and transitional matters

PDU, PGFL and partner agencies

80 MBIE, through the PDU, is the Government's key strategic leader and delivery agency for regional economic development. In 2020, an independent review of the PDU's governance arrangements, *Provincial Growth Fund – Advisory/Governance Model*[9] found that the PDU has a unique capability within government, with its diverse range of skills including commercial and relational, proven experience of working with Māori and other regional economic development actors, and connecting the regions with central government. The review found "It would be hard to overstate the strategic importance of [the PDU's capability] for New Zealand at this point".

81 The PDU will be responsible for implementing and managing the RSPF as a whole. This includes:

81.1 convening regional economic development partnerships, supporting them to assess the status of their regional economic development planning

[9] Liz Sinclair undertook the review. She has over 30 years public sector experience, primarily in executive leadership roles. Ms Sinclair noted: There was a strong view, and I endorse this, that this capability is worth sustaining given the importance of economic development in the regions and for Māori, to New Zealand's COVID-19 recovery over the next several years.

documents, updating as required, and setting regional economic development priorities;

81.2 working with regional economic development partnerships and commercial entities to develop proposals for funding, in line with stream parameters;

81.3 assessing and providing advice to Regional Economic Development Ministers on proposals for funding;

81.4 administering Regional Economic Development Ministers' decisions and managing client relationships;

81.5 leading oversight of the RSPF and other PDU-managed investments, including providing information and reporting on the progress of these funds to Ministers and governance groups; and

81.6 engaging with other relevant government agencies on proposals as required, and supporting cross-agency approaches to opportunities that cannot be supported by the RSPF.

82 The PDU has assessed the required functions for managing existing investments to determine the ongoing operating costs. That assessment shows declining operating costs over the next three years. Pending Cabinet direction on the administration of the RSPF and the operational requirements of that function, the costs have been assessed as $35.000 million for the next year.

83 Following Cabinet decisions on the RSPF, MBIE will have a clearer understanding of the ongoing operating requirements of both the RSPF and existing funds, and will provide more detailed advice to the Minister of Finance and me on the longer term operating model of the PDU. Additionally, the name of the Provincial Development Unit will be transitioned to Regional Economic Development and Commercial Services to better reflect its evolved role.

Provincial Growth Fund Limited (PGFL)

84 PGFL will be responsible for managing and overseeing the delivery of loan and equity assets. At 31 January 2021, PGFL held $608.175 million loan and equity investments.

85 On 17 June 2020, Cabinet Economic Development (DEV) Committee agreed to further investigate whether the mandate of PGFL should be transitioned from a passive holding company to an active company, and authorised Shareholding Ministers the design and operation of an active PGFL and to report back to Cabinet [DEV-20-MIN-0101]. Shareholding Ministers have now made final design decisions required to transition to PGFL to an active company; this paper reports back to Cabinet on the outcome of the design decisions.

86 The policy, legal and operational work is underway to implement this decision, including work required to change the name of the company to Crown Regional Holdings Limited as agreed by Cabinet.

87 Following the transition to an active company, PGFL directors will have the ability to provide commercial advice on potential and existing investments. Given this transition and the expansion of the PGFL Board, I propose that Cabinet agrees to

disestablish the Independent Advisory Panel, which provided commercial advice on PGF proposals, as the PGFL Board will be able to undertake this function.

Benefits

88 The PDU will implement benefits management practices to identify, plan, measure and regularly monitor and report on the benefits for each project, programme, region, stream, and the RSPF as a whole. The PDU will assess progress against:

88.1 short- to medium-term indicators of success by stream: This will consider the progress towards achieving each stream's intended outcomes, including identifying early signs of success and whether each stream is on track to deliver against its intent;

88.2 longer term indicators of success by stream: This will consider whether each stream has achieved its intended outcomes by looking at long term indicators of success; and

88.3 long term benefits of the RSPF overall: This will consider whether the RSPF has met its objectives (PRISM) by looking at the collective impact of the fund.

89 Annex 11 details the indicators of success. I will provide Cabinet with further details of the benefits management framework in my next Cabinet report back. The PDU will provide Regional Economic Development Ministers and Cabinet with regular reporting on the RSPF's benefits realisation.

90 I propose the PDU includes broader outcomes in all contracts to maximise the impact of RSPF investments and achieve greater public value for money.[10]

91 The PDU will develop an evaluation plan for the RSPF. Given the importance of regional economic development to stakeholders across MBIE and other government agencies and portfolios, the evaluation plan will be developed following a comprehensive consultation process and a clear strategic view of the desired outcomes. I will report back to Cabinet on this plan.

Senior Regional Officials (SROs)

92 Cabinet agreed that SROs continue to coordinate and lead all-of-government regional economic development activity, but their financial delegation be removed [CAB-21-MIN-0006 refers]. I propose that SROs be renamed Regional Economic Development Senior Officials (REDSOs). REDSOs will be appointed, in addition to their substantive government role, based on their economic expertise and experience. Most REDSOs will be existing PDU officials going forward, but may also be based in other government agencies depending on the region's economic development priorities. The proposed functions of REDSOs are to:

92.1 be members of their regional economic development partnership;

92.2 provide leadership on central government's delivery of regional economic development priorities, and projects (where appropriate);

[10] Provisions may focus on: building capability and reducing barriers for Māori businesses in order to grow the Māori economy; participation of local firms to deliver goods, services and capital works to support improved supplier diversity and local opportunity; supporting local people into local job opportunities and improved conditions for workers to improve wellbeing in regions; and supporting the transition to a net zero emissions economy and reduction in waste to support meeting the Government's goals.

92.3 meet monthly to consider RSPF applications and provide advice on projects to decision-makers from a central government and individual region perspective; and

92.4 receive portfolio reporting to maintain strategic and operational oversight of the entire RSPF.

Ministerial decision-making and oversight

93 Cabinet agreed that Regional Economic Development Ministers would make RSPF financial decisions under $20 million [CAB-21-MIN-0006]. Cabinet will make RSPF funding decisions over $20 million. To ensure RSPF investments align with broader Government priorities, Regional Economic Development Ministers will consult with relevant portfolio Ministers before making funding decisions.

94 Regional Economic Development Ministers will receive monthly reporting on the progress and performance of the RSPF and other PDU-managed investments. This will include a breakdown by fund, sector, region and stream for the RSPF. This will allow Regional Economic Development Ministers to track the performance of projects, achieve a balance of investments and understand and help overcome barriers and risks. Annex 12 provides detail on reporting requirements.[11]

95 I propose Cabinet receives updates on the progress of the RSPF and PDU-managed funds quarterly through reports to the DEV Committee. This will provide Cabinet with oversight of the RSPF, and connections with other regional initiatives in line with the Government's Joined-Up approach in the Regions.

96 I also recommend Cabinet delegate to Regional Economic Development Ministers the authority to make further decisions aligned with the approach to the RSPF set out in this paper.

Reprioritisation of PDU-managed funding

97 In May 2020 the PDU undertook an evaluation of all PGF projects to determine if they were still viable, and were still on track to achieve their stated outcomes given the context of COVID-19. This resulted in a range of projects being terminated or rescoped, and funding reprioritised to support the Government's plan for economic recovery post-COVID-19. As part of the transition to the government's new approach to regional economic development, I directed the PDU to undertake this exercise again to identify funding available for reprioritisation.

98 Of the $3.116 billion allocated to the PGF:

98.1 $2.734 billion has already been contracted;

98.2 the remaining $382 million remains uncontracted, made up of:

98.2.1 $96 million of **unapproved funding from specific allocations**,

98.2.1.1 $19.601 million of this is available for reprioritisation.

[11] For example, the PDU's 'Shovel-Ready' Infrastructure Projects arrangements will continue to be managed through a Crown Infrastructure Partners process and Infrastructure Reference Group Ministers make funding decisions and provide oversight of investments.

98.2.1.2 Te Uru Rakau and Tourism Infrastructure Funding is not available for reprioritisation.

Te Uru Rakau	$64.079 million
Digital Connectivity	$0.406 million
Tourism Infrastructure Fund	$13.166 million
He Poutama Rangatahi	$8.022 million
Aquacorp	$10.000 million
Economic Development New Zealand	$1.173 million

98.2.2 $70 million in **unapproved funding that was not yet allocated**, and

98.2.2.1 $57 million of this is residual PGF funding is available for reprioritisation.

98.2.2.2 Approximately $13 million is not for reprioritisation. Part of this amount sits with our partnering agencies and the PDU is currently working through a review of this funding. Any amount which becomes available for reprioritisation will be flagged to Ministers.

98.2.3 $216 million in funding for projects that are **approved, but not yet contracted**.

98.2.3.1 $24.509 million of this is available for reprioritisation. These projects have been identified where both parties have mutually agreed to terminate the funding agreement, there has been an underspend, the project will be re-scoped or it is highly likely the project will not progress.

98.2.3.2 $191.491 million is not considered available for reprioritisation because they have been approved and are currently being negotiated with recipients.

99 From these areas, the PDU has identified $101.110 million of funding to be reprioritised as outlined in the table below.

Provincial Growth Fund (PGF) Allocations	**Unapproved funding for reprioritisation $m**	**Description of allocation**
Remaining unallocated funding		
Residual PGF funding	$57.000	Funding that is not tagged to any project or allocation
PGF projects		
Approved PGF projects recommended for termination	$24.509	Projects which are recommended for termination

(Annex 13 refers)		due to significant delays or viability concerns
Funding remaining in PGF allocations		
Digital Connectivity	$0.406	A $100 million allocation for the digital connectivity programme which is now complete
He Poutama Rangatahi	$8.022	A $39.825 million allocation for the programme which has now received $30 million per year from the CRRF
Aquacorp	$10.000	A $10 million allocation approved for Aquaculture investment
Economic Development New Zealand	$1.173	A $5.6 million allocation for EDNZ capability programme which is now complete
Total	**$101.110**	

100 An outline of the status of the full $3.116 billion of the PGF appropriation is provided as Annex 14, including the $157 million allocated for the operating costs of the PGF.

101 I recommend reprioritising up to $101.110 million of PGF funding to support the PDU's operational costs, and contribute to the balance of the RSPF.

PDU's continuous monitoring of projects

102 The PDU actively monitors and manages its contracts, and regularly reports to Ministers on projects that are not meeting agreed contractual obligations. I have been provided recommendations on projects that could be reprioritised on two specific occasions in November 2020 and February 2021.

PDU operational costs

103 The PDU was initially established and funded for three years to administer the PGF. As such the operational funding ends on 30 June 2021. However, the PDU has a continuing role to administer $4.5 billion worth of investments spanning the eight government funds, and is also responsible for the administration of the RSPF.

104 The PDU now requires operational funding to manage the RSPF and existing regional economic development investments for outyears. I recommend one year of PDU operational funding is funded from this reprioritisation, as it is essential to the delivery of the RSPF and $4.5 billion worth of government investment. Commercial Information [redacted]

[redacted]

104.2 Commercial Information [redacted]

104.3 Commercial Information [redacted]

105 Therefore, I recommend that $35.00 million of the $101.110 million identified above be used to fund the operational costs of the PDU for FY 2020/21, and the remainder is put towards the RSPF, as outlined in the tables in recommendations 41 to 44.

Commercial Information [redacted]

Progressing previous Aquaculture-related decisions

109 In August 2020 Cabinet invited PGFL Shareholding Ministers to invite the PGFL Board to establish an aquaculture subsidiary to support the further development of New Zealand's aquaculture sector. This decision was coupled with agreement that, on top of transferring existing aquaculture-related PGFL assets to the subsidiary, initial capitalisation of up to $50 million for the aquaculture subsidiary would be funded from the PGF [CAB-20-MIN-0364.01].

110 Following Cabinet's agreement, Regional Economic Development Ministers agreed $10 million of PGF funding would be used to provide initial capitalisation of the PGFL aquaculture subsidiary. However, due to timing related to the 2020 General Election, this transfer was unable to be completed. I propose that this $10 million is reprioritised to support the Government's current regional economic development priorities. However, I note that the PDU is undertaking further analysis of $13 million residual PGF funds which are currently appropriated to other agencies. If this funding becomes available, I recommend that $10 million is ring-fenced for aquaculture investments.

111 Given the evolution of regional economic development which this work is progressing, I now consider the decision to establish an aquaculture subsidiary should not be progressed at this stage. However, this could be reconsidered in the

future. . It is now unlikely that there will be a level of funding in aquaculture-related investments which justifies a separate entity to manage aquaculture assets. Therefore, in consultation with the Minister of Finance, I note that PGFL Shareholding Ministers no longer intend to invite the PGFL Board to establish an aquaculture specific subsidiary at this stage. PDU officials will continue to work closely with MPI officials on the development of aquaculture-related investments to support the objectives and approach of New Zealand's aquaculture strategy.

112 The Minister for Oceans and Fisheries is considering how to best accelerate delivery of the Government's Aquaculture Strategy, and the development of open ocean aquaculture in particular given its significant economic potential for New Zealand regions. This includes considering the appropriate regulatory settings to enable the development and management of open ocean aquaculture, and the potential role of a Government investment vehicle to facilitate open ocean aquaculture development and maximise the benefits this industry can provide to New Zealand. The Minister for Oceans and Fisheries will report to Cabinet on this at a later stage.

Recycling returns on PGFL-managed investments

113 Cabinet agreed that returns on PGF investments before 30 June 2021 can be returned to the PGF for reinvestment [DEV-19-MIN-0084]. It is now timely for Cabinet to consider the treatment of returns from all investments held by PGFL beyond 30 June 2021. I propose that in the future, returns (principal, interest and dividends) made from investments held by PGFL be used to fund regional economic development investments. This will allow the Government to leverage existing regional economic development funding and returns to catalyse further investments into our regions. Returns would remain in PGFL, and be utilised for loan or equity investments made by Ministers.

114 The scale of returns from interest in the short to medium term is small as most loans have long terms (10-15 years), and some have concessionary interest rates. Current forecasts expect principal and interest repayments of $5.195 million by 30 June 2022. However, some parties may seek to repay loans early. The PGFL Board reports quarterly to its Shareholding Ministers on its performance, including forecast returns. Officials will include reporting on returns in quarterly reporting to Cabinet on the RSPF. I will report back to Cabinet with further advice on whether to recycle the proceeds of investments held by PGFL.

Closing out the PGF pipeline

115 There are 739 projects, seeking $1,803.4 million of funding, in the PDU pipeline of applications. Applicants have previously been informed that all applications are paused. I recommend PGF projects already in the pipeline be closed off.

Financial Implications

116 There will be no fiscal implications to the Crown as the funding will be reprioritised from existing Government appropriations.

117 Dependent on the final list of reprioritised funding, it is probable that Vote transfers will be required to transfer funding to the Economic and Regional Development Portfolio.

Legislative implications

118 This paper contains no legislative implications.

Regulatory Impact Statement

119 A Regulatory Impact Statement is not required for this paper.

Climate Implications of Policy Assessment

120 The portfolio of RSPF investments seeks to achieve a range of long term benefits including investing in projects that lead to the more efficient optimisation of land use and allocation of natural resources including whenua Māori. The specific climate implications will differ for each RSPF investment.

Population Implications

121 The evolved regional economic development approach proposed in this paper, and the establishment of RSPF Stream 3, recognises the importance of Māori economic development to regional economic development. Accelerating Māori economic aspirations and Māori well-being will be key outcomes of this approach.

122 The approach focuses on supporting those regions that have been left behind. This is anticipated to generate better economic opportunities and positive outcomes for rural and isolated communities as well as regions generally.

123 The PDU will work with the Ministry for Women so outcomes for women are considered as part of the PRISM vision, broader outcomes procurement and data collection.

Human Rights

124 This paper contains no human rights implications.

Consultation

125 The PDU has consulted with: Te Kawa Mataaho Public Service Commission, Department of Prime Minister and Cabinet, the Treasury, Ministry of Business, Innovation and Employment, Ministry of Social Development, Ministry of Foreign Affairs and Trade, Ministry for Primary Industries, Ministry of Transport, Te Puni Kōkiri, Ministry for the Environment, Te Arawhiti, Department of Internal Affairs, Ministry of Housing and Urban Development, New Zealand Police, Ministry of Health, Ministry of Education, Ministry for Pacific People, Tertiary Education Commission, New Zealand Trade and Enterprise, Kāinga Ora, Department of Conservation, Ministry for Women, and Waka Kotahi New Zealand Transport Agency.

Communications

126 I am working with the PDU on the plan to communicate the RSPF publicly and especially to relevant stakeholders.

Proactive Release

127 I intend to release this paper, and the earlier Cabinet paper, *A focused evolution of Regional Economic Development,* once the RSPF has been announced.

Recommendations

The Minister for Economic and Regional Development recommends that Cabinet:

1 **note** the Regional Strategic Partnership Fund (RSPF) is a $200 million fund, based on a manifesto commitment, and the Provincial Development Unit (PDU) is responsible for its strategy, implementation, delivery and administration;

5 **note** that, on 2 February 2021, Cabinet agreed to the broad parameters of a focused approach to Regional Economic Development for the delivery of the RSPF and initial governance decisions, and that further policy and operational design decisions would be sought by April 2021, which this paper does [CAB-21-MIN-0006 refers];

6 **note** the PDU is working with other agencies to align ongoing work within regions, including the Joined-Up Approach to Government in the Regions, Just Transitions Partnerships and Regional Skills Leadership Groups;

2 **note** relevant agency knowledge and relationships will be used to inform the setting of RSPF investment areas within regions, the origination of potential investment opportunities, and the assessment of, and recommendations on, investment opportunities to decision-makers. This includes the Ministry for Primary Industries due to its primary sector knowledge and relationships;

7 **note** that, in addition to funding ring-fenced specifically for Māori-specific investments, Māori economic aspirations will be an important focus across all streams of the RSPF, and the PDU will work with relevant agencies, including Te Puni Kōkiri, to support the Māori Economic Development Ministers Group to drive better alignment of the Government's Māori economic development activities;

Decisions on RSPF streams settings

Stream 1 – Regional economic development partnerships

8 **agree** that the PDU supports existing regional economic development groups to evolve into Regional Economic Development Partnerships;

9 **note** that facilitating Regional Economic Development Partnerships will not entail establishing new regional economic development groups in the regions – rather regional economic development partnerships will be a mechanism through which the PDU supports regional economic development aspirations and progresses funding proposal for Ministers to consider;

10 **agree** that Regional Economic Development Partnerships will assess and update their regional economic development planning documents in response to the changing economic context, as required, and set regional economic development priorities that will be used to inform RSPF investment through Streams 2 to 4.

Stream 3 – Accelerating Māori economic aspirations

11 **agree** investments for the RSPF's Accelerating Māori economic aspirations stream focus on whenua Māori investments;

12 **agree** to delegate to Māori Economic Development Ministers the authority to make further decisions needed to deliver RSPF Stream 3, including the authority to amend the scope of the investment stream in response to emerging government priorities;

Stream 4 – Supporting sector transformations

13 **agree** that the strategic objective of the supporting sector transformations investment stream is to generate a critical mass of investment, by targeting investment to regional-sector priority investment areas;

Stream 2 – Enabling regional economic and business development

14 **agree** that detailed policy parameters on Stream 2 will be agreed by the Regional Economic Development Ministers before mid-2021;

Design decisions to operationalise the RSPF

Fund design

15 **agree** funding be allocated for investments in the following RSPF funding streams:

15.1 up to $60 million for Stream 2 - Enabling regional economic and business development;

15.2 up to $40 million for Stream 3 - Accelerating Māori economic aspirations;

15.3 up to $80 million for Stream 4 - Supporting sector transformations; and

15.4 at least $20 million is not allocated to a stream to enable flexibility to respond to government and regional economic development priorities as they arise.

16 **note** that the balance of these funding allocations will support an effective portfolio across the three streams while recognising the level of impact at the regional level each stream is anticipated to generate;

17 **agree** RSPF investments must meet the following eligibility criteria: located in regional New Zealand (outside the three main centres of Auckland, Wellington and Christchurch and excludes Auckland region as a whole); aligned with Government and regional economic development priorities, and PRISM; additionality; co-contribution requirements; and the recipient's capability to deliver and implement the project;

18 **agree** the following types of proposals be ineligible for RSPF funding: social assets, publicly-funded large-scale infrastructure, skills and training, housing infrastructure and the purchase of land; unless they are a sub-component of a broader proposal where there is no other available funding sources;

19 **agree** Māori, iwi-owned or Pasifika community assets and freehold land are exempt from recommendation 16;

20 **agree** Stream 2 proposals for investment consideration are originated through regional economic development partnerships; Stream 3 proposals for investment consideration are originated through regional economic development partnerships and on-the-ground knowledge of agencies; and Stream 4 proposals for investment consideration are originated through expressions of interest following confirmation through regional engagement of priority investment areas;

21 **agree** that, consistent with the parameters discussed in this paper, Regional Economic Development Ministers may make further decisions to assist the PDU and decision-makers in assessing and approving investment proposals;

RSPF management and governance

22 **invite** the Minister of Social Development and Employment and the Minister of Māori Development to join the Regional Economic Development Ministers;

23 **note** that MBIE will review the operating requirements of both the RSPF and existing funds, and provide more detailed advice to the Minister of Finance and me on the longer term operating model of the PDU;

24 **note** the name of the Provincial Development Unit will be transitioned to Regional Economic Development and Commercial Services to better reflect its evolved role;;

25 **note** PGFL Shareholding Ministers' work to transition Provincial Growth Fund Limited to an active company [CAB-20-MIN-0294];

26 **agree** to disestablish the Provincial Growth Fund's (PGF) Independent Advisory Panel;

27 **agree** Senior Regional Officials be renamed Senior Regional Economic Development Officials and be appointed, primarily from PDU officials, based on their economic expertise;

Ministerial decision-making and oversight

28 **note** Cabinet agreed Regional Economic Development Ministers would make RSPF investment decisions under $20 million [CAB-21-MIN-006];

29 **agree** Regional Economic Development Ministers will consult with relevant portfolio Ministers before making RSPF funding decisions;

30 **note** the PDU will provide reporting on the progress and performance of the RSPF and other PDU-managed funds to Regional Economic Development Ministers monthly, and to the Cabinet Economic Development Committee quarterly;

31 **agree** to delegate to Regional Economic Development Ministers the authority to make further decisions aligned with the approach to the RSPF as set out in this paper;

Reprioritisation decisions

32 **note** that no new funding has been provided for the RSPF in the Budget 2021 package;

33 **agree** that the remaining $134 million of RSPF funding be provided through further PGF reprioritisation as far as possible or an allocation at Budget 2022;

34 Commercial Information

35 **note** the PDU has undertaken a review of all PGF projects as the first stage of a reprioritisation exercise;

36 **agree** to reprioritise up to $101.110 million worth of funding from the PGF with:

36.1 $35.000 million to fund the operational costs of the PDU for the Financial Year 2021/2022 in order to administer both the RSPF and existing investments; and

36.2 the remaining reprioritised funds of up to $66.11 million be used towards the balance of the $200 million RSPF.

37 **note** that the PDU is undertaking further analysis of $13.00 million residual PGF funds which are currently appropriated to other agencies which may become available for reprioritisation;

38 Commercial Information [redacted];

39 **agree** to reprioritise funding from terminated PGF projects outlined in Annex 13, and the remaining specific PGF allocation outlined in Annex 14, to support the Government's regional economic development priorities;

40 **agree** to reprioritise funding from the PDU residual outlined in Annex 14 to support the Government's regional economic development priorities;

41 **note** that I will be seeking approval from the Minister of Finance to establish a new multi-category appropriation "Economic and Regional Development: Regional Strategic Partnership Fund" in Vote Business, Science and Innovation, to be administered by Ministry of Business, Innovation and Employment with the Minister for Economic and Regional Development Portfolio as appropriation Minister, to invest in projects that enable regional economic and business development, accelerate Māori economic aspirations and support sector transformations;

42 **note** that I will be seeking approval from the Minister of Finance that the categories for this appropriation be as follows: to create two new categories to the multi-category appropriation "Economic and Regional Development: Regional Strategic Partnership Fund" to be used as the appropriation for funding focused regional economic development.

Name	Type	Scope
Supporting regional strategic partnerships Initiatives	Non-departmental other expense	This category is limited to formalising regional strategic partnerships within each region to support updating of regional economic development planning documents, the identification of regional priorities, and the grant funding of projects aligned with regional priorities
Investing into Capital Projects	Non-departmental capital expenditure	This category is limited to investment in projects to foster productive, resilient, inclusive, sustainable, and Māori-enabling regional economies.

43 **approve** the following fiscally neutral adjustments to give effect to the policy decision in recommendation 37 above, with no impact on the operating balance and debt:

	$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Vote Labour **Minister of Employment** Non-Departmental Other Expense: Employment - He Poutama Rangatahi	(8.022)	-	-	-	-
Vote Transport **Minister of Transport** Multi-Category Expenses and Capital Expenditure: Tuawhenua Provincial Growth Fund – Transport Projects	-	-	-	-	-
Non-departmental Output Expense: Regional Projects and Capability	(0.162)	-	-	-	-
Non-departmental Other Expense: Enabling Infrastructure Projects	(2.800)	-	-	-	-
Vote Lands **Minister for Land Information** Non-departmental Output Expense: Regional elevation data capture - delivery	-	-	(1.850)	(1.400)	-
Vote Business, Science and Innovation **Minister for Economic and Regional Development** Multi-Category Expenses and Capital Expenditure: Provincial Growth Fund MCA:					
Non-Departmental Other Expense: Supporting Regional and Sector Initiatives	-	(4.376)	-	-	-
Non-Departmental Capital Expense: Provincial Growth Fund Limited Capital Investment	(20.550)	-	-	-	-
Multi-Category Expenses and Capital Expenditure: Regional Strategic Partnership Fund MCA:					
Non-Departmental Other Expense: Supporting regional strategic partnerships initiatives	-	19.580	-	-	-

Non-Departmental Capital Expense: Investing into Capital Projects	-	19.580	-	-	-
Total Operating	**(10.984)**	**15.204**	**(1.850)**	**(1.400)**	**-**
Total Capital	**(20.550)**	**19.580**	**-**	**-**	**-**

44 **note** that on 20 August 2018, Cabinet [CAB-18-0399 refers]:

44.1 **agreed** to establish "Tairāwhiti Roading Package Future Pipeline Implementation Tagged Contingency" of $108.100 million with an expiry date of 1 January 2021; and

	$m – increase/(decrease)				
	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Tairāwhiti Roading Package Future Pipeline Implementation Tagged Contingency	-	108.100	-	-	-

44.2 **note** an extension was approved until 30 June 2022 for the Tairāwhiti Roading Package Future Pipeline Implementation Tagged Contingency at the 2020/21 March Baseline Update;

44.3 **agree** to reprioritise the remaining funding of $4.950 million from the Tairāwhiti Roading Package Future Pipeline Implementation Tagged Contingency to support the capital requirements of the RSPF to support the Government's regional economic development;

44.4 **approve** the following changes to appropriations to provide for the decision in recommendation 44.3 above, with a corresponding impact on the operating balance and net core Crown debt:

	$m - increase/(decrease)				
	2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25 & Outyears**
Vote Business, Science and Innovation **Minister for Economic and Regional Development** Multi-Category Expenses and Capital Expenditure: Regional Strategic Partnership Fund MCA: Non-Departmental Capital Expense: Investing into Capital Projects, Expense	-	4.950	-	-	-
Total Operating	**-**	**-**	**-**	**-**	**-**
Total Capital	**-**	**4.950**	**-**	**-**	**-**

45 **approve** the following changes to appropriations to provide for the decision in recommendation 38 above, with a corresponding impact on the operating balance and net core Crown debt;

	$m - increase/(decrease)				
Vote Business, Science and Innovation	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25 & Outyears**
Minister for Economic and Regional Development					
Multi-Category Expenses and Capital Expenditure: Provincial Growth Fund MCA:					
Non-Departmental Other Expense: Supporting Regional and Sector Initiatives	-	(26.000)	-	-	-
Non-Departmental Capital Expense Crown Regional Holdings Limited Capital Investment	(31.000)	-	-	-	-
Departmental Output Expense Operational Support of Regional and Sector Investments (funded by revenue Crown)	-	32.800	-	-	-
Non-Departmental Output Expense Provincial Growth Fund Investment Management – Crown Regional Holdings Limited	-	2.200	-	-	-
Multi-Category Expenses and Capital Expenditure: Regional Strategic Partnership Fund MCA:					
Non-Departmental Other Expense: Supporting regional strategic partnerships initiatives	-	13.475	-	-	-
Non-Departmental Capital Expense: Investing into Capital Projects	-	8.525	-	-	-
Total Operating	**-**	**22.475**	**-**	**-**	**-**
Total Capital	**(31.000)**	**8.525**	**-**	**-**	**-**

46 **agree** that any under-expenditure for the Regional Strategic Partnership Fund MCA be carried forward at the end of each financial year to the following financial year to recognise the uncertain timing of project initiation, approval and subsequent expenditure. This is subject to confirmation in a subsequent baseline update;

47 **agree** that the proposed changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

Aquaculture-related decisions

48 **note** that Cabinet previously invited PGFL Shareholding Ministers to invite the PGFL Board to establish an aquaculture subsidiary, and agreed an initial capitalisation of up to $50 million would be funded from the PGF;

49 **note** PGFL Shareholding Ministers do not intend to invite the PGFL Board to establish an aquaculture subsidiary at this stage;

50 **note** that the PDU is undertaking further analysis of $13 million residual PGF funds which are currently appropriated to other agencies;

51 **note** that if this this funding becomes available, RED Ministers will ring-fence $10 million of this funding for aquaculture investments;

52 **note** that the Minister for Oceans and Fisheries is currently considering options to accelerate the delivery of the Aquaculture Strategy and the development of open ocean aquaculture, including regulatory settings and options for Government investment. The Minister for Oceans and Fisheries will report back to Cabinet on this at a later stage

Recycling funding

53 **invite** the Minister of Economic and Regional Development to report back on the design, investment mandate, and operation of PGFL and whether to enable active investments and recycle the proceeds of PGF investments; and

54 **agree** remaining applications in the PGF pipeline be closed off.

Authorised for lodgement

Hon Stuart Nash

Minister for Economic and Regional Development

Annex 1: Breakdown of PDU and PGFL managed investments by fund

Fund	Total Fund
Provincial Growth Fund	$3,115.7m
COVID-19: Infrastructure Investment (CRRF)	$740.5m
Regional Investment Opportunities (NZ Upgrade Programme)	$194.6m
Tourism Sector Recovery Fund (CRRF)	$174.8m
He Poutama Rangatahi (CRRF)	$121.4m
COVID-19 Response - Worker Redeployment Package	$99.5m
Maori Apprenticeships Fund (CRRF)	$50.0m
Jobs and Skill Hubs (CRRF + Existing Funds)	$35.1m
Total	**$4,531.7m**

Annex 2: Social impacts of select RED Investments

Previous RED investments in Raukokore

Raukokore projects received over $20 million from previous RED investment, which funded water storage investment, the development of high value horticulture, marae improvements and broadband connectivity. A range of other central government agencies also supported Raukokore's regional development, including MPI, TPK, MHUD and MSD. The PDU worked with the applicants, agencies, and councils to apply for previous PDU funding, and to support the progress of these projects once they were contracted.

Community benefits of previous RED investment in Raukokore include:

- Improved access to water supporting productivity of Māori primary sector assets: The water storage scheme will act as a catalyst for unlocking 640ha of under-utilised, under-developed Māori land. The irrigation scheme will be in place by October 2021.
- Reducing unemployment in an area of deprivation with the creation of up to 120 jobs in the Raukokore/Waihau Bay area because of previous PDU investments. There will also be indirect job creation through businesses that provide goods and services to the funded projects.
- Improved productivity of Māori land: 39 land blocks investment are ready for development, focusing on green kiwifruit and macadamia orchards. This is expected to enable higher value horticulture and increase returned per hectare.
- Marae digital connectivity enabled increased social participation by assisting whānau, hapū and iwi: to achieve their goals and aspirations Broadband connection to Marae Te Maru o Hinemaka Marae will support greater social inclusion, cultural connections and participation of Māori in the wider community
- Support to community resilience: by proactively ensuring ongoing access to water and assisting Māori landowners to have greater input into the management of their collectively owned assets.

Te Rau Aroha – The Māori Battalion Museum

$14.5 million of the previous RED investment was invested in Te Rau Aroha, the Maori Battalion Museum. Te Rau Aroha acknowledges the duty and sacrifice of Māori servicemen who volunteered in service of New Zealand. Te Rau Aroha was officially opened on the 5th February 2020 by the Prime Minister.

Community benefits of previous RED investment include:

- Nation-building and recognition of national significance: Around 3,600 men served overseas with the Māori Battalion between 1940 and 1945. There is a strong focus on the Pioneer Battalion of WWI and the Māori Battalion.
- Increased engagement in cultural activities by New Zealanders by recognising the importance of the Māori Battalion to New Zealand's history, and being able to preserve and communicate its history.
- Improved whānau wellbeing by ensuring cultural resources are accessible to all New Zealanders and contribute to our national identity.
- The creation of 851 jobs over a 24 month period because of previous RED investment.

Waitangi Mountain Bike Park

$0.490M from previous RED investment was invested in the Waitangi Mountain Bike Park. Previous RED funding supported the completion of the final stage of the park, which now has 44 tracks totalling 50km.

Community benefits of RED investment include:

- Improved community connections and wellbeing. The community, including around 160 volunteers and a range of local businesses who donated services and materials, worked on developing this project.
- New recreational activities and attractions for the local community. This project has catalysed the establishment of several new businesses including an onsite café, bike hire and repair services, a shuttle service, and also 2 bike hire shops in Paihia. These facilities are used recreationally by New Zealanders at a time when the volume of tourism is low.
- The creation of 32 jobs because of RED investment.

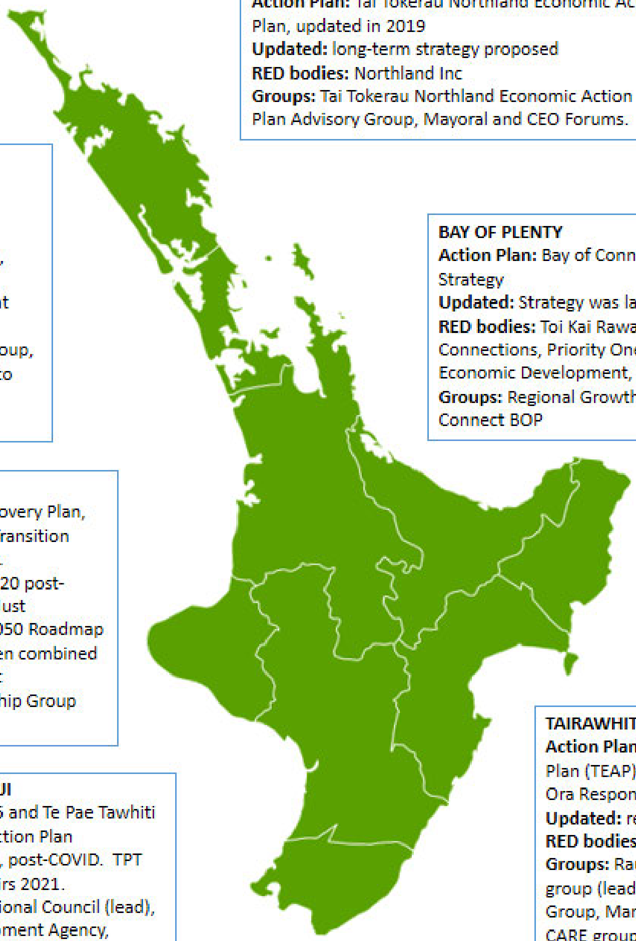
Ngāti Hauā – Horticultural Hub and Marae Renovations

$2 million of previous RED investment was invested in Ngāti Hauā, including a $1.3 million loan for the Miro Berries project and $734, 311 for renovations of 5 Ngati Haua Marae.

Community benefits of previous RED investment include:

- Improved productivity of Māori land The project unlocks an initial 2 ha of previously unproductive Maori land for horticulture, with the potential to expand to 10 ha.
- The creation of 9 jobs for members of Ngati Haua who will work on five marae renovations within their whenua. Enabling them to gain employment in the place that they live and retaining important social/ whanau connections.
- Increased Māori participation in economic growth activities by growing the capability of Māori to make decisions about their land.
- Increase in social inclusion by renovating marae to be more accessible. People report an increased sense of belonging.
- Improved Whānau relationships - Marae gatherings help to strengthened whānau connections

Annex 3: Existing Regional Economic Development Groups evolving to Regional Economic Development Partnerships



NORTHLAND
Action Plan: Tai Tokerau Northland Economic Action Plan, updated in 2019
Updated: long-term strategy proposed
RED bodies: Northland Inc
Groups: Tai Tokerau Northland Economic Action Plan Advisory Group, Mayoral and CEO Forums.

WAIKATO
Action Plan: Waikato Plan and Waikato Economic Development Strategy
Updated: Both refreshed in 2020, post-COVID
RED bodies: Te Waka (lead), Great Lakes Enterprise Taupō
Groups: Waikato Plan steering group, Waikato Regional Council, Waikato Wellbeing Project and Mayoral Forum.

BAY OF PLENTY
Action Plan: Bay of Connections Growth Strategy
Updated: Strategy was last updated in 2018
RED bodies: Toi Kai Rawa, Bay of Connections, Priority One, Rotorua Economic Development, Toi-EDA.
Groups: Regional Growth Leadership Group, Connect BOP

TARANAKI
Action Plan: Taranaki Regional Recovery Plan, the Taranaki 2050 Roadmap (Just Transition plan), and the Tapuae Roa Strategy.
Updated: All plans refreshed in 2020 post-COVID and the culmination of the Just Transition planning process. The 2050 Roadmap and the Tapuae Roa plans have been combined
RED bodies: Venture Taranaki Trust
Groups: Taranaki Regional Leadership Group and Nga Kaiwhakatere o Taranaki.

TAIRAWHITI
Action Plan: Tairāwhiti Economic Action Plan (TEAP) and Tairāwhiti Rau Tipu Rau Ora Response and Recovery Plan (RTRO)
Updated: refreshed 2020, post-COVID
RED bodies: Trust Tairāwhiti
Groups: Rau Tipu Rau Ora Governance group (lead) with TEAP Operations Group, Manaaki Tairāwhiti Group and CARE group

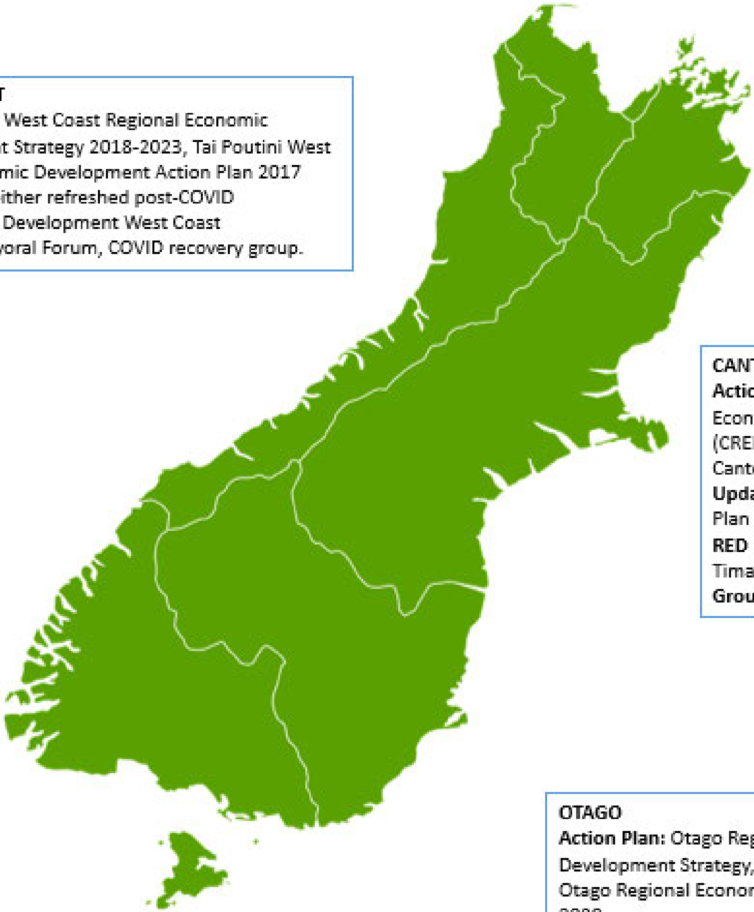
MANAWATŪ-WHANGANUI
Action Plan: Accelerate 25 and Te Pae Tawhiti (TPT) - Māori Economic Action Plan
Updated: refreshed 2020, post-COVID. TPT to be endorsed by iwi chairs 2021.
RED bodies: Horizons Regional Council (lead), Central Economic Development Agency, Whanganui & Partners, Horowhenua NZ Trust
Groups: A25 lead team and Economic Development Network (cross-TLA)

HAWKE'S BAY
Action Plan: Matariki Strategy
Updated: living document, refreshed 2019, not in light of COVID-19.
RED bodies: Business Hawke's Bay, proxy EDA.
Groups: Matariki Governance Group and four Pou Steering Groups

WELLINGTON REGION
Action Plan: There is no single, all of region strategy. Wairarapa Economic Development Strategy and Action Plan (WEDS), 2018
Kāpiti Coast DC Economic Development and Implementation Plan, 2020
Chatham Islands Investment Strategy, mid-2019
Updated: Wairarapa and Chathams have not been updated since COVID-19, Kāpiti's Strategy was released during COVID-19 response. Development of a region wide growth framework is underway.
RED bodies: WellingtonNZ, Chatham Islands Enterprise Trust, Destination Wairarapa, Informal: Elevate Ōtaki and Kāpiti Economic Development Agency.
Groups: WEDS Governance Group, Kāpiti Coast ED Strategy Board

TE TAU IHU
Action Plan: Te Tauihu Intergenerational Strategy, 2020
Project Kokiri – Nelson Tasman Economic Response & Regeneration Action Plan, 2020
The Economic Action Marlborough (TEAM) Plan
Nelson Tasman Destination Management Plan
Updated: all developed or refreshed 2020, post-COVID
RED bodies: Nelson Regional Development Agency (NRDA), MDC Economic Development Unit, Destination Marlborough.
Groups: COVID Recovery Group, Project Kokiri Leadership Group, TEAM Group, Eco Pou for Regional Intersect Forum.

WEST COAST
Action Plan: West Coast Regional Economic Development Strategy 2018-2023, Tai Poutini West Coast Economic Development Action Plan 2017
Updated: neither refreshed post-COVID
RED bodies: Development West Coast
Groups: Mayoral Forum, COVID recovery group.



CANTERBURY
Action Plan: Canterbury Regional Economic Development Strategy (CREDS), Mayoral Forum's Plan for Canterbury.
Updated: CREDS 2019, and Mayoral Plan 2020-2022.
RED bodies: ChristchurchNZ, Venture Timaru, Enterprise North Canterbury
Groups: Canterbury Mayoral Forum.

OTAGO
Action Plan: Otago Regional Economic Development Strategy, 2019.
Otago Regional Economic Development Plan, 2020.
Updated: none refreshed post-COVID
RED bodies: no regional
Groups: Otago Cross-Government Group, Southland Otago Regional Engineering Collective

SOUTHLAND
Action Plan: Southland Regional Economic Development Strategy 2016
Southland Story Project, 2019
Southland Destination Strategy, 2019
Updated: none refreshed post-COVID
RED bodies: Great South, Southland Chamber of Commerce
Groups: Just Transitions Southland, Southland Otago Regional Engineering Collective

Annex 4: Relationship between MBIE, MSD and PSC regional initiatives

Regional Public Service Leads (RPSL)

Who: 11 RPSLs have been appointed, currently made up of MSD Regional Commissioners, MoE Directors of Education and Department of Corrections Regional Commissioners.

Purpose: Convening mandate to provide systems-level leadership for the public service and promote joined-up central government in regions and effective public service collaboration with leaders from iwi, local government, business and community groups. Initial focus on social sector, while strengthening connections with skills and economic sectors. Intend to seek Cabinet agreement to formally include economic and environmental sectors in scope.

Planning function: Convening public service leaders to develop regional public service priorities for social, cultural, environmental and economic, in partnership with iwi, local government and communities

Alignment: RPSLs work with MSD, MBIE, TPK and other relevant agencies to ensure a coordinated approach to regional development, skills and other government areas.

Regional Economic Development priorities feed into higher level RPSL priority setting process

Regional Economic Development Partnerships (REDP) led by the Provincial Development Unit (PDU)

Who: Based on existing Regional Economic Development governance groups.

Purpose: Lead and inform regional economic development approach by working with the PDU.

Planning function: Update Regional Economic Development Strategies and Action Plans where necessary. Identify Regional Economic Development Priorities. Work with the PDU to develop proposals for the RSPF. The PDU will continue to work with the RPSLs, RSLGs, MSD Regional Commissioners, TPK and other agencies on relevant priorities and proposals.

RSLG labour planning is cognisant of regional and central government priorities, opportunities and constraints.

RSLG planning feeds into RPSL priority setting process.

MBIE REGIONAL ECONOMIC DEVELOPMENT SUPPORT

Working together on approach to Taranaki and Southland.

RED planning includes consideration of futures thinking and transition planning.

Regional Skills Leaderships Groups (RSLG)

Who: Industry, Iwi, RPSL (as central government representative), local government, workers and community perspectives.

Purpose: To identify and support better ways of meeting future skills and workforce needs in our regions and cities.

Planning: Facilitate dialogue that builds regional labour market planning capability, including linkages with MSD Regional Commissioners, regional PDU staff and RPSLs.

Regional Economic Development priorities will inform labour market planning; and skills and training opportunities and challenges will inform RED

JTP is working closely to support the interim RPSLs in both regions and intends to use both processes as an opportunity to progress the RPSL model

Information sharing, alignment across planning, members and stakeholders

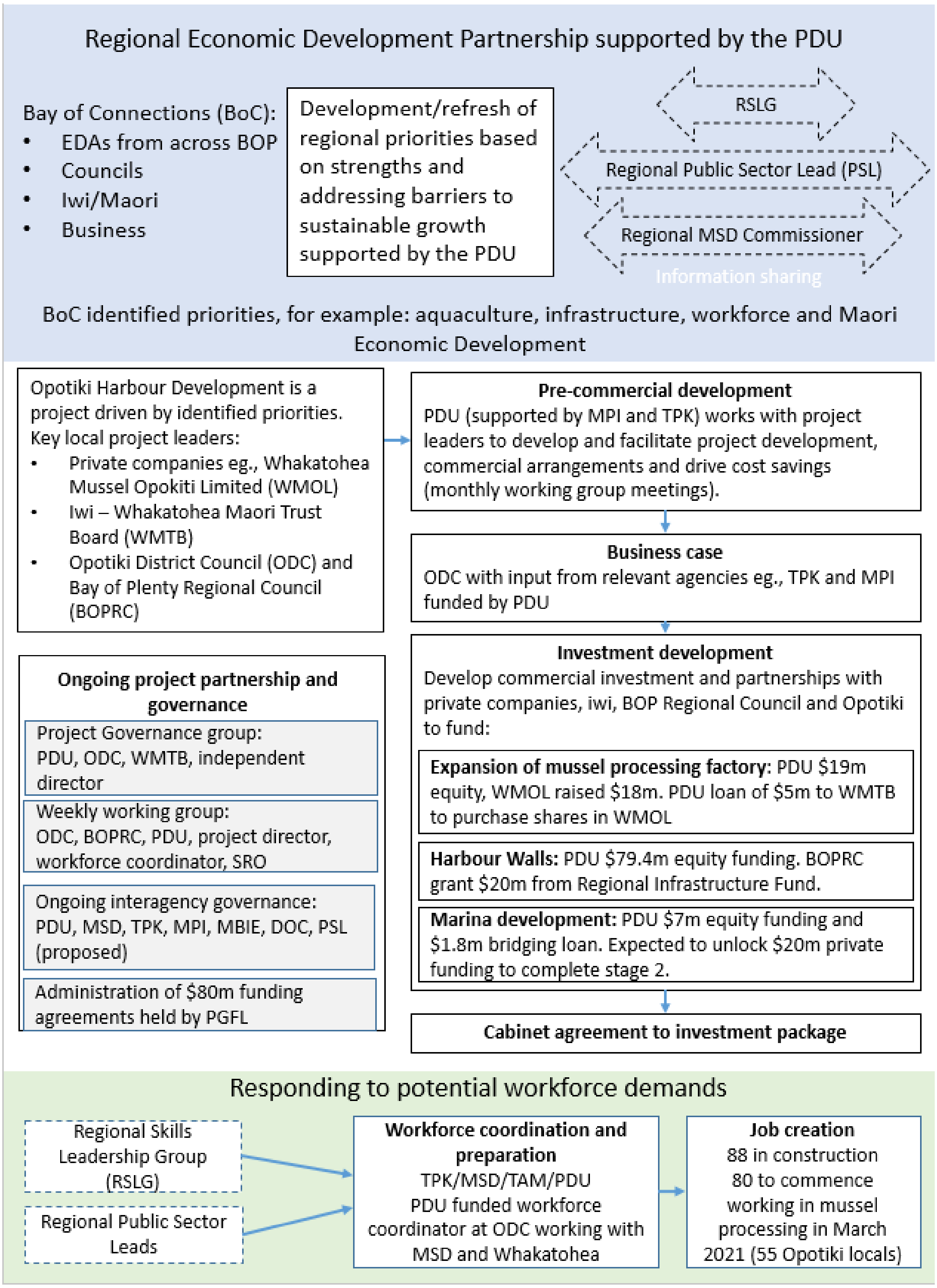
Just Transitions Partnerships (JTP)

Who: MBIE JTP team, EDA, PDU, RPSL, local and central government, industry, community, RSLG – builds on / improves existing community partnerships.

Role: Supporting and empowering communities to understand, plan and manage their transitions. The team also coordinates central government.

Planning function: Scope defined by community partners. Broad focus on 'regional development and transition planning' across economic, social and environmental domains with short, medium and long term action focus.

Annex 5: Example of a Regional Economic Development Partnership using existing relationship and projects: Opotiki



Annex 6: Further detail on Stream 3 Accelerating Maori economic aspirations priority area

Realising the potential of whenua Māori

1 Private capital funding remains limited for ventures on multiple-owned, freehold land. The Provincial Development Unit (PDU) provided a substantial opportunity to develop Māori land by funding capital that improved land, built fences and provided the catalyst for commercial partnerships. The PDU worked closely with Te Puni Kōkiri (TPK) and Ministry for Primary Industries (MPI) to support improving governance, management capabilities and funding feasibility studies for Māori landowners. For example through MPI's Maori Agribusiness Pathway to Increased Productivity (MAPIP) and Māori Agribusiness Extension Programme (MABx) which enables Māori agribusiness clusters to build their confidence to transition toward more sustainable and productive land use.

2 The known obstacle to bringing Māori land into production is limited capital being available for the upfront investment. The PDU provided 33 whenua Māori projects with capital to improve the land and provide wealth and capital to whānau and communities. For example, a Provincial Growth Fund (PGF) grant for Waima Topu B Trust in Northland facilitated the transition from pastoral leasing to active management for the farm operations. The Māori Trust invested in scrub clearance, pasture reinstatement, and fences to facilitate a high performing beef farm with top pasture management, a reticulated stock water system, drainage and project management.

3 Both the backlog of funding applications to the PDU and MPI-funded feasibility studies for whenua means investments under this stream could commence relatively quickly. I expect that successful investments to this stream of funding will have governance structures in place and conducted a feasibility study or similar.

4 Access to water is often a necessary companion investment to developing Māori land, as some land blocks cannot be used for higher-value uses such as horticulture without a reliable water source. Therefore, water storage would be considered for funding on a case-by-case basis within the scope of this investment stream.

5 Funding for whenua Māori development can assist communities to become more productive, sustainable and resilient, leveraging existing assets and relationships. For example, Tātau Tātau o Te Wairoa in Hawke's Bay received a grant of $875,000 and a loan of $1,456,350 from the PDU for the Wairoa Horticulture Hub. This project will develop a trial orchard, engage landowners to diversify into horticulture and develop an integrated skills and training programme. The plan is to build a post-harvest facility in Wairoa from year five to year 10, creating 300 new jobs and contributing an extra $8.2 million every year to the local economy. This project signifies the first commercial venture in the rohe, a high deprivation area, using the full range of the settlement assets to create jobs and businesses for whānau. Currently close to 60 per cent of the community work at the local meat works and horticulture can provide another industry for employment opportunities as well as increase the productivity of the whenua.

Annex 7: Examples to demonstrate benefits of a firm-level investment focus

Geo40

1 Based in Taupō, Geo40 developed proprietary innovative technology to extract minerals from geothermal wastewater. In geothermal power generation, mineral build-up is a significant problem for geothermal generators. It causes extensive scaling when geothermal fluid cools, is a significant operating cost to the power station, and limits the amount of energy that can be used for generation. The silica itself also creates commercial opportunities as it can be used in different industrial products.

2 Geo40 was unable to access capital from traditional lenders to commercialise this opportunity. The PDU provided funding for Geo40 to scale up their operations from a small pilot plant to build and operate the world's first commercial sized green silica extraction plant.

Unlocking private capital

3 PDU investment unlocked an addition $14 million of investment – an approximately 100% increase in investment, The PDU provided $15 million funding in the form of a $10 million loan, and a $5 million equity stake. The loan had a requirement for equity co-funding of $5 million. This was satisfied in a subsequent capital raise Geo40 undertook to further expand production.

Generating a return to the Crown

4 The $15 million government investment is expected to be returned in full, with a net positive return generated by interest repayments and an equity upside.

Unlocking future high-value opportunities

5 Successful commercialisation of silica extraction means Geo40 is able to explore the extraction of other high value minerals contained in geothermal wastewater. The subsequent capital raise undertaken by Geo40 is being used to undertake research and development into the extraction of lithium, another sought after product that can further connect the regional economy in into high value global value chains.

PRISM assessment

Productive	• Silica and lithium are sought after inputs into the global value chain, participation in which is strongly linked to higher productivity • The development and application of innovative proprietary technology indicates the company will be operating at the global productivity frontier, another key indicator of high productivity, and an area where few New Zealand firms operate • Operationally, this technology will improve production efficiency of geothermal operators • Productivity is also increased by commercialising a waste product
Resilient	• The project creates resilience for the region by diversifying the local economy
Inclusive	• 70 construction jobs utilising local firms including Taupō based Steiner and Moses Engineering and Alloys Ltd which did the structural mechanical and piping work, and Rotorua based DMI Electrical Engineering Ltd, which did the electrical work

	• The project will create 28 FTEs, mostly high skilled (chemical and process engineers), upon completion, creating high value employment opportunities for residents
Sustainable	• The project embodies circular economy principles by turning a waste product into a high value output • Colloidal silica has a very low greenhouse gas or carbon footprint when compared to conventional silica manufactured from quartz sand using a gas fired furnace • The project has resolved a long-standing environmental concern of mana whenua (Ngāti Tahu) which dates back to Crown Development time in the 1970s over the local Ngāwhā spring which has now been restored to close to its historical clean appearance
Māori-enabling	• Geo40 pays a levy on the geothermal fluid processed at the large-scale Northern Plant to The Ngāti Tahu Tribal Lands Trust, and also pays a license-to-occupy fee (essentially a lease) on both the Demonstration Plant and large-scale Northern Plant which are both located on the Trust's whenua • Geo40 has proactively trained Ngāti Tahu rangatahi to take on high-value employment opportunities within the company – and current has four Ngāti Tahu staff (comprising around 30% of the operating staff headcount), two of whom are Senior Operators having graduated through the Company's four-level training scheme. A number of other staff represent adjoining iwi who generally sit within the wider Taupō Tuwharetoa iwi. The Company effectively works to provide a first-right-of refusal to Ngāti Tahu for all new operator roles

Ōpōtiki harbour development

6 The Ōpōtiki Harbour Development consists of three complementary projects: Construction of Harbour Walls and dredging of the river; Construction of a Marina and wharf; Expansion of mussel processing factory.

Unlocking private capital

7 Across the three projects the PDU provided funding of approximately $115 million which has, or is expected to unlock $55 million of additional investment – a 48% increase in investment:

7.1 $79.4 million of PDU investment for harbour construction unlocked $20 million from the Bay of Plenty Regional Council;

7.2 PDU provided $7 million in equity funding and $1.8 million as a bridging loan for to construct stage 1 of a commercial marina and industrial zone. This funding is expected to unlock a further $20 million of private funding to complete stage 2 of the project;

7.3 PDU made a $19 million equity investment to expand an existing mussel processing factory to support growth in the aquaculture industry expected from the overall project. This investment allowed Whakatōhea Māori Ōpōtiki Limited (WMOL) to raise $12 million in equity from the local community and $6 million in bank loans. In addition, the PDU supported the Whakatōhea Māori Trust Board (WMTB) with a loan of $5 million to invest into WMOL as a shareholder in their own right. This brings the total PGF investment into the project to $24.85 million for an approximately $40 million expansion.

Generating a return to the Crown

8 Given the nature of the project, not all elements of the government's investments will generate a return. However, upside is expected from the $7 million and $19 million equity investments into the marina and mussel processing factory respectively.

9 Not counting the $79.4 million investment in the actual harbour development (which is a not a revenue-returning asset) the remaining approximately $33 million investment will generate a net positive return for the Crown.

Unlocking future high-value opportunities

10 The overall project is expected to unlock investment into marine farms already consented for development along the Ōpōtiki coast, and a potential mussel hatchery which is expected to be a key contributor to the development of the sector nationally (due to a shortage of mussel spat).

PRISM assessment

Productive	• The investment unlocks productive resources currently unable to be utilised • The investment builds on regional comparative advantage to create high value economic activity aligned with brand New Zealand and high value international market opportunities (get words from policy doc) • The investment supports and contributes to the strategic objectives of the New Zealand Aquaculture Strategy
Resilient	• The investment will create significant levels of employment in an area of high deprivation, with residents supported to access that employment. The economic and wellbeing benefits this will generate will increase the regions' resilience
Inclusive	• MSD officials have been part of the project to help ensure 55 of the expected 80 new jobs in the mussel processing factory are filled by Ōpōtiki residents, and that the harbour construction company hires 20 Ōpōtiki residents for the construction phase. The PDU has arranged funding of a workforce coordinator to work with MSD, WMTB and Ōpōtiki District Council (ODC), ensuring that the maximum level of local employment is achieved. • A broader outcomes procurement approach has been used to ensure a local precast cement company is contracted by the harbour construction company • Conservatively, counting direct employment only, the overall project is expected to create 1,000 new, sustainable, jobs predominantly in the Eastern Bay of Plenty by 2040
Sustainable	• The overall project to catalyse aquaculture development is consistent with the New Zealand Aquaculture Strategy's sustainability principles
Māori-enabling	• The overall development is central to mana whenua aspirations, whose efforts have been critical to getting the project over the line, and government has partnered with Māori in a way that helps to ensure mana whenua has control over and benefits from the ongoing development of

	the industry. For example, with WMTB moving towards settlement, all of the investments have allowed for sale to WMTB, without approval from any of the companies. In addition, flood resilience projects currently being undertaken by the PDU and the Bay of Plenty Regional Council (BOPRC) allow for the optional purchase of this land that continues to be used for flood resilience at cost by WMTB, as this land was of significance to Whakatōhea. It is expected that the PGF equity will be fully purchased by iwi following the Whakatōhea settlement process • The PDU supported WMTB with a $950,000 grant for developing a business case, a marine spatial plan, an aquaculture development plan, and consents for the future offshore mussel farm • the PDU supported WMTB with a loan of $5 million to invest into WMOL as a shareholder in their own right • Whakatohea and Te Whānau-a-Apanui are expected to be significant investors in the development of marine farms along Ōpōtiki coast and the PDU understands that they have negotiated this as part of their settlement

Hineuru Cherries

11 Hineuru experienced considerable confiscation of lands that has left it virtually landless. This loss was acknowledged principally by way of cash during its settlement with the Crown, with little Crown property owned in the Hineuru rohe to return to the iwi. The iwi is now looking to use these funds to acquire and hold land to support economic, social, cultural and environmental imperatives for and on behalf of all Hineuru uri (descendants) now and into the future. Through this investment a key focus is to develop high-value horticulture to provide employment opportunities for iwi members and reassert the presence of Hineuru in the region as an iwi with its own mana.

12 Hineuru secured a 21 hectare land block for the development of the cherry orchard, the "Waverley Block" in Meanee, Hawkes Bay. Approximately 5ha of the 21ha land block has been leased to Cherri Global Ltd (CGL) (who previously owned the land), leaving 14ha for new development led by Hineuru. The site has water consent to grow cherries across the whole block, as well as a new water bore, water pump and power. Hineuru entered a joint venture with a commercial partner to develop the orchard, and grow its own commercial capability.

Unlocking Private Capital:

13 PDU invested $4.3 million with the Hineuru Iwi Trust which has also provided co-contributions of $4,275,193 – an approximately 100% increase in investment leading to total investment of $8,575,193.

Generating a return to the Crown

14 Given the Māori-enabling nature of the project, and the significant co-contribution from Hineuru Iwi Trust, PDU investment was provided in the form of a concessionary loan. The loan is expected to be repaid, becoming available for re-investment, however any potential revenue on top of the principal is likely to be minimal

PRISM assessment

Productive	• The project has unlocked 14ha of under-utilised, unproductive land turning it into a highly productive, profitable venture.

	• Cherries are a sought after berry with domestic and international markets able to be accessed via the JV with Cherri Global. • The project is ahead of schedule with the second 7ha block already planted, and the first crop of 3.8 tonnes will be harvested in December 2021 with production expected to reach 126 tonnes in the 2023/2024 season. • Hineuru plan to install tunnel houses to ensure that the trees and the fruit they provide are maintained to limit production loss through adverse weather events.
Resilient	• The project creates resilience for the region by diversifying the local economy
Inclusive	• The project has already created 4 full time FTE with up to 24 part time seasonal jobs for Hineuru members once production has started.
Sustainable	• Horticulture is a low emission, low carbon footprint and environmentally sustainable activity when compared with other farming practices.
Māori-enabling	• The development of 3-4 permanent orchard jobs and 24 seasonal roles for Hineuru members. Additional indirect job opportunities and experiences will be available through the JV with a commercial partner. • Development of underutilised land to generate improved economic returns for Hineuru beneficiaries. • It is anticipated the Project will allow for upward mobility for Māori in the region, particularly through income growth via the financial returns of the investment will flow to beneficiaries of the Hineuru Iwi Trust (the Trust), and through employment opportunities. • Build capability within the Trust members, developing a skill base moving from low to skilled employment.

The Herb Farm and Café Limited (The Herb Farm)

15 The Herb Farm is a small scale producer of 100% natural skin care and health care products. Herbs grown on site are the core ingredient to their product range. The Herb Farm generated strong customer demand both domestically and overseas such that the existing facilities were no longer fit for purpose in terms of manufacturing capacity or warehousing capacity.

16 The Herb Farm was unable to access sufficient private capital to expand to enable it to successfully meet growing customer demand. PDU funding was provided to help build new manufacturing and warehousing facilities at their Manawatū premises.

Unlocking Private Capital:

17 PDU invested $261,000, unlocking an additional $217,000 applicant co-contribution – an approximately 83% increase in investment.

18 $185,000 of the applicant's co-contribution was sourced from a bank loan. The Government's backing of the project, through the PDU, generated confidence for a commercial bank to co-invest in the project.

Generating a return to the Crown

19 The $261,000 government loan is expected to be returned in full, with a net positive return generated by interest repayments.

Unlocking future high-value opportunities

20 The expansion of The Herb Farm's manufacturing capacity places it in a position to explore expanding its product lines, and its market reach.

PRISM assessment

Productive	• Skin and health care products are high value products with strong demand, especially for 'natural' products which meet growing demand for high quality, sustainable, and ethical production practices • Expanded production and warehousing capacity for The Herb Farm makes it better placed to take advantage of growing domestic and international demand for natural health care products. • The expansion enables The Herb Farm to explore expanding its product lines into additional high value products,
Resilient	• The project creates resilience for the region by expanding high value production and employment in the local economy.
Inclusive	• The applicant engaged MSD to help source new employees. The project created 3 permanent FTE as well as various construction roles.
Sustainable	• The investment supports the growth of a firm which embraces sustainable and transparent production processes.

Annex 8: Draft regional-sector priority areas for consultation with regional iwi/Māori and key regional stakeholders

The table below indicates an initial view of where PDU investment could be targeted by region and sector. Further analysis, and consultation through regional strategic partnerships, and agencies, to confirm these potential areas of focus, will be carried out. Given the timeframe of the fund, and the opportunity to support economic recovery from COVID, regional-sector priority areas will be guided by investment ready opportunities as well as regional comparative advantages, regional priorities, and sector strategies.

	Northland/Te Tai Tokerau	Waikato	Bay of Plenty	Tairāwhiti	Hawke's Bay	Manawatū/ Whanganui	Taranaki	Top of South/Te Tauihu	West Coast	Canterbury	Otago	Southland
Agriculture												
Horticulture												
Aquaculture												
Wood Processing												
Advanced Manufacturing												
Value Added Tourism												

Note:

- The Energy sector has not been considered as a focus, noting that the PDU has invested in energy projects in four regions.
- The Agriculture, Horticulture and Aquaculture sectors include opportunities in food and beverage innovation, technology and processing.
- The West Coast Value Added Tourism focus includes development of food and beverage related experiences.
- The Chatham Islands, Wairarapa and Kapiti districts will require separate analysis.

Annex 9: Eligibility criteria

Eligibility
Located In Regional New Zealand • Projects must be located in regional New Zealand. The metropolitan areas of Auckland, Wellington and Christchurch are ineligible for funding.
Alignment with Government and Regional Economic Development priorities • Projects must support the RSPF's objectives and desired PRISM outcomes • Projects should be aligned with the regional economic development priorities based on existing or refreshed regional economic development strategies and action plans •
Additionality: • Funding must be used to either implement a new initiative or expand an existing initiative • Projects must not duplicate financial support provided by other Government agencies, although funding can enhance existing support initiatives/funding that can deliver successful outcomes • Projects should not compete with, or crowd out, other sources of available capital
Co-contribution guidelines: • As a guideline at least 50 per cent co-funding is required for commercial and quasi-commercial projects • As a guideline, 20 per cent co-funding is required for non-commercial projects • Property and in-kind contributions are not considered co-funding • Central Government funding cannot be used as co-funding on commercial projects • Flexibility to the guidelines will be particularly important when working with Māori enterprises
Recipient's capability to deliver and implement the project: • Applicants must have the capacity and capability to deliver the project. In some cases, the PDU will provide project management assistance to support the delivery of the project • Projects must commence within the life of the RSPF, and will have a clear project plan • Projects must utilise broader outcomes procurement where possible. This will be built into all contracts

Annex 10: How each stream will access the RSPF

1 For Streams 2, the RSPF will be accessed using the following process:

1.1 regional economic development partnerships determine their regional economic development investment priorities through existing and refreshed regional economic development strategies and action plans;

1.2 The PDU supports regional economic development partnerships to develop specific investment proposals for Ministers to consider in line with their identified priorities;

1.3 regional economic development partnerships submit proposals to the PDU aligned with their strategic priorities. The PDU triages and assesses proposals against the RSPF's criteria in consultation with relevant government agencies and provides advice to Regional Economic Development Ministers;

1.4 Regional Economic Development Ministers, in consultation with relevant portfolio Ministers, consider whether to approve funding for a RSPF proposal; and

1.5 For approved projects, the PDU undertakes contract negotiations with the project partner and client manages contracted investments until they are completed.

2 Access to Stream 3 – Accelerating Māori economic aspirations, will replicate the process outlined above for projects originating through the regional economic development partnerships. Other potential projects may arise through relevant government agencies, such as TPK, MPI, and the PDU, by identifying investment-ready projects through their existing relationships with regional iwi/Māori and which are not identified through the regional economic development partnerships.

3 For Stream 4, the RSPF will be accessed using the following process:

3.1 The PDU will engage with regions to confirm regional-sector priority investment areas;

3.2 The PDU calls for a time-limited expression of interest for prescribed parameters based on the confirmation of regional-sector investment opportunities;

3.3 Entities submit expressions of interest to the PDU. The PDU triages expressions of interest against criteria such as regional support, project readiness and co-contribution. This is done in consultation with relevant agencies. Full proposals are invited from supported expressions of interest;

3.4 The PDU assesses full proposals against the RSPF's eligibility criteria and RSPF stream priorities, in consultation with relevant government agencies and provide advice to Regional Economic Development Ministers;

3.5 Regional Economic Development Ministers, in consultation with relevant portfolio Ministers, consider whether to approve funding for a RSPF proposal; and

3.6 For approved projects, the PDU undertakes contract negotiations with the project partner and client manages contracted investments until they are completed.

Annex 11: RSPF indicators of success

RSPF Short to medium term indicators of success	
Stream	**Short-Medium term Outcomes**
Stream 1	• RED Partnerships develop RED priorities that will inform RSPF investment, private investment and policy/regulatory work programmes. • RED bodies have up-to-date regional economic development planning documents that take into account the impact of COVID-19, the objective to develop a PRISM economy, and actions for addressing identified priorities. • RED Partnerships have appropriate representation of regional voices including Māori/iwi, business and geographical coverage. • The PDU has supported RED Partnerships to upskill and improve capability, and where required capacity, to enable better long term planning and economic development delivery.
Stream 2	• Investment is targeted to addressing the priorities identified by RED Partnerships. • Investment addresses barriers to growth or resilience that are based on the region's unique comparative and competitive factors (such as distance to markets, skills and expertise). • Investment supports quality job creation and improved incomes, particularly in rural/isolated areas, and for population groups that need improved inclusion.
Stream 3	• Investments will increase the volume of Māori land brought into higher value production. • Investments will unlock additional private investment into the productivity of Māori assets through joint ventures developed by the PDU through its relationships with established commercial operators. • Entities that manage Whenua Māori will increase their capacity and capability to further grow economic opportunities through the PDU connecting them to partnerships/joint ventures with established commercial players. This will support them to develop specialist expertise and enter new markets. • Investment will support quality job creation and raise incomes, particularly in rural/isolated areas.
Stream 4	• Investment provides confidence to third parties and private capital to invest in RED projects. • Investment increases (beyond the initial Government investment) the scale of private investment into RED economies. • Firms experience a greater uptake of new technologies and processes that improves their productivity. • Investment enables firms to enter into different markets. • Firms identify ways to reduce their environmental footprint including improving their capability to do so. • Investment enables the development of new products that support job creation, technology advances/adoption and innovation, and diversification of regional economies. • Government investment will incentivise private/third party economic partnerships with Māori firms.

Stream 5	• Government agencies work together through a co-ordinated system to support addressing identified RED Partnership priorities. • RSPF funding builds on other government work programmes (including investment) where they exist, to reduce duplication across government and support a cohesive delivery of RED outcomes. This includes RED Partnerships being aligned with other relevant regional groups, such as the Regional Skills Leadership Group and Regional Public Service Lead and their local leadership groups. • The Māori Economic Development Ministers Group governs a broader government view of Māori Economic Development and ensures alignment across various work programmes (such as at TPK, MPI etc) to enable better collective impact. This reduces the fragmentation of government support Māori often cite as a barrier to economic development.

RSPF Long Term Outcomes	
Stream	**Long Term Outcome**
Stream 1	• RED Partnerships have an enduring relationship with key stakeholders in their regions and with the government's regional economic development function. • RED Partnerships are seen (by government, public, other regional players) to be a key economic development leader in the region and make economic development connections across sectors, sub-regions and population groups. • RED priorities set through the RSPF are delivered
Stream 2	• Investment will support improved business confidence leading to increased community wellbeing and vibrancy of towns. • SMEs will have improved capability and capacity to do business in their location. • Investment addresses identified barriers to economic development for regional business.
Stream 3	• Reduction in disparities between Māori and other New Zealanders, so that Māori experience improved intergenerational wellbeing (including employment opportunities) and wealth creation. • Monitoring and reporting of approved projects enables the PDU to build an evidence base for the continued investment into Māori communities and regions to inform future work programmes across government. • Māori enterprises are in a stronger financial position and more resilient and can be used as a basis for ongoing development, including wellbeing. • Māori enterprises have demonstrated their unique offering to the economy and improved capability, providing an incentive for non-Māori firms to partner with them • Improved performance of the Māori asset base through investments that improve productivity, economic opportunity and capability/capacity.
Stream 4	• Enterprises are more profitable, produce higher value products and create higher-value employment opportunities. • Enterprises are in a stronger financial position and future-proofed/have resilience against relevant emerging and expected trends.

RSPF Long Term Outcomes	
Stream	**Long Term Outcome**
	• More activity across a value chains that supports higher value outputs. • More Māori and Non-Māori enterprises partnering.
Stream 5	• Regions and communities report better user experiences with government agencies regarding RED. • Increased efficiency of government RED work due to better collaboration.

Annex 12: Reporting requirements

Reporting requirements
• The number and percentage of projects that have been contracted • The rate of disbursement, including funding paid out and forecasts of expected funding paid out over the life of the RSPF • Progress on the benefits and outcomes identified for each project • How projects are tracking against budget, and any cost overruns • Specific information sought on projects that Ministers identify as priorities • Specific information on project governance and management • Job creation on the basis of FTEs. This should include the total number of hours worked by all individuals in the jobs created calculated cumulatively through the term of each programme • The number and percentage of projects that are currently under construction, and for projects that are not currently under construction, information about when construction is expected to commence • If applicable, progress on gaining relevant consents • Key milestones and deliverables, and how each project is performing against these milestones • Key risk and issues, including proposed mitigations • The establishment and ongoing management of loans, equity or other instruments and contracts that are used to enable the project • Broader outcomes procurement • Demographics, ethnicity and gender of individuals in jobs directly created through the RSPF

Annex 13: PGF projects recommended for termination

Type of Funding	Title	Recipient	Approval Date	Funding Approved ($)	Indicative Funding Available for Reprioritisation ($)	Region	Status Update	PDU Recommendation

Commercial Information

Type of Funding	Title	Recipient	Approval Date	Funding Approved ($)	Indicative Funding Available for Reprioritisation ($)	Region	Status Update	PDU Recommendation
Commercial Information [redacted]								

Annex 14: PGF appropriation status

Group	Contract Count	% Contracts	Committed Funding	Approved Funding	Contract Funding	Paid Funding	Recommended for Reprioritisation
Projects for reprioritisation*	8.00	0.01	49,445,000.00	49,445,000.00	25,945,000.00	4,904,687.16	24,528,882.84*
Approved not yet contracted	38.00	0.04	174,910,646.05	174,910,646.05	-	-	
Contracts which are completed	169.00	0.19	237,715,624.16	237,715,624.16	237,715,624.16	234,851,403.45	
Contracts underway with greater than and equal to 20% paid**	577.00	0.65	2,065,596,403.44	2,065,596,403.44	2,058,238,297.91	815,488,521.83	
Contracts underway with less than 20% paid**	99.00	0.11	263,481,224.26	263,481,224.26	260,267,811.26	372,500.00	
PDU operational funding	-	-	157,272,000.00	156,831,000.00	151,756,000.00	100,467,705.91	
Remaining funding in specific PGF allocations	-	-	96,420,041.20	-	-	-	19,601,000****
Total	891.00	100.0%	3,044,840,939.11***	2,947,979,897.91***	2,733,922,733.33	1,156,084,818.35	
		PDU residual for reprioritisation	57,000,000.00				57,000,000.00
		PDU residual for further analysis	13,859,061.00*****				
		Total Fund	**3,115,700,000.00**			**Total for reprioritisation**	**101,129,882.84**

Notes
Data as at: 31-Jan-2021

* These PGF projects are recommended for reprioritisation for one of the following reasons; both parties have mutually agreed to terminate the funding agreement, there has been a known underspend, or it is highly likely the project will not progress. This also includes both contracted and approved not yet contracted projects.
ANYC projects do not show up in the 'Contract Funding' Column as they only have approved funding.

** These PGF projects have not been recommended for reprioritisation because the expectation is that these projects will progress to completion.

*** Difference between committed funding and approved funding is $96,420,041.20 which is committed to allocations but not approved.

**** $19,601,000 is the amount from the unapproved, but committed to allocations funding, which is being recommended for reprioritisation.

***** $13,859,061.00 is PDU residual, not for reprioritisation. Part of this amount sits with our partnering agencies and the PDU is currently working through a review of this funding. Any amount which becomes available for reprioritisation will be flagged to Ministers.