



COVERSHEET

Minister	Hon Stuart Nash	Portfolio	Economic and Regional Development
Title of Cabinet paper	Evaluation of the Provincial Growth Fund	Date to be published	16 June 2022

List of documents that have been proactively released

Date	Title	Author
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Information redacted

NO / YES

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In Confidence

Office of the Minister for Economic and Regional Development
Cabinet Economic Development Committee

Evaluation of the Provincial Growth Fund

Proposal

- 1 This paper:
 - 1.1 provides an overview of the findings and conclusions of an independent early Evaluation of the Provincial Growth Fund (PGF), and how the evaluation relates to the design of the Regional Strategic Partnership Fund (RSPF); and
 - 1.2 indicates my intention to publish the evaluation, which is attached.

Relation to government priorities

- 2 The evaluation of the PGF will support the effective implementation of the RSPF. The RSPF is a \$200 million Government manifesto commitment to catalyse increased investment in regional economic development, which supports the Government's objectives from the speech from the throne, and the five-point plan for economic recovery. Key insights from the PGF evaluation have been incorporated into the design of the RSPF.

Executive Summary

- 3 The evaluation of the PGF has been completed, which included all funded and non-funded applicants and PGF projects funded from its inception in December 2017 to 31 March 2020. During this period, over 560 applications were approved with final figures for these applications as at March 2021 showing \$2.295 billion approved funding.
- 4 When the PGF was set up, it was noted that outcomes would not be able to be measured until at least 2 – 3 years following final project delivery. However, Cabinet agreed an early evaluation, focused on delivery of the fund and early indicators of success, would be undertaken once it was fully allocated [CAB-19-MIN-0045].
- 5 I intend to publicly release *The Evaluation of the Provincial Growth Fund* (Appendix One) in the first quarter of 2022. The key evaluation message is that the PGF is on track, achieving the early outcomes that it was designed to deliver. The evaluation also identifies shortcomings of the PGF's approach, and presents recommendations for improvement. The PGF's strengths and learnings have already been incorporated into the RSPF.
- 6 The evaluation, independently carried out by Allen + Clarke, ensured an appropriate range of views regardless of participants' success at receiving funding or type of involvement in the fund. It included all funded and non-

funded applicants and PGF projects funded from its inception in December 2017 to 31 March 2020. It applied a multi-method approach including qualitative interviews, case studies, surveys, and analysis of administrative data.

- 7 Six domains of PGF activity were assessed against a five-tier scale of effectiveness.¹ Three domains (Collaboration, Outputs, Early Outcomes) received the second highest rating ('effective'). Three domains (Pre-application, Decision-making, and Contracting and Client Management) received the middle rating ('consolidating').
- 8 The evaluation concluded with six broad recommendations for improvement:
 - 8.1 Sustaining and extending existing relationships
 - 8.2 Fully scoping project implementation costs
 - 8.3 Supporting ongoing capability development
 - 8.4 Measuring what is important
 - 8.5 Strengthening broad funding allocations, and
 - 8.6 Planning now to undertake long-term evaluation.
- 9 The Evaluation's findings are consistent with Kānoa - Regional Economic Development & Investment Unit's (Kānoa-RDU) understanding of the strengths and successes of the PGF, areas for improvement, and with findings from a 2020 formative evaluation that focused on the Bay of Plenty and West Coast regions.
- 10 Key insights have been addressed in the design of the RSPF. In general, structural changes incorporated into the RSPF's more targeted investment approach, built on stronger regional partnerships, will address many of the issues highlighted in the Evaluation, which were often connected to the scale and speed of the PGF's implementation.
- 11 MBIE's business groups are in early discussions about the evaluation of long-term outcomes from PGF, noting it will be at least three years before there is sufficient data. Assessment of these outcomes will be considered in the broader context of evaluating other regional economic support initiatives.

Background

- 12 The PGF was established as a three year regional economic development investment fund designed to ensure regional New Zealand thrives through Productive, Sustainable and Inclusive economic growth [CAB-17-MIN-0554].
- 13 The PGF, administered by the then Provincial Development Unit, (referred to from here on as Kānoa-RDU), delivered three types of investments². A key

¹ Highly effective; Effective; Consolidating; Marginal; Not effective.

² Smaller regional economic development (RED) projects, feasibility studies, and capability building initiatives; Sector and industry development targeted at priority and/or high value economic opportunities with a greater commercial component; and Larger infrastructure projects that would enable regions to be well-connected to other regions and within regions.

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aspect of the PGF design was the establishment of Memoranda of Understanding with seven government agencies. This partnering arrangement was intended to ensure PGF activities were coordinated and effective where multiple agencies were involved. Key design features of the PGF included:

- 13.1 Kānoa-RDU and partner agencies working with tangata whenua, regions, and individuals to identify opportunities for investment and to support applications;
 - 13.2 development of a robust and consistent assessment process;
 - 13.3 provision of good and timely advice on applications to decision makers on whether to fund proposals; and
 - 13.4 effective contract management of funded projects.
- 14 When the PGF was set up, it was noted that outcomes would not be able to be measured until at least 2 – 3 years following final project delivery. However, Cabinet agreed an early evaluation, focused on delivery of the fund and early indicators of success, would be undertaken once it was fully allocated [CAB-19-MIN-0045].
- 15 In January 2021, Allen + Clarke was commissioned to independently design and undertake an evaluation of the PGF. MBIE provided relationship and technical support, and contextual information. The evaluation design ensured an appropriate range of views regardless of participants' success at receiving funding or type of involvement in the fund. A cross agency governance group reviewed the evaluation plan and the draft report³.
- 16 The Evaluation included all funded and non-funded applicants and PGF projects funded from its inception in December 2017 to 31 March 2020. During this period, over 560 applications were approved with final figures for these applications as at March 2021 showing \$2.295 billion approved funding, 8,416 jobs created, and 7,027 Māori training participants. To undertake the evaluation, data on progress of projects had a cut-off date of 31 March 2021.
- 17 Data relating to the funding of One Billion Trees projects were in scope. However, the Evaluation did not include a specific focus on the One Billion Trees programme as it is the subject of a separate evaluation. Projects that were approved through the PGF reset, such as Marae, Pasifika Church and Town Hall renovations and COVID worker redeployment initiatives, are not included in the Evaluation, due to the different outcomes and investment principles used for these projects.
- 18 The Evaluation applied a multi-method approach, including:
- 18.1 Qualitative interviews with key national and regional stakeholders, including government agencies.

³ Te Puni Kōkiri, Waka Kotahi, Te Manatū Waka the Ministry of Transport, Ministry for Primary Industries, New Zealand Trade and Enterprise, Ministry for the Environment.

- 18.2 Three regional cases studies, involving in person hui, in Northland, Bay of Plenty and West Coast, which focused on ensuring broader Māori perspectives were included in the Evaluation.
- 18.3 Two online surveys, targeting all funded and unfunded applicants to the PGF (as at 31 March 2020), and regional stakeholders:
 - 18.3.1 182 funded, and 150 non-funded, applicants responded (56% and 36% response rates, respectively); and
 - 18.3.2 184 regional stakeholders responded, across all 15 regions (a 72% response rate).
- 18.4 Analysis of Kānoa-RDU administrative data.

The evaluation is balanced

- 19 The key evaluation message is that the PGF is on track, achieving the early outcomes that it was designed to deliver⁴. The report reveals what the PGF successfully achieved in a very short time. From being established with ambitious goals in 2018 it has achieved much, providing regions with billions of dollars in funding to help previously neglected areas build strong, resilient economies while increasing their confidence and wellbeing.
- 20 The evaluation also identifies some shortcomings, and presents recommendations for improvement. I intend to release *The Evaluation of the Provincial Growth Fund* in the first quarter of 2022, along with this Cabinet paper, which sets out how key insights from the evaluation have been built into the RSPF.

Six domains of PGF activity were assessed

- 21 The evaluation’s conclusion was generated by an assessment of six domains which grouped the range of PGF activities. Each domain was rated on a five-tier scale: Highly effective; Effective; Consolidating; Marginal; Not effective.
- 22 Three domains were rated as effective, the second highest rating. *Effective means there is evidence of reasonably good performance, with a few slight weaknesses or inconsistencies. A domain could not achieve an effective rating if any components of performance were not working well for Māori.*

Effective domains	Comment
Collaboration	Critical success factors of PGF collaboration were the existence of positive pre-existing relationships at the regional level, and the role of Te Puni Kōkiri in supporting engagement with Māori.
Outputs	Evidence indicates that the funding allocations of the PGF were aligned with its objectives.

⁴ This assessment was framed by four key PGF objectives: Employment; Sustainable Economic Development; Social Inclusion and Participation; Māori Development.

Early outcomes	Effective early outcomes includes early evidence of desired benefits, the community-level impact of projects, and the extent to which short-term outcomes indicate projects are on track to deliver longer-term benefits.
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23 Three domains were rated as consolidating, the middle rating. *Consolidating means there is evidence of fair performance with quite a few weaknesses.* Often these weaknesses related to engagement with Māori.

Consolidating domains	Comment
Pre-application	A key issue related to applicants' experiences of accessing the support they needed, including Māori. However, this applied mostly to non-funded applicants. Officials note this is not unexpected from the PGF's approach, as Kānoa-RDU support focused on those applications with strong value propositions, aligned with regional priorities, and where a robust business case was, or could be developed. The frequency and speed of perceived changes to the PGF's priorities, combined with a lack of effective communication about changes, was also noted. Officials note these challenges, but also that the flexibility of the fund to respond to emerging Government priorities was also a strength of the PGF. Furthermore, criteria for accessing the PGF did not change.
Decision-making	While the Evaluation highlighted some concerns about the quality of project assessment during the initial stages of the PGF, this improved over time. By the time most decisions were beginning to be made, project assessment was of a high quality, and further supplemented by high quality Independent Advisory Panel advice. Māori applicants sometimes found the timeframes they had to work to challenging, given the extent to which they may rely on the goodwill of whānau for some parts of an application. This was primarily the result of the size, scale and speed of the PGF, which the RSPF's more targeted approach is expected to address.
Contracting and Client Management	Most funded applicants found communication and advice from Kānoa-RDU staff during both the contracting process, and project delivery, to be effective. However, there was a need for greater support for project management and governance for funded applicants, particularly Māori, with little prior experience of central government processes and/or projects of scale. Kānoa-RDU provided targeted support as necessary.

24 Further detail on each domain's evaluation is attached as Appendix Two.

Positive themes

- 25 **An important finding is the generation of community-level optimism by PGF projects.** 68% of applicants surveyed, and 74% of Māori applicants albeit of a small sample, agree their community felt more optimistic about the future because of PGF investments. Understanding how PGF investments have generated community-level optimism is an important holistic indicator. It is the type of indicator which effectively captures the complex dynamics that underpin regional economic development.
- 26 **Māori economic development was a key area of success.** The PGF's focus was on whenua Māori development, marae connectivity, skills and employment programmes, and developing sites of national significance. At \$386 million, the total approved and allocated investment in direct Māori economic development accounts for 17% of the PGF. The Evaluation states that the "evidence suggests that PGF funding is contributing to improved environmental, social, spiritual, and economic wellbeing for tangata whenua."
- 27 **Collaboration was a key area of strength on which to build.** The Evaluation assessed collaboration across three areas: between government agencies; between central government and regional stakeholders and Māori; and between regional stakeholders including Māori. Each of these three areas was considered effective overall. A key driver of success within relationships was a shared commitment to achieving positive outcomes. Another key driver of success was pre-existing positive relationships amongst regional stakeholders and iwi/Māori.
- 28 **The effectiveness of the working relationship with Te Puni Kōkiri (TPK) was recognised throughout the Evaluation.** TPK played a crucial role in supporting good engagement with Māori, so that, overall, Māori considered their values and views were acknowledged, and informed the basis of their applications. TPK's role included direct engagement, connecting people, and ensuring proper observance of tikanga. They were also responsive to the holistic needs of applicants, including support to develop applications, and providing information and connection to resources, such as governance training, to ensure the success of projects.
- 29 **Decision-making processes improved over time, led to good outputs and outcomes.** While the evaluation highlighted some concerns about the quality of project assessment during the initial stages of the PGF, this improved over time. By the time most decisions were beginning to be made, project assessment was of a high quality, and further supplemented by high quality Independent Advisory Panel (IAP) advice. This resulted both in good projects, and a good spread of projects.
- 30 **The surveys of funded applicants and regional stakeholders found a larger majority reported positive experiences dealing with the PGF.** For example, 85% of funded applicants considered Kānoa-RDU engaged with them collaboratively, and 79% of funded applicants considered PGF partner agencies engaged collaboratively.

31 **The delivery of training programmes was also highlighted.** PGF funded training programmes are helping break intergenerational unemployment, with nearly seven thousand young people, including those not previously in employment, education or training, participating in work skills programmes.

Key shortcomings

- 32 Some key themes relating to the shortcomings of the design and delivery of the PGF also emerged. Each of these shortcomings has been addressed in the design of the RSPF, as discussed from paragraph 38 below.
- 33 A key shortcoming related to the communication of decisions, particularly during the assessment phase, with many applications neither approved nor declined as effort was focused on projects most aligned with PGF design and objectives. This was noted as a result of the very high number of applications received and the timeframes that the PGF worked to.
- 34 When combined with communication shortcomings, the frequency and speed of perceived changes to PGF priorities had negative impacts on some applications.
- 35 Almost all applicants considered the reporting process was poor, with some applicants considering the measures of success were too narrow. For some applicants the process of drawing down funds was a source of significant stress.
- 36 There was significant variation in the experiences of “funded” and “unfunded” applicants. On most of the relevant questions, funded applicant responses were much more positive than unfunded applicant responses.
- 37 While Māori economic development was a key area of success overall, in addition to the challenges discussed above there were aspects of the PGF that Māori found challenging. In particular, the timeframes that applicants had to work to (given the extent to which Māori applicants sometimes relied on the goodwill of whānau for parts of an application), and having adequate support to access or develop project management and governance capability.

The evaluation concludes with six broad recommendations for improvement

38 The report concludes with an overall assessment and lessons learned section, which cuts across the six domains of PGF activity. The following table summarises this assessment and provides a Kānoa-RDU comment in response. More detailed and informative insights, such as first-hand accounts of the importance of the investments to the communities they affected, and community descriptions of the collaborative engagement with Kānoa-RDU and partner agencies, can be found in the Evaluation report.

Assessment summary	Kānoa-RDU comment
<i>Sustaining and extending existing relationships</i>	
There was evidence of some outstanding collaboration between regional stakeholders, central	The evolved approach implemented through the RSPF is designed to build on the partnership strengths of the previous

Assessment summary	Kānoa-RDU comment
<p>government, Māori, and the private sector. However, this was often based on effective pre-existing regional relationships.</p> <p><i>Therefore, Kānoa-RDU should develop strategies that help to build stronger regional networks to include a wider range of groups, including Māori.</i></p>	<p>approach. Regional Economic Development Partnerships are the central component of this approach.</p> <p>Regional Economic Development Partnerships have been established to ensure better regional representation (where necessary), and more constructive and strategic relationships between and across regions and central government on regional economic development priorities.</p>
Fully scoping project implementation costs	
<p>A key learning from the Evaluation is the planning required to develop a solid business case and application. Timeframes sometimes resulted in applicants not considering the full costs or timeframe required to successfully implement their projects, or the costs associated with ongoing maintenance.</p> <p><i>There needs to be time for applicants to have all the necessary conversations to ensure their projects are adequately scoped and costed.</i></p>	<p>The PGF was an ambitious programme of investment, delivered in a short timeframe, with a substantial number of applications received. Resources were focused on applications with strong value propositions, and intensive support was provided to applicants where necessary. The programme was primarily dedicated to providing CAPEX funding and not ongoing operational expenditure support.</p> <p>The evolved investment approach of the RSPF is based on a strong partnership approach. Projects that progress to funding will be provided the support they need to ensure project approvals are based on a comprehensive understanding of all relevant aspects of the project.</p>
Supporting ongoing capability development	
<p>Many regional organisations said they had gained additional skills and capabilities as a result of implementing PGF funded projects. However, some organisations have struggled to effectively manage their projects. Some regional Economic Development Agencies (EDA) also continue to need to improve their capability.</p> <p><i>Kānoa-RDU should actively support the ongoing capability development of funded applicants and EDAs.</i></p>	<p>In total, regional EDAs received \$4,427,500 in capability support funding through the PGF. Further funding for EDAs is out of scope of the RSPF.</p> <p>Operational costs related to the ongoing management of specific projects were out of scope of the PGF. As above, Kānoa-RDU continues to support funding recipients, as needed, to ensure the successful delivery of projects.</p> <p>The strong partnership approach of the RSPF, through Regional Economic Development Partnerships, is designed to help ensure all regions have the capability needed to deliver RED projects and access RED funding.</p>
Measuring what is important	
<p>Where projects are underway, there is clear evidence of whenua Māori being utilised more productively, new business created, existing businesses further developed,</p>	<p>Kānoa-RDU has designed an “Impact Management Framework” to measure the “impact” of its investments. That is, the social and environmental, as well as financial impact of projects. The framework is based on the</p>

Assessment summary	Kānoa-RDU comment
<p>rangatahi in training or newly employed, and marae being digitally connected. However, these are relatively narrow measures, and do not capture more holistic wellbeing-type outcomes.</p> <p><i>Therefore, Kānoa-RDU should implement a measurement approach anchored in a holistic wellbeing framework, particularly for Māori-enabling projects.</i></p>	<p>RSPF’s PRISM objectives, with wider Māori wellbeing outcomes being captured by the Māori-enabling objective. Officials are looking to strengthen the framework based on the Evaluation’s recommendation.</p>
<p>A number of issues with data collection meant the evaluators found it challenging to analyse certain aspects of the PGF.</p> <p><i>Kānoa-RDU should implement:</i></p> <ol style="list-style-type: none"> 1. <i>Better descriptors of the communities involved</i> 2. <i>International Organization for Standardization (ISO) standards for the project sector⁵</i> 3. <i>Indicators to track and manage the health and wellbeing of funded applicants</i> 4. <i>A simple and accessible reporting system for external use</i> 	<ul style="list-style-type: none"> • Officials do not consider ISO standards are appropriate. Work is underway to instead use ANZSIC codes to better align with data sources used by StatsNZ and the Treasury.⁶ • Officials consider the large scope and constrained timeframes of the PGF were the primary drivers of the challenges applicants faced in seeking PGF funding. The more targeted and partnership-based approach of the RSPF will obviate applicant wellbeing concerns. • Kānoa-RDU is currently developing an automated, online reporting tool for recipients to report on their projects. This is expected to be available by June 2022.
Strengthening broad funding allocations	
<p>Evidence indicates broad funding allocations worked well for PGF but could be strengthened.</p> <p><i>Kānoa-RDU could consider assigning specific allocations to different types of investment when implementing future investment initiatives, to further strengthen the alignment of outputs to investment objectives.</i></p>	<p>The PGF generally operated without specific allocations and evidence indicates that funding was generally allocated in line with PGF objectives. While RED Ministers did adopt some specific allocations (e.g. whenua Māori, waste), the general flexibility of the fund was a factor in the successful delivery of the programme within the set timeframe.</p> <p>The RSPF has strengthened the alignment of outputs to investment objectives while maintaining the advantages of this flexibility, with its three broad investment streams (regional, Māori and sector), each with a funding allocation.</p>
Planning now to undertake long term evaluation	
<p>Further time is needed to fully assess the contribution of the PGF</p>	<p>Staff from across MBIE’s business groups are in early discussions about the evaluation of</p>

⁵ ISO 21500:2021 are international standards applicable to project, programme and portfolio management.

⁶ ANZSIC (Australia and New Zealand Standard Industrial Classification) codes are jointly developed by the Australian Bureau of Statistics and StatsNZ to make it easier to compare industry statistics between each country and the rest of the world.

Assessment summary	Kānoa-RDU comment
<p>to regional GDP. Of particular concern is the type of data currently being collected.</p> <p><i>Kānoa-RDU should begin planning a long term evaluation now.</i></p>	<p>long-term outcomes from PGF and other regional economic investments. It will be at least three years before there is sufficient data to evaluate the longer term outcomes of the PGF. How to assess these outcomes will also be considered in the broader context of other regional support, including the COVID-19 Response and Recovery Fund.</p>

Key insights have already been built into the RSPF

- 39 The Evaluation’s findings are consistent with Kānoa-RDU’s own understanding of the strengths and successes of the PGF, areas for improvement, and with findings from a 2020 formative evaluation that focused on the Bay of Plenty and West Coast regions. Key insights have already been addressed by the design of the Regional Strategic Partnership Fund (RSPF).
- 40 In general, structural changes incorporated into the RSPF’s more targeted investment approach, built on stronger regional partnerships, will address many of the issues highlighted in the Evaluation, which were often connected to the scale and speed of the PGF’s implementation. This includes the RSPF having a more targeted application process, and the inclusion of two triage points, which will allow Kānoa-RDU to improve its project-level communication with applicants and better target support to where it is needed, particularly for Māori applicants. In addition to the table in paragraph 38, Appendix Three provides further insights from the Evaluation, and how they have also been incorporated into the RSPF’s design.

Financial and legislative Implications

- 41 This paper has no financial or legislative implications.

Impact Analysis

- 42 This paper has no regulatory, climate, population, or human rights impacts.

Consultation

- 43 This paper has been consulted with Te Puni Kōkiri, Ministry for Primary Industries, Te Arawhiti: Māori Crown Relations, Department of Internal Affairs, New Zealand Trade and Enterprise, Ministry of Social Development, The Treasury, Te Manatū Waka Ministry of Transport, and Waka Kotahi. The Department of the Prime Minister and Cabinet has been informed.

Communications

- 44 A communications plan has been developed. Key stakeholders will be advised on the report’s contents and findings before it is publicly released. Public release will include a media statement from the Minister of Economic and Regional Development which highlights the report’s key findings, and acknowledges any areas needing improvement, and how the

RSPF addresses these areas. Key messages have been developed to help communicate the report's findings. The full report will also be made available online on MBIE's website and Kānoa-RDU's Grow Regions website. The report will be released in the first quarter of 2022.

Proactive Release

- 45 This paper will be proactively released when the evaluation report is publicly released.

Recommendations

The Minister for Economic and Regional Development recommends that the Committee:

- 1 **note** an early evaluation of the Provincial Growth Fund (PGF) has been completed, which focused on how the PGF was delivered and its early outcomes;
- 2 **note** that, overall, the report finds the PGF is on track, achieving the early outcomes that it was designed to deliver;
- 3 **note** that key insights from the evaluation have already been built into the design of the Regional Strategic Partnership Fund (RSPF); and
- 4 **note** that I intend to publicly release the early evaluation of the PGF in the first quarter of 2022.

Authorised for lodgement

Hon Stuart Nash

Minister for Economic and Regional Development

Evaluation of the Provincial Growth Fund

Appendix Two | Summary of PGF domains evaluated

Domain	Evaluation summary
Collaboration	<p><i>Collaboration undertaken within the PGF was rated as effective.</i> This includes how the PDU worked with partner agencies, how government agencies worked with regions, and how effective relationships within regions were.</p> <p>TPK was highlighted as playing a crucial role in supporting good engagement with Māori. Overall, Māori considered that their values and views were acknowledged and informed the basis of their applications.</p> <p>A critical success factor was the existence of positive pre-existing relationships at the regional level. This resulted in more effective collaboration between regions and government agencies, notably through agreement on regional priorities. Where this was the case, the PGF also facilitated even stronger and more effective regional networks, including the formation of enduring new relationships.</p> <p>Where positive pre-existing regional relationships did not exist, this impacted the ability for the PGF to benefit the region. Efforts by officials to overcome intra-regional tensions helped to progress projects, but did little to facilitate better longer term dynamics.</p>
Pre-application	<p><i>The Pre-application phase was rated as consolidating,</i> with fair performance but a number of areas for improvement. This domain includes the extent to which applicants considered their circumstances were understood, had the resources needed to develop proposals, and the quality of communication with the PDU.</p> <p>Most regional stakeholders considered their needs, strengths, and unique circumstances were taken into account. However, applicants' experiences of accessing the support they needed were mixed with significant variation between the experiences of funded and non-funded applicants. Applicants with pre-existing relationships within economic development networks found it easier to access the support they needed.</p> <p>Direct support provided by TPK to Māori applicants was again highlighted as positive.</p> <p>The frequency and speed of perceived changes to the PGF's priorities, combined with a lack of effective communication about changes, also had a negative impact on some applications.</p>
Decision-making	<p><i>Decision-making was rated as consolidating.</i> This includes the quality of advice provided to decision-makers, the collaboration on advice by government agencies, and related communication with applicants.</p> <p>The evaluation noted that the quality of advice improved over time, that the overall spread of investments was effective, and that most stakeholders and applicants considered the right projects were selected.</p> <p>Partner agencies' experience of collaborating with the PDU was mixed. A common issue among agency stakeholders who considered decision-making collaboration was inconsistent, was the perception that PDU staff did not adequately incorporate the partner agencies' technical advice into advice provided to decision-makers.</p>

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	<p>The key shortcoming related to the communication of decisions, particularly during the assessment phase, with many applications neither approved nor declined as effort was focused on projects most aligned with PGF design and objectives. This was noted as a result of the very high number of applications received and the timeframes that the PGF worked to.</p>
<p>Contracting and client management</p>	<p><i>Contracting and client management was rated as consolidating.</i> This covers the experience of the contracting stage, and whether successful applicants were adequately supported to deliver projects.</p> <p>Most funded applicants found communication and advice from PDU staff during both the contracting process, and project delivery, to be effective. Key factors that contributed to these positive experiences included effective communication, experiencing the contracts as concise and easy to follow, and PDU staff adopting a solutions-focused approach to addressing issues when they arose.</p> <p>However, there was a need for greater support for project management and governance, particularly for funded applicants with little prior experience of central government processes and/or projects of scale.</p> <p>Almost all applicants considered the reporting process was poor, with some applicants considering the measures of success were too narrow. For some applicants the process of drawing down funds was a source of significant stress.</p>
<p>Outputs</p>	<p><i>The PGF's outputs have been rated as effective.</i> This includes the spread and progress of projects.</p> <p>The evidence indicates that the funding allocations of the PGF were aligned with the intended emphases on the six surge regions and its five objectives.</p> <p>Most projects have progressed against expected milestones, with 86% of projects meeting or exceeding delivery expectations.</p> <p>A delay for some large infrastructure projects, due to their scale and complexity, is noted.</p>
<p>Early Outcomes</p>	<p><i>The PGF's short-term outcomes have been rated as effective.</i> This includes early evidence of desired benefits, the community-level impact of projects, and the extent to which short-term outcomes indicate projects being on track to deliver longer-term benefits.</p> <p>The evaluation notes the gains the PGF has had in creating local employment opportunities, but notes the challenges in filling some roles locally due to regional skill bases.</p> <p>A key area of success was noted in Māori development. Whenua Māori and digital connectivity are considered to be contributing to the social, economic, environmental and spiritual well-being of Māori communities.</p> <p>Another indicator that the PGF is on track towards achieving its intended goals is the levels of increased optimism among communities. 68% per cent of all applicants, and 74% of surveyed Māori applicants, agree their community felt more optimistic about the future because of PGF investments. (Note that caution should be applied when interpreting the responses of non-funded Māori, as the small sample size means that the findings may not be particularly representative.)</p>

Evaluation of the Provincial Growth Fund

Appendix Three | Key insights and their incorporation into the RSPF's design

Māori development was a key area of success

1. The PGF's Māori development focus was on whenua Māori development, marae connectivity, skills and employment programmes¹, and developing sites of national significance. At \$386 million, the total approved and allocated investment in direct Māori economic development accounts for 17% of the PGF. The Evaluation states that the "evidence suggests that PGF funding is contributing to improved environmental, social, spiritual, and economic wellbeing for tangata whenua."
2. The Evaluation's findings include a number of positive statistics which help to summarise success of the PGF's approach to enabling Māori development:
 - 83% of funded Māori applicants agreed Kānoa-RDU² engaged collaboratively;
 - more than half of stakeholders and funded applicants reported developing new relationships with iwi or hapū;
 - 77% of funded Māori applicants agree PGF projects align with their aspirations;
 - 83% of funded Māori applicants agree Māori values were considered and acknowledged;
 - 75% of projects that directly contribute to Māori Economic Development are on track;³
 - 85% of surveyed Māori applicants consider their communities can see the value of their PGF projects; and
 - 74% of surveyed Māori applicants consider their community feels more optimistic about the future because of their PGF projects.⁴
3. Māori-enabling PGF investments are generating wider community benefit in a number of ways. Whenua Māori investments, for example, are creating employment pathways for Māori who wish to return home, and wellbeing benefits by strengthening connections to whenua. Evidence also indicates that the improved connectivity for marae had benefitted the broader community, including schools, kura, and community that surrounds a marae.
4. The support provided by Te Puni Kōkiri (TPK) in achieving these outcomes cannot be underestimated. TPK played a crucial role in supporting good engagement with Māori. 39% of Māori applicants surveyed engaged with TPK. TPK's role included direct engagement, connecting people, and ensuring proper observance of tikanga. They were also responsive to the holistic needs of applicants, including support to develop applications, and providing information and connection to resources, such as governance training. Marae connectivity investment was based on a TPK pilot, and TPK facilitated the success of marae connectivity investments.
5. Some Māori applicants did find some aspects of the PGF challenging, such as:
 - working with demanding timeframes;
 - having adequate support to access or develop project management and governance capability; and

¹ *He Poutama Rangatahi and Te Ara Mahi*

² At the time, the *Provincial Development Unit*

³ As at 30 September 2021. Sourced from Kānoa-RDU data.

⁴ Note the sample size that generated data about Māori community optimism and project value was small and may not be representative of the entire PGF.

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- the economic focus of some investments, including in the reporting of outcomes.

Māori development remains a key focus of the RSPF

6. The RSPF enhances the Government's regional economic development investment focus on Māori outcomes. Māori outcomes have been emphasised in the RSPF's intervention logic model. This includes building out the Government's Productive, Sustainable, Inclusive economic vision to include Māori-enabling as a key outcome in its PRISM vision for regional economies.
7. It also includes allocating the RSPF's investment Stream 3 – Accelerating Māori economic aspirations, up to \$40 million, or up to 20% of the total RSPF. This funding will extend and build on the investment approach established by the PGF to continue creating productive assets and jobs, build resilience, and help improve the wellbeing and future prospects of Māori communities.
8. Māori economic development aspirations will also be a priority within other RSPF funding streams. As discussed in this paper, the aspects of the PGF that Māori applicants found challenging will be addressed through the RSPF's structural changes and more targeted approach.

Collaboration was a key area of strength on which to build

9. The Evaluation assessed collaboration across three areas: between government agencies; between central government and regional stakeholders and Māori; and between regional stakeholders including Māori. Each of these three areas was considered effective overall. A key driver of success within relationships was a shared commitment to achieving positive outcomes.
10. Another key driver of success was pre-existing positive relationships amongst regional stakeholders and iwi/Māori. These were the basis for constructive relationships between regions and central government, the delivery of successful PGF projects aligned with regional opportunities and priorities, the establishment of additional constructive relationships amongst regional stakeholders and iwi/Māori, and growth in capability of funding recipients.
11. Multiple projects and/or demanding timeframes meant it was challenging for some communities to meet the capability requirements of the PGF, and opportunities to build the capability of project recipients through collaboration were sometimes missed as agencies or consultants became responsible for some aspects of project delivery.
12. Where pre-existing regional relationships were not positive, Kānoa-RDU facilitation of specific projects appears not to have positively affected long-term regional dynamics. The Evaluation recommended Kānoa-RDU put effort into building constructive regional relationships where they do not already exist, as well as building out the existing constructive regional networks so more groups can benefit from them.

Regional Economic Development Partnerships are building on collaboration strengths

13. Regional Economic Development Partnerships are the foundation of the RSPF, and build on collaborative strengths already established. Regional Economic Development Partnerships have been established to ensure better regional representation (where necessary), and more constructive and strategic relationships between and across regions and central government on regional economic development priorities.

Decision-making processes improved over time, led to good outputs and outcomes

14. While the evaluation highlighted some concerns about the quality of project assessment during the initial stages of the PGF, this improved over time. By the time

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most decisions were beginning to be made, project assessment was of a high quality, and further supplemented by high quality Independent Advisory Panel (IAP) advice. This resulted both in good projects, and a good spread of projects.

15. Some areas of concern were noted. Communication with applicants during the assessment phase was a key area where improvements could be made. Timeframes under which applicants had to respond to requests for information to inform decision-making were also challenging, especially for Māori applicants. A number of partner agencies also considered that collaborating with Kānoa-RDU while preparing advice had not worked well, or that it was patchy.

The RSPF's more targeted and partnership-based approach will address these issues

16. The RSPF's evolved approach is designed to ensure that only regionally aligned projects with strong value propositions are considered for funding. This will be carried out using a partnership model, removing the need to communicate with a large number of applicants. A stronger partnership approach to developing funding proposals, and more regular consideration of projects by decision-makers, will also reduce the need for short timeframes, and improve agency collaboration. The type of advice previously provided by the IAP has been re-incorporated into the RSPF to be provided by the Board of Crown Regional Holdings Limited.

Concerns with the "narrowness" of reporting are being addressed through a new measurement approach

17. A number of applicants considered the reporting used to measure the success of a project was too narrow, in that it did not properly capture the wider social and environmental benefits of a project. This was a particular concern of Māori-led projects. The Evaluation recommends that a holistic, Māori-centred framework, such as *He Ara Wairoa*, be applied to the measurement of project impact.
18. Kānoa-RDU has designed an "Impact Management Framework" to measure the "impact" of RSPF investments. That is, the social and environmental impact, as well as financial performance of projects. The framework is based on the RSPF's PRISM objectives, with wider Māori wellbeing outcomes being captured by the Māori-enabling objective. Officials are also exploring an additional bespoke approach to measuring the success of key Māori-led RSPF projects at the community-level, aligned with Māori Economic Resilience Strategy indicators.
19. Also, evaluation interviews suggest that almost all funded applicants experienced difficulties with reporting, such as: finding the reporting template overly complex; the template changing multiple times; the process of completing reporting laborious; and a lack of alignment between the information sought and project progress. Kānoa-RDU is currently developing an automated, online reporting tool for recipients to report on their projects. This is expected to be available by June 2022.

Key variations in responses were between "funded" and "unfunded" applicants

20. A number of results from the applicant survey distinguished between "funded" and "unfunded" applicants. On most of the relevant questions, funded applicant responses were much more positive than unfunded applicant responses. For example, 17% of unfunded applicants considered Kānoa-RDU engaged with them collaboratively (compared to 85% of funded applicants), and 23% of unfunded Māori applicants agreed their PGF projects aligned with their aspirations (compared to 77% of funded Māori applicants).⁵

⁵ Note that caution should be applied when interpreting the response of non-funded Māori applicants due to small sample size.

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21. Officials note that this variation was expected from the PGF's approach, whereby Kānoa-RDU support focused on those applications with strong value propositions, aligned with regional priorities, and where a robust business case was, or could be developed. It was necessary to focus this support due to its potential to be resource intensive, and the high number of PGF applications received.
22. While not formalised by explicit decisions (in that a number of PGF applications were ultimately neither approved nor declined), the approach to which applications were progressed with was based on quality information and project assessment, as indicated by Evaluation's conclusion that, overall, quality projects were approved. This issue has been addressed in the RSPF through our stronger partnership approach to identifying potential investment opportunities, and the building of two official triage points into the decision-making process.