



BRIEFING

Emerging national picture of regional priorities for RSPF investment

Date:	1 December 2021	Priority:	High
Security classification:	In Confidence	Tracking number:	2122-2069

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Note the attached.	14 December 2021
Hon Carmel Sepuloni Minister for Social Development and Employment		
Hon Stuart Nash Minister for Economic and Regional Development		
Hon Willie Jackson Minister for Māori Development		

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Robert Pigou	Deputy Chief Executive and Head of Kānoa – Regional Economic Development & Investment Unit	<small>Privacy of natural perso</small> 	✓

The following departments/agencies have been consulted
The Ministry for Primary Industries (Te Uru Rākau, Aquaculture & Fisheries, Food & Beverage, Water), MBIE (Energy Transition, Industry Policy, Digital Communications and Transformations Unit, Agritech ITP, Innovation Policy, Tourism Policy, Digital Communications & Transformation, Accord Transformation Unit – construction, Te Kupenga, Regional Skills Leadership Groups), Department of Internal Affairs, The Treasury, Ministry of Social Development, Te Puni Kōkiri.

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments

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Purpose

This briefing provides Regional Economic Development (RED) Ministers with a national snapshot of regional economic development priorities. It provides initial commentary on how these priorities align with wider government activity, including the Industry Transformation Plans, and provides a view of where Regional Strategic Partnership Fund (RSPF) investment is likely to focus.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that Kānoa – Regional Economic Development & Investment Unit (Kānoa – RDU) has supported RED Partnerships to develop regional economic development priorities and this briefing reflects those priorities to Ministers; *Noted*
- b **Note** Kānoa – RDU’s initial advice about the likely areas of focus of the fund. *Noted*
- c **Note** that further advice will be provided as part of proposal briefings and that this advice will require Ministers to consider trade-offs in order to ensure balancing of the priorities within the RSPF portfolio. *Noted*
- d **Agree** to share this briefing with Māori Economic Development Ministers, and the Ministers of/for Agriculture, Energy, Housing, Fisheries, Local Government. *Agree / Disagree*

Privacy of natural persons



Robert Pigou
Deputy Chief Executive and Head
Kānoa – RDU, MBIE

2 / 12 / 2021

Hon Grant Robertson
Minister of Finance

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Hon Carmel Sepuloni
**Minister of Social Development and
Employment**

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Hon Stuart Nash
**Minister for Economic and Regional
Development**

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Hon Willie Jackson
Minister for Māori Development

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Background

1. In February 2021, Cabinet agreed to broad parameters for the \$200 million Regional Strategic Partnership Fund (RSPF) [CAB-21-MIN-0006]. The RSPF is a regional economic development approach that aims to support more strategic investments, improve strategic partnerships between central government and regional partners, lift regional capability and capacity, and leverage non-funding policy levers. It builds on the significant investment portfolio Kānoa – Regional Economic Development & Investment Unit (Kānoa – RDU) already manages.
2. In April 2021, Cabinet agreed that the objective of the RSPF would be to build more Productive, Resilient, Inclusive, Sustainable and Māori-Enabling (PRISM) regional economies [CAB-21-MIN-0114]. To do this, Cabinet agreed that Kānoa – RDU would support Regional Economic Development Partnerships (RED Partnerships), which are existing groups or have evolved from existing groups, to assess how well existing RED planning documents reflect the current economic context, set RED priorities, and update their planning documents where necessary. Priorities would guide funding decisions for the RSPF.
3. Since mid-2021, Kānoa – RDU has worked with RED Partnerships to undertake this work, and 14 out of 15 regions have now set draft or final priorities. As signalled in Briefing *Regional Strategic Partnership Fund Update – Implementation Update (August 2021)* [2122-0289], Otago’s priorities are expected to be set by the end of February 2022.¹ Draft information from the RED Partnership for Otago has been included to support the national view, but further development is required.
4. Briefing 2122-0289 also signalled to RED Ministers that an overview of emerging regional and national priorities by region and sector would be provided to support decision-makers’ understanding of the broader regional economic development picture. This briefing provides this overview.

How to read this paper

The purpose of this paper is to provide a current snapshot of the RED landscape

5. This briefing provides RED Ministers with a point-in-time snapshot of emerging regional economic development priorities (RED priorities) across New Zealand and a high-level analysis on how they fit and sequence with the RSPF’s objective and criteria.
6. While it provides a view of how RSPF investment may be directed based on current information, it is not intended to determine specific decisions on individual investment. Instead, it is intended to provide a “point-in-time” view to support strategic direction. Detailed analysis on themes and regions will be provided as part of briefings provided for decision on proposals, and officials expect the national and regional pictures to shift over time in response to economic changes.
7. Noting that the RSPF has three funding allocations: (*Enabling regional economic and business development* – up to \$60 million; *Accelerating Māori economic aspirations* – up to \$40 million; and *Supporting sector transformations* – up to \$80 million), this briefing provides an overview of where the RSPF is likely and unlikely to invest based on current information, but it does not consider which allocation these investments are likely to be drawn from. For this reason, officials have not provided an overview by “sector” but instead by “theme” to acknowledge that investments out of the first two allocations may not be sector-based. It also acknowledges that some investments may be enabling actions, such as investments in water security.

¹ The later timeline is due to the lack of both a regional action plan and ongoing engagement between stakeholders on district and regional priorities which has not occurred since 2019.

Key content of this briefing is structured in three appendices

8. Beyond these introductory comments about process, this briefing is split into three appendices:

a. *Appendix One: A3 snapshot of priorities*

This appendix provides Ministers with a high-level overview of priorities nationally showing at a glance how regional economic development priorities are aligned to the themes.

Note that:

- the Māori economy and economic development is a key area for support across every region, and Kānoa – RDU will continue to assist regions to progress this through all priorities, as supporting the Māori economy to thrive will assist in reaching more PRISM futures.
- housing is a key issue for all regions whether or not it has been identified as an economic development priority. This is a key area that the Regional Public Service Commissioners and relevant agencies are supporting regions with.

b. *Appendix Two: Regional priorities*

This appendix provides Kānoa – RDU advice on each of the priorities, including likelihood of investment and possible investment areas. Further detail on identified regional priorities and how they support the RSPF's objective has been provided to the Office of the Minister for Economic and Regional Development and are available for reference if required.

c. *Appendix Three: Themed priorities*

This appendix provides advice on alignment between regional priorities and government work programmes, such as Industry Transformation Plans and Fit for a Better World. It provides some initial advice about how the RSPF can support wider government activity, with further advice to be developed as part of individual priorities and projects.

National picture process

Development of priorities by RED Partnerships

9. RED Partnerships have provided their RED priorities to Kānoa – RDU to reflect to Ministers the key opportunities and challenges RED partnerships consider exist in their regions. Kānoa – RDU staff have worked with RED Partnerships to understand these priorities, and commentary is attached in Appendix Two.
10. During the development of regional priorities, Kānoa – RDU did not review the relative merit of RED priorities developed by regions. During this process, Kānoa – RDU supported RED Partnerships to develop priorities relevant to their unique economic circumstances. Priorities are wholly determined by RED Partnerships. This is why some of the identified priorities are unlikely to contribute to more PRISM regional economies and unlikely to be eligible for RSPF funding.
11. Officials will continue to work with regions to support them to focus economic development activity and potential projects for investment in areas of comparative advantage, overcoming challenges and taking up ready opportunities in order to support them to build more PRISM

economies. Officials will also be particularly interested in the interconnections between regions' various priorities, and the opportunities for investment to achieve impact which is more than the sum of its parts.

Principles guiding the development of the national picture

12. This exercise has been undertaken to reflect what officials consider could and should be the focus of RSPF funding. In developing this advice, Kānoa – RDU has considered the following principles:
 - *Does the RSPF have the mandate to fund this priority?* Including consideration about contribution to economic development, role of other agencies or bodies in funding, ability to meet investment instrument criteria (co-contributions, debt, and equity), and if it is a specific exclusion.
 - *Is it achievable during the lifetime of the RSPF?* Including consideration about whether there are ready to invest proposals, feasibility, and consenting requirements. Some priorities may be considered high for economic future of the region but will not be investment ready during the lifetime of the fund.
 - *Does it align with wider government policy?* Including particular consideration about alignment with the Industry Transformation Plans (ITPs), and the Minister of Finance's expectations about improving alignment and coherence across industry policy.
13. Where the RSPF is not the right funder, Kānoa – RDU will continue to work with region to support it to advance its priority, whether that is through alternative funding, connecting to other agencies, or supporting wider discussions.
14. Kānoa – RDU has worked with relevant agencies as part of the process to support the development of the national picture, including other policy groups in the Ministry of Business, Innovation and Employment (MBIE) and the Ministry for Primary Industries (MPI).

Rating assessment for priorities

15. Based on the above, officials have used the following three-tier rating approach to provide a view for Ministers on which regional priorities and themes are likely to be funded:
 - *This is a key area for the RSPF to fund:* Kānoa – RDU considers the RSPF will have a substantial role in funding multiple projects through the RSPF as the priority or theme is:
 - Aligned with broader government goals, including ITPs;
 - Identified by the RED Partnership as one of the most important areas to fund;
 - At first glance appears to support the RSPF's objective of creating more PRISM regional economies;
 - Not likely to compete with or crowd out other sources of available capital; and
 - Likely to unlock further funding from government or private investment.
 - *Some projects in this area may be eligible for RSPF funding:* Kānoa – RDU considers there could be a few projects within the priority or theme suitable for RSPF investment. There may also be requirements for further information, such as Budget decisions or development of other agencies' work programmes to develop further.
 - *The RSPF is unlikely to fund:* Based on currently available information, Kānoa – RDU does not consider these priorities or themes suitable for RSPF investment. This may be because another agency is providing financial support in this area, because it is an area

excluded from the RSPF² or because it is unlikely any opportunities would be investment ready within the life of the RSPF.

Next steps

16. Following feedback from RED Ministers, officials will update the national picture and ensure its content is reflected in proposal briefings going forward to support Ministers to understand likely trade-offs when making decisions and enable appropriate balance of the RSPF portfolio. How regional priorities support the region to develop more PRISM economies will be considered as part of strategic cases developed for proposals.
17. In April 2021, Cabinet noted that policy settings for funding allocation *Enabling regional economic and business development* (up to \$60 million) would be informed by the outcomes of regional priority setting [CAB-21-MIN-0114]. Now that regional priorities have been received and a national picture has been developed, Kānoa – RDU officials will work to develop policy parameters for that allocation. Officials anticipate this will be provided to RED Ministers as early next year.
18. Kānoa – RDU officials will continue to work with regional stakeholders to identify projects that identify with the areas relating to regional priorities that officials have identified as being likely to receive RSPF funding. Once proposals are developed, officials will assess how well they support the objective of achieving more PRISM regional economies and meet RSPF criteria and develop advice for Ministers. As part of this process, officials will be working with agencies to support alignment with other government strategies such as Fit for a Better World, where possible.
19. On 11 August 2021, the Māori Economic Development Ministers (MEDM) confirmed the funding allocation *Accelerating Māori economic aspirations* (up to \$40 million) would focus whenua development. Opportunities under this allocation of the RSPF will be progressed, with proposals likely to be presented to MEDM and RED Ministers early in 2022.
20. Kānoa – RDU has engaged ten out of the 11 Regional Public Service Commissioners (RPSCs) who have been designated as system leaders for the public service in the regions (no consultation was required for Auckland as this is outside the scope of the RSPF). Through this engagement, RPSCs were provided opportunity to provide input, seek clarification, and understand how this process aligns with their role. Kānoa – RDU will continue to engage with the RPSCs as the RSPF progresses.
21. Kānoa – RDU has developed an impact framework for the RSPF. Kānoa – RDU will work alongside Te Puni Kōkiri (TPK) to ensure that measures are aligned with the Māori Economic Resilience Strategy.

² Areas excluded from the RSPF include, social assets, large-scale infrastructure, housing, purchase of land, and skills and training.

List of Appendices

Appendix One: Snapshot of Priorities

Appendix Two: Regions' Economic Development Priorities

Appendix Three: Themes





Appendix One: Snapshot of priorities

Themed Regional Priorities set by Regional Economic Development Partnerships

This table highlights the priorities set by Regional Economic Development Partnership Groups. It is intended by officials to give a high-level snapshot for Ministers on which regional priorities and themes are likely to be funded through the RSPF. Note, it is not intended to substitute for the nuance of the region's descriptions of their priorities. There may be different terms or language used in this table and the Appendices.

A key area present within all regions is the Māori economy or Māori economic development, although some regions are further advanced in their thinking on this topic than others. Officials are continuing to develop work related to the Māori economy. A key opportunity emerges from the qualitatively different nature of the Māori economy. As well consisting of people, products, firms, and capital, much like the general economy, the Māori economy also encapsulates Māori-specific forms of value, knowledge, behaviours, interactions, and objectives. Officials also expect there will be opportunities to support the Māori economy in each of the themes identified below.

	Te Tai Tokerau	Waikato	Bay of Plenty	Tairāwhiti	Hawke's Bay	Taranaki	Manawatū Whanganui	Wairarapa	Kāpiti	Chatham Islands	Te Tau Ihu	West Coast	Canterbury	Otago	Southland
Māori economic development Māori economic development opportunities potentially exist across all themes and regions, although not explicitly identified by each region.															
Advanced Manufacturing															
Agritech															
Aquaculture															
Construction and Housing ¹															
Energy															
Food & Beverage ²															
Forestry and Wood Processing															
Water Security															

Key:	
	Key area for the RSPF to fund
	Some projects in this area may be eligible for RSPF funding
	The RSPF is unlikely to fund
	RED Partnerships have not identified as a priority

¹ While housing has not been identified as an economic development priority for all regions, officials know that this is a key issue for all regions. The Regional Public Service Commissioners have identified it as an issue nationally.

² Excludes aquaculture

Appendix Two: Regions' Economic Development Priorities

Regional priorities are focused on building better economies and therefore extend beyond the RSPF's focus

22. Region's economic development priorities have been developed in collaboration by the RED Partnerships and Kānoa – RDU staff. The priorities show how each region proposes to develop their economies to build more PRISM outcomes. Given this, the priorities detailed in this appendix are broader than the RSPF's focus and criteria.
23. Kānoa – RDU has made an initial assessment of each priority regarding what the RSPF is likely to consider funding. Note that regions' priorities have not been ranked by RED Partnerships, and therefore the order is not reflective of importance to regions' economic development.
24. Further policy work will be undertaken in early 2022 to determine what the role of the RED Partnerships will be going forward given the key role of setting priorities is now mostly complete (except for Otago which will require significant engagement and planning). The role may look different in different regions in order to reflect their unique economies, contexts, strengths, and weaknesses.

Structure of Appendix Two

25. This appendix provides Ministers with regions' economic development priorities and officials' initial advice on the RSPF's role and likely areas for investment for each region:
 - a. Tai Tokerau / Northland – page 10
 - b. Waikato – page 11
 - c. Bay of Plenty – page 12
 - d. Tairāwhiti – page 13
 - e. Hawke's Bay – page 14
 - f. Taranaki – page 15
 - g. Manawatū-Whanganui – page 16
 - h. Kāpiti – page 17
 - i. Wairarapa – page 18
 - j. Chatham Islands – page 19
 - k. Te Tau Ihu / Top of the South – page 20
 - l. West Coast – page 21
 - m. Canterbury – page 22
 - n. Otago – page 23
 - o. Southland – page 24

1. Tai Tokerau / Northland

Priority Name	Kānoa – RDU Advice
Kai – Grow and Improve Food Processing	<p>There is an opportunity build on Northland’s already significant food industry, and previous investments managed by Kānoa-RDU, to add value in final product and through more efficient harvesting processes. This priority is also connected to <i>High Value Manufacturing</i> priority.</p> <p>Likely areas of investment:</p> <ul style="list-style-type: none"> • Improving access to and security of water • Horticulture through diversifying crops and improved processing • Aquaculture, particularly mussels and oysters • Unlocking whenua Māori <p><i>This is a key area for the RSPF to fund</i></p>
High Value Manufacturing	<p>High value manufacturing is the largest contributor to the Northland economy and the largest employer of the region’s skilled workforce. A long-standing employer, Refining NZ, is set to significantly scale back refining operations. The region wants to retain these manufacturing skill-sets and will focus collective efforts to support the stand up of new manufacturing businesses.</p> <p>Likely areas of investment:</p> <ul style="list-style-type: none"> • Light and heavy industrial equipment, for sectors such as maritime servicing and port freight • Wood processing • Natural products extraction – resin and wax. <p><i>This is a key area for the RSPF to fund</i></p>
Infrastructure and Construction	<p>The priority aims to enable a multi-modal transport system and improve supply chains, shift toward both sufficient and green energy production, access water and new housing stock for the region.</p> <p><i>The RSPF is unlikely to fund, unless directly connected to other priority</i></p>
Digital and Technology	<p>Northland’s communities are geographically spread throughout isolated rural locations with limited access to broadband connection. Digital and technological development is required to transform business and people efficiencies, capacity, and capability. Confidential advice to Government</p> <p><i>The RSPF is unlikely to fund</i></p>
Destination	<p>A tourism ITP is in early stages of development. There are a number of initiatives focused on supporting tourism to adjust to the current economic context. Therefore, tourism is not a focus for the RSPF.</p> <p><i>The RSPF is unlikely to fund</i></p>

2. Waikato

Priority Name	Kānoa – RDU Advice
Advanced Manufacturing	<p>There is an opportunity to build on the region’s comparative advantages to unlock latent potential in advanced manufacturing and improve productivity and efficiency. The region has identified Hamilton City and the Northern area of the region as the main focus; however, any benefits are anticipated to be across the region.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Manufacturing equipment, automation • Greentech • High value engineering and innovation <p><i>This is a key area for the RSPF to fund</i></p>
Logistics and Distribution	<p>There is an opportunity to further build off investment made in this priority through the PGF and to enable further activity to grow productivity.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Support for Logistics Hubs (examples, Ruakura Inland Port, Waharoa Industrial Hub, Maraetai Rd • (Tokoroa) <p><i>Some projects may be eligible for RSPF funding, where unless directly connected to other priority</i></p>
Sustainable Food and Agriculture	<p>As the key contributor to the economy, this sector is well-placed to lead in the adoption of more sustainable approaches to food production to support the Emissions Reduction Plan and National Adaptation Plan.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Food and ingredient manufacturing (including aquaculture) including associated products (e.g. nutri-medical) • Sustainable food production <p><i>This is a key area for the RSPF to fund</i></p>
Digital Technology and ICT	<p>The region wants to grow its tech sector. Areas of interest include transformative technologies, such as artificial intelligence and automation, and creating tech hubs and data centres that could bring together science, business, research and development and technology (example – Waikato Innovation Park). As there is already substantial government work underway to support innovation, the RSPF’s role is likely to be limited.</p> <p><i>The RSPF is unlikely to fund, unless directly connected to other priorities</i></p>
Energy and Sustainability	<p>The region is one of the biggest regional contributors of energy to the national grid, and there is an opportunity to support creating and enhancing renewable and sustainable energy generation and technology.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Geothermal resources? for the southern area of the region. • Biogas and food waste conversion • Fertiliser • Whenua Māori <p><i>This is a key area for the RSPF to fund where it cannot be funded by other agencies and programmes</i></p>
Tourism	<p>A tourism ITP is in early stages of development. There are a number of initiatives focused on supporting tourism to adjust to the current economic context. Therefore, tourism is not a focus for the RSPF.</p> <p><i>The RSPF is unlikely to fund</i></p>

3. Bay of Plenty

Priority Name	Kānoa - RDU Advice
Driving Sustainable Aquaculture Opportunities	<p>The region has identified aquacultural opportunities as a key priority, in part, to build on previous investment (such as Ōpōtiki Mussel Farming and Ōpōtiki Harbour)</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Develop new farms and infrastructure, including through unlocking whenua. • Improve value: species and efficiencies through technology. <p><i>This is a key area for the RSPF to fund</i></p>
Accelerate a globally-focused, high-value wood products industry	<p>The region has the largest plantation forest resources and wood infrastructure in the country and wants to expand on this. The region has identified opportunities to diversify its wood processing industry, with a view to sustainability, such as through bio-fuel. Given there is an Energy Strategy process underway it may be premature for the RSPF to invest in energy derived from wood in this region.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Higher-value wood fibre products, supported by improved processing efficiencies and technology • Support development of clusters of expertise to enable national sector transformation • Support iwi Māori to utilise forestry assets <p><i>This is a key area for the RSPF to fund</i></p>
Supporting high-value horticulture products	<p>With a well-established horticulture sector, the region wants to invest in topics of previous PGF funding such as kiwifruit, berry, and avocado.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Crop storage and processing facilities • Unlocking whenua Māori and supporting access to water • Robotics (for example in harvesting) and technology. <p><i>Some projects may be eligible for RSPF funding</i></p>
Diversifying the Māori Economy	<p>Kānoa – RDU has made significant investment in supporting the Māori economy in Bay of Plenty and there is an opportunity to further build on this investment.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Agribusiness • Industrial land development • Unlocking whenua Māori and supporting access to water • Supporting Māori businesses to scale up for construction sector <p><i>Some projects may be eligible for RSPF funding</i></p>
Enabling Infrastructure Investment	<p>Projects require enabling infrastructure to be in place. Investment in horticulture and wood projects needs to be coupled with appropriate energy sources, water resource, skills, construction capability and capacity building including housing and market access. Supporting water security may be an area Kānoa – RDU investigates, due to its importance for most of the region's other priorities.</p> <p><i>The RSPF is unlikely to fund, unless directly connected to other priorities</i></p>

4. Tairāwhiti

Priority Name	Kānoa – RDU Advice
Realising the value of our forestry assets	<p>There are opportunities to future-proof the sector, such as diversifying activities away from the export of raw logs, given its current importance.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Wood processing, including waste to energy processing • Containerisation and logistics <p><i>This is a key area for the RSPF to fund where it cannot be funded by other agencies and programmes</i></p>
Driving sustainable value-added horticulture	<p>Investment can unlock land and future-proof the sector. Ruatoria is seen as a sub-regional focus in particular need of investment.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Resilient water infrastructure, (where it cannot be funded by the agencies responsible for water work programmes.) • Horticultural storage facilities • Unlocking Whenua Māori, connected to priority below. <p><i>This is a key area for the RSPF to fund where it cannot be funded by other agencies and programmes</i></p>
Unlocking the potential of Whenua Māori	<p>There is an opportunity to unlock the potential of unproductive land.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • High value horticulture and forestry, by-products, and associated water storage. <p><i>This is a key area for the RSPF to fund</i></p>
Growing our tourism sector gaps	<p>The tourism ITP is in early stages of development. There are a number of initiatives focused on supporting tourism to adjust to the current economic context. Therefore, tourism is not a focus for the RSPF.</p> <p><i>The RSPF is unlikely to fund</i></p>
Improving our transport connections	<p>Recent significant investment in roading has been made. Some enabling investments can support best use of this connectivity.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Business enabling transport investment, e.g. storage, transport <p><i>Some projects may be eligible for RSPF funding, where directly connected with other priorities</i></p>
Maximising technology opportunities in the region	<p>Building on the emerging tech sector will diversify the regional economy and support other identified priorities.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Primary industries and manufacturing focus to add value • Technology that supports diversification of the economy <p><i>Some projects may be eligible for RSPF funding</i></p>
Growing our people & becoming a business enabled region	<p>Supported through advancing other priorities.</p> <p><i>The RSPF is unlikely to fund</i></p>
Future-proofing our prosperity	<p>Opportunities exist to support environmental sustainability in the process of advancing other priorities and supporting the Emissions Reduction Plan and National Adaptation Plan.</p> <p><i>The RSPF is unlikely to fund, unless directly connected to other priorities</i></p>

5. Hawke's Bay

Priority Name	Kānoa Advice
Water security	<p>This remains a key priority for the region, particularly for Wairoa. The region is entering its third year of drought in a row and is working to address the effects of climate change, unlock opportunities to unlock higher value food products, and bolster previous investment in water. As discussed in the <i>Water Security</i> theme in this briefing (page 41), Kānoa – RDU will work with agencies to determine where RSPF investment is best placed.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Improving access to water, secure supply, and add storage, especially where it enables horticulture expansion or access for whenua Māori. • Soil Viability Analysis to determine salinity <p><i>Some projects may be eligible for RSPF funding</i></p>
Higher value food production	<p>The region has identified this as a key priority. Technological innovations and other investments in food production will improve the whole value chain, from plant to post harvest. Wairoa has been identified sub-regional focus for this priority.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Supporting technology adoption • Horticultural infrastructure, particularly in Wairoa • Diffusion of innovations from Foodeast (Food Innovation) <p><i>This is a key area for the RSPF to fund</i></p>
Labour Market Shortages	<p>There is a shortage of skilled labour and tradespeople across all sectors, with particular shortages in construction and horticulture.</p> <p><i>The RSPF is unlikely to fund unless as a component of another priority's proposal in consultation with RSLG</i></p>
Capacity to meet the demand for housing	<p>While housing is a key development need for the region, we do not consider the RSPF can fund much in this space. However, there may be opportunities to support alternative approaches to housing and achieve more holistic outcomes (such as job creation).</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • innovative off-site manufacturing for modular houses • companies producing building material. <p><i>Some projects may be eligible for RSPF funding</i></p>
Security of export logistics	<p>There is an opportunity to improve multiple industries' supply chains (particularly food related). The Port of Napier is a key player in the region's export economy.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Horticulture/post-harvest transport to Port • Shared storage facilities <p><i>Some projects may be eligible for RSPF funding</i></p>

6. Taranaki

Taranaki has been the subject of a Just Transition Partnership for the oil and gas sector and there is an opportunity to build on that work.

Priority Name	Kānoa – RDU Advice
Skills, Entrepreneurship, and Innovation	<p>While skills is a key development need for the region, we do not consider the RSPF should fund as this is a key area of focus for Regional Skills Leadership Groups. There may possibly be some aspects of innovation and technology that the RSPF can support, but the region's focus is mostly on transforming learning and research institutions.</p> <p><i>The RSPF is unlikely to fund</i></p>
Industry Transformation	<p>The oil and gas sector has been the subject of a Just Transition Partnership (JTP). As that programme changes to focus on implementing actions, there is an opportunity for the RSPF to continue to support the proposed transformation of that industry and others in the region to be more sustainable. This must be balanced with any potential future funding support through the JTP.</p> <p>Likely areas of investment:</p> <ul style="list-style-type: none"> • Energy • Food and fibre (including wood) • Technology and innovation. <p><i>This is a key area for the RSPF to fund</i></p>
Progressive Communities	<p>There is an opportunity to achieve spill-over benefits to communities through investing in other priority areas.</p> <p>Likely areas of investment:</p> <ul style="list-style-type: none"> • Enable better outcomes for communities through broader outcomes procurement in contracts. This could be to support local, and Māori owned businesses, creating jobs for locals, and lowering emissions. • Improving supply chains. <p><i>Some projects may be eligible for RSPF funding</i></p>
Te Aranga o Taranaki	<p>There is significant untapped potential in the Māori economy in Taranaki.</p> <p>Likely areas of investment:</p> <ul style="list-style-type: none"> • Scaling up iwi Māori business, particularly in off-site manufacturing (such as modular housing). • Unlocking whenua Māori. <p><i>This is a key area for the RSPF to fund</i></p>

7. Manawatū-Whanganui

Manawatū-Whanganui is a unique region with two cities: Palmerston North and Whanganui. Investment through the RSPF is likely to focus on the Manawatū and Horowhenua areas as this is where ready opportunities exist, whereas previous investment in the Whanganui area needs to be in.

Priority Name	Kānoa – RDU Advice
Sustainable food & fibre production, food-tech, and agri-tech	<p>This priority is strongly aligned with the priority for <i>Specialised services</i> to increase value through clustering. Technology and innovations to increase the sustainability of products will support improved economic outcomes for the region, and leverage its comparative advantage in food-tech.</p> <p>Likely areas of investment:</p> <ul style="list-style-type: none"> • Marton Innovation Hub as a cornerstone investment. • Technology and innovation. • Improving value and sustainability of food and fibre (including wood) production. <p><i>This is a key area for the RSPF to fund</i></p>
Visitor/tourism	<p>The tourism ITP is in early stages of development. There are a number of initiatives focused on supporting tourism to adjust to the current economic context. Therefore, tourism is not a focus for the RSPF.</p> <p><i>The RSPF is unlikely to fund</i></p>
Māori economy – Te Pae Tawhiti	<p>Iwi have developed their own economic plan – Te Pae Tawhiti. Commercial Information </p> <p>Likely areas of investment:</p> <ul style="list-style-type: none"> • Unlocking whenua Māori. • Supporting iwi Māori businesses and enabling participating in clusters. • Converting dairy land to horticulture and forestry production. <p><i>This is a key area for the RSPF to fund</i></p>
Specialist services – focused on business attraction and clustering to create innovations	<p>There is an opportunity to capitalise on the region's location on the main North Island thoroughfare and its proximity to Wellington, and further develop specialised services.</p> <p>Likely areas of investment:</p> <ul style="list-style-type: none"> • Developing and leveraging clusters (such as the Marton Innovation Hub which would be a cornerstone investment, enabling transformational change). <p><i>Some projects may be eligible for RSPF funding</i></p>

8. Kāpiti

Kāpiti is a district of the Wellington region. However, the exclusion of the three major metropolitan centres and its proximity to Horowhenua and Palmerston North markets places it in a different position to the other “Wellington” area – Wairarapa. Therefore, both Kāpiti and Wairarapa have their own RED Partnerships.

While not a regional economic development priority, this region faces housing constraints also which impact on economic opportunities.

Priority Name	Kānoa – RDU Advice
Food and beverages – developing a higher-value sector in Kāpiti	<p>This is the key area for the RSPF to invest in. There are opportunities to build on the markets in Wellington and Palmerston North, and to work with horticulture development in Horowhenua (part of Manawatū-Whanganui region).</p> <p>Likely areas of investment are in:</p> <ul style="list-style-type: none"> • Technology to support value-add (supported by FoodHQ and food networks in M-W region). • Developing a Kāpiti Coast Food and Beverage Cluster by investing in cornerstone companies (i.e. Sustainable Foods). This would have spillover benefit to the rest of the sector, including to Māori collectives and businesses. <p><i>This is a key area for the RSPF to fund</i></p>
Services economy based on the development and application of new skills, ideas, and technologies	<p>As the largest sector in Kāpiti, there could be emerging business opportunities that support further development of technology and skills.</p> <p>An? ITP for tourism is currently in early stages of development. We consider investment in tourism should align with the ITP, and therefore investment cannot be made until that process is more fully developed.</p> <p>Possible areas of investment:</p> <ul style="list-style-type: none"> • Avionics • Healthcare. <p><i>Some projects may be eligible for RSPF funding</i></p>

9. Wairarapa

Wairarapa is made up of three districts in the Wellington region. However, the exclusion of the three major metropolitan centres and physical barriers from other parts of the region (Remutaka and Tararua ranges) means that it faces unique economic circumstances. Therefore, it has a different RED Partnership to Kāpiti.

Wairarapa's priorities are still in draft pending the completion of its strategy refresh at the end of February 2022.

Priority Name	Kānoa – RDU Advice
Water resilience	<p>This is the key development priority for the region, but other agencies must support resilience for residential and associated water. There is a strong connection between increasing returns from the primary sector (priority below) and water resilience.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Water storage & other strategies for agriculture, horticulture, viticulture. • Food and beverage & manufacturing. <p><i>This is a key area for the RSPF to fund</i></p>
Increase returns from the primary sector through a value-add food and fibre strategy	<p>This is the largest sector in Wairarapa and there is a range of opportunities to increase value, scale, and access to markets.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Technology & machinery • Adding value to food and fibre • Opportunities with Māori • SME business capability <p><i>This is a key area for the RSPF to fund</i></p>
Visitor economy	<p>A tourism ITP is in early stages of development. There are a number of initiatives focused on supporting tourism to adjust to current economic context. Therefore, tourism is not a focus for the RSPF.</p> <p><i>The RSPF is unlikely to fund</i></p>
Housing in the Wairarapa	<p>While housing is a key development need for the region, we do not consider the RSPF can fund initiatives related to housing. However, there may be opportunities to support iwi Māori to build businesses and achieve more holistic outcomes (such as job creation).</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Iwi Māori business, particularly in off-site manufacturing. <p><i>Some projects may be eligible for RSPF funding</i></p>

10. Chatham Islands

Growing economic activity in this remote region is difficult due to labour market, housing and infrastructure and capital constraints – this puts the islands region in a unique position nationally.

The Department of Internal Affairs (DIA) is the lead agency responsible for supporting the region, acting as an intermediary between the Chatham Islands Council and central government agencies. DIA is planning to undertake a Governance Review and Stakeholder Investment update in early 2022.

Priority Name	Kānoa – RDU Advice
Infrastructure solutions to support better economic outcomes	<p>The region has a number of infrastructure needs due to years of under-investment. Investment is required to make the region sustainable and resilient. Without investment in these key pillars, the economy cannot grow.</p> <p>One key area that needs investment is the upgrade of the electricity network with renewable energy (wind turbines). Implementation would depend on external funding as it is excluded from the RSPF (requiring a grant for infrastructure). It is acknowledged that further economic development is dependent on a reliable and affordable electricity network. There may be other avenues for possible funding that Kānoa – RDU will explore and support the region to access.</p> <p><i>The RSPF is unlikely to fund</i></p>
Increase the value of returns and diversification in the food and services economy	<p>There is an opportunity to build on production in the region for quality goods for export to mainland NZ and internationally, and to support the local economy.</p> <p>Likely areas of investment:</p> <ul style="list-style-type: none"> • Meat processing • Improved farming practices. • Produce for local economy. <p><i>Some projects may be eligible for RSPF funding</i></p>
Housing on the Chatham Islands	<p>While housing is a key development need for the region, we do not consider there are many opportunities that the RSPF can fund for this priority. The region faces challenges in financing homes and accessing reasonably priced building supplies and appropriate labour. Without solutions for these issues from government, investment into firms is unlikely to provide solutions. Housing for workers is also an impediment to firms' growth.</p> <p><i>The RSPF is unlikely to fund</i></p>

11. Top of the South / Te Tau Ihu

The Top of the South economic region is unique in that it is composed of three territorial regions: Marlborough, Nelson, and Tasman. This creates some additional challenges for the RED Partnership as there is not one regional council.

Priority Name	Kānoa – RDU Advice
Ocean economy	<p>The region has a comparative advantage in aquaculture, fishing, and seafood processing. Further infrastructure is required, but we consider this can be funded by other sources than RSPF.</p> <p>Likely areas of investment:</p> <ul style="list-style-type: none"> • Ocean economy businesses with commercial projects (currently all aquaculture and including associated pharmaceuticals being developed by Cawthron Institute) • Supporting companies to move produce up the value chain. • Improving productivity through technology. <p><i>This is a key area for the RSPF to fund</i></p>
Food and beverage	<p>Opportunities predominantly relate to horticulture for Nelson and Tasman, and viticulture for Marlborough. There are opportunities to utilise technology to move produce up the value chain:</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Agritech to improve harvesting. • Regenerative agriculture initiatives. • Technology to address workforce availability issues. <p><i>This is a key area for the RSPF to fund</i></p>
Forestry and Wood Processing	<p>There is an opportunity to support the sector to move up the value chain through innovation.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Implementation of technology and automation to address safety and workforce challenges e.g. introducing low impact logging methods. • Development of new wood products. <p><i>Some projects may be eligible for RSPF funding</i></p>

12. West Coast

Priority Name	Kānoa – RDU Advice
Strengthen and diversify our economy	<p>The region wants to strengthen communities to ensure they are inclusive, safe, and providing needs of people who live on the West Coast.</p> <p>Likely areas of investment:</p> <ul style="list-style-type: none"> • Food and beverage, particularly for Karamea to create “beacon” businesses that transform the town • Energy, including green options. • High value engineering and innovation <p><i>This is a key area for the RSPF to fund</i></p>
Enhanced regional identity	<p>This is focused on branding and creating a destination management plan for the West Coast. A tourism ITP is in early stages of development. There are a number of initiatives focused on supporting tourism to adjust to the current economic context. Therefore, tourism is not a focus for the RSPF.</p> <p><i>The RSPF is unlikely to fund</i></p>
Strengthen our communities	<p>The region is interested in investing in better healthcare, community and business education and infrastructure, resilience, and digital technology. At this stage, it is unlikely that anything would fall within the mandate of the RSPF. Kānoa – RDU will continue to support discussions.</p> <p><i>The RSPF is unlikely to fund</i></p>

13. Canterbury

Priority Name	Kānoa – RDU Advice
Better freight transport options	<p>While one of the region’s key priorities, it is currently unclear where the RSPF may be able to support. The South Island has many multi-nodal freight hubs, but they are not well connected, and projects may focus on improved use of existing infrastructure to help meet climate change objectives and get trucks off the road.</p> <p><i>Some projects may be eligible for RSPF funding</i></p>
Shared economic prosperity	<p>Through leveraging the region’s comparative advantages and by building off its key food and beverage sector, there is an opportunity to grow economic prosperity so that it is better spread across the region.</p> <p>The region has also identified high-value tourism and growing, attracting, and retaining a skilled workforce within this priority which the RSPF would not fund. A tourism ITP is in early stages of development. There are a number of initiatives focused on supporting tourism to adjust to the current economic context. Therefore, tourism is not a focus for the RSPF. Funding for workforce will only be considered on a case-by-case basis and the bar will be high – it must be a direct component of a project.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Sustainable, value-added primary production • High-value manufacturing • Business development and networks. <p><i>This is a key area for the RSPF to fund</i></p>
Sustainable environmental management	<p>This priority relates to habitats (land, air, water, and ecosystems), focusing on land use and freshwater management. There are other agencies, such as MFE and MPI, who hold primary responsibility for this priority. Alignment with the National Adaptation Plan and Emissions Reduction Plan will be key.</p> <p><i>The RSPF is unlikely to fund</i></p>
Three Waters Services	<p>There is already significant government work underway for this priority through the Three Waters Reform Programme being led by DIA.</p> <p><i>The RSPF is unlikely to fund</i></p>
Climate change mitigation and adaption	<p>This priority is focused on reducing Canterbury’s carbon footprint, building community resilience, and making infrastructure as strong as it can be. There is already significant government work underway for this priority through the National Adaptation Plan and Resource Management reform, being led by MFE. The RSPF’s role will be to support funded projects to be delivered in a way that responds to climate needs, such as environmental sustainability.</p> <p><i>The RSPF is unlikely to fund directly but will fund as part of projects for other priorities.</i></p>

14. Otago (draft)

Otago's priorities are still in draft and the final priorities are expected by the end of February 2022. The later timeline is due to a lack of a regional action plan and ongoing engagement between stakeholders on district and regional priorities which has not occurred since 2019. The below is an early indication from the RED Partnership as to the likely priorities.

Priority Name	Kānoa – RDU Advice
Connectivity	<p>At this stage, one of Otago's needs to get produce (including perishable goods) to market faster. This may be through funding to support better logistics and freight infrastructure.</p> <p>Kānoa – RDU will continue to work with Otago's RED Partnership group and others in the region to determine what likely areas of investment through the RSPF will be.</p> <p><i>Some projects may be eligible for RSPF funding</i></p>
People	<p>Otago has an advantage in the engineering and manufacturing sector. The region has signalled it is interested in focusing on people within this sector, as well as the technology sector and through tertiary institutions.</p> <p>Kānoa – RDU will continue to work with Otago's RED Partnership group and others in the region on what the likely areas of investment will be.</p> <p><i>This is a key area for the RSPF to fund</i></p>
Housing	<p>Housing will be a challenge and will be put under further pressure due to the large infrastructure programme currently in the lower South Island (including Dunedin hospital build).</p> <p>Kānoa – RDU will continue to work with Otago's RED Partnership group and others in the region to determine what likely areas of investment will be.</p> <p><i>The RSPF is unlikely to fund</i></p>
Sustainability	<p>There is active interest from the region in finding innovative solutions to issues such as waste management, power, and water management to support a sustainable future economy.</p> <p>Kānoa – RDU will continue to work with Otago's RED Partnership group and others in the region to determine what likely areas of investment will be.</p> <p><i>Some projects may be eligible for RSPF funding</i></p>

15. Southland

Southland currently is the subject of a Just Transition Partnership (JTP) based on the possible closure of the Tiwai Aluminium Smelter and there is an opportunity to build on that work. Kānoa – RDU officials are working closely with relevant parties to support the JTP’s progression.

Priority Name	Kānoa Advice
Clean energy	<p>This is a key priority for the region. There is an opportunity to shift towards clean energy in Southland given the potential closure of Tiwai Smelter in 2024. It has challenged the region to continue to focus transitioning the local economy to industries which can maintain and grow a sustainable economy.</p> <p>Opportunities exist outside of the Smelter, but how the region shifts from this will impact this priority. Aligned with government work on energy and the JTP, there is likely to be other funding streams for this work but given that it is the region’s key priority the RSPF should fund where there are gaps.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Renewable energy – including wind, hydrogen, solar, tidal, and industries that support clean energy production. <p><i>This is a key area for the RSPF to fund where it cannot be funded by other agencies or programmes</i></p>
Future Foods	<p>Southland is not on track to meet net zero emissions by 2050. The region is prioritising addressing the challenges of climate change and sustainability in food production.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Supporting a transition from reliance on dairy, sheep, and beef into other crop, such as oats, hemp, blueberries, and grain. • Low emission plant-based beverage manufacturing <p><i>This is a key area for the RSPF to fund</i></p>
Community development	<p>While housing is a key development need for the region, we do not consider the RSPF can fund much in this space. However, there may be opportunities to support alternative approaches to housing and achieve more holistic outcomes, such as to mitigate the recent closure of coal mines in Western Southland. Invercargill City may also be a priority area.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Innovative off-site manufacturing for modular houses. <p><i>Some projects may be eligible for RSPF funding</i></p>
Aquaculture	<p>While the sector itself is a high priority for the region, there may be limited opportunities for investment from the RSPF. Projects are dependent on the outcomes of resource consents for Open Ocean Aquaculture.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Salmon, mussels, and fish feed. • Transitioning engineering and manufacturing skillsets from the aluminium smelter associated industries into aquaculture. • Infrastructure, such as processing facilities, wharves <p><i>Some projects may be eligible for RSPF funding</i></p>

Appendix Three: Themes

Themes are both sectors and enablers and demonstrate how RSPF investment can support wider government priorities

26. As discussed earlier in this paper, themes encompasses both sectors and enablers. This Appendix provides advice regarding regional priorities align with wider government activity, and on what topics officials (both within Kānoa – RDU and across agencies) consider RSPF funding could provide support.
27. This is only an initial assessment and will evolve as work programmes progress. In particular, the ITPs are in different stages of evolution (with some well advanced) and the RSPF is likely inform work programmes for those ITPs still in development, such as providing opportunities to develop case studies for proposed approaches. There are important connections between the ITPs and each informs the development of the others and as such some RSPF initiatives may align with more than one ITP.
28. Ongoing work will continue across agencies as the RSPF is delivered to ensure best alignment as part of Kānoa – RDU's commitment to coordinate a more effective all-of-government system (Stream 5 of the RSPF workstreams – refer to [CAB-21-MIN-0114]. It will also provide avenues to progress regional priorities that cannot be funded through the RSPF.
29. 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 [CAB-21-MIN-0114 refers].
30. As noted in CAB-21-MIN-0114, 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.
 - a. *Tourism*: There has been a substantial shift in the sector due to COVID-19 resulting in significant government investment. The RSPF will not fund further (see page 45).
 - b. *Energy*: The RSPF will only make key investments where they cannot be funded by other government programmes. Kānoa – RDU envisages its role as being more focused on coordination rather than as a funder (see page 36).
 - c. *Forestry*: The RSPF will not invest in developing forests given the substantial investment made through the One Billion Trees programme. However, there will be opportunities to support wood processing and associated activity (see page 39).
 - d. *Feasibility and business cases*: These will not be supported through the RSPF due to the lifetime of the fund.

Themes are not always distinctive

31. While separate mechanisms (such as public sector agencies and ITPS) exist for difference aspects of service delivery, in reality different themes or types of production are not siloed from each other, especially in a regional context. These processes are connected in a branching pipeline from initial production (such as growing a crop and harvesting it) to refining it (using skilled labour which needs its own connection to housing and goods and services) with the use of manufacturing infrastructure-in an energy efficient and environmentally sustainable way-to transporting it for either further refinement or a destination market. Value should ideally be added to a product along each step of the way and an efficient intermodal transport network is needed to reduce costs (especially for perishable goods) on the way to a destination market.

32. When one type of industry is invested in, it creates benefits and responsibilities (that is the need to be efficient) for other connected opportunities. Ministers will need to consider the 'value adds' and costs to the system as a whole when prioritising investment; officials will provide advice on this as part of proposal briefings.

Enabling the Māori economy to thrive is key to achieving more PRISM regional economies

33. One key theme which is present within all regions is the Māori economy or Māori economic development. Some regions have development of the Māori economy as a high-level priority, while other regions have Māori economic development opportunities threaded throughout high level priorities.
34. This briefing outlines the emerging national picture of regional priorities for RSPF investment as well as highlighting areas the RSPF is unlikely to fund. To demonstrate this, officials have structured the priorities by themes. Officials note Māori priorities may not neatly fit within this framework and officials continue to work on the best way to reflect Māori economic development priorities through the RSPF.
35. Officials are continuing to develop work related to the Māori economy theme. A key opportunity emerges from the qualitatively different nature of the Māori economy. As well consisting of people, products, firms, and capital, much like the general economy, the Māori economy also encapsulates Māori-specific forms of value, knowledge, behaviours, interactions, and objectives.
36. Officials note there is a range of policy being developed across government which relates to the Māori economy. This includes the development of He Ara Wairoa indicators by Treasury, and integrated ESG reporting framework based on mātauranga Māori by the External Reporting Board, the Māori economic resilience strategy being developed by Te Puni Kōkiri (TPK), and a refresh of HKKAR Te Kupenga. TPK also has a large work programme relating to the development of the Māori SME sector, with which they are working with MBIE and MPI on a Budget 22 bid.
37. Kānoa – RDU officials will work with relevant agencies to ensure RSPF decisions, as they relate to the development of the Māori economy (beyond *Accelerating Māori economic aspirations* whenua-focused investments), are guided by a shared understanding of how RSPF projects can best contribute to the development of the Māori economy.

Structure of Appendix Three

38. This appendix provides Ministers with work programmes related to the themes, including ITPs where relevant, and officials' advice on the RSPF's role, likely areas for investment, and alignment with regional priorities. These have been developed in discussion with agencies, including other policy groups within MBIE, and MPI.
39. Areas that the RSPF is likely to support:
1. Advanced Manufacturing – page 28
 2. Agritech – page 30
 3. Aquaculture and Fisheries – page 32
 4. Construction and Housing – page 34
 5. Digital Technologies – page 35
 6. Energy– page 36
 7. Food and Beverage – page 37

8. Forestry and Wood Processing – page 39
9. Water Security – page 41
40. Themes in which RSPF support is likely to be minimal or limited:
 10. Employment, Skills and Labour Market – page 42
 11. Physical Connectivity, Transport and Supply Chains – page 43
 12. Science and Innovation – page 44
 13. Tourism – page 45

1. Advanced Manufacturing

The Advanced Manufacturing ITP seeks to support a thriving manufacturing sector of world-class creators, innovators and makers delivering quality products, sustainable solutions, and intergenerational wellbeing. It relates to how products are manufactured. Rather than what products are being manufactured – seeking to identify how to advance the process, systems, technology, and skills involved.

While the ITP is currently in development, with the Steering Group due to consider the first draft before the end of 2021, there are opportunities for the RSPF to align with its intent. Manufacturing is a key sector for every region in New Zealand, with food and beverage a particular focus for the more “provincial” regions. Given this, the ITPs for Advanced Manufacturing, Food and Beverage, Forestry and Construction are well-aligned. The RSPF is likely to have a role in supporting two of the four following workstreams, which in turn will support other government objectives, such as the Emissions Reduction Plan. Officials will provide further advice as the ITP is finalised.

Workstream	Advice	Commentary	Regional priorities alignment
<i>Attract and develop a skilled workforce</i>	The RSPF is unlikely to fund	<p>This workstream focuses on ensuring the advanced manufacturing sector has the skilled workforce it needs to support the transformation. This is particularly important with the gaps the sector is already facing. Initiatives will be aimed at maximising opportunities to create new careers in advanced manufacturing, with inclusive workplace cultures, higher incomes, and excellent long-term prospects for a wider diversity of workers.</p> <p>The Regional Skills Leadership Groups (RSLGs) are the lead government programme for regional skills and are undertaking workforce planning in regional New Zealand. Therefore, the RSPF is unlikely to support this workstream, unless aspects are directly connected to investments in other workstreams e.g. investment in a company to provide more efficient equipment also requires support to train up employees to utilise the new technology.</p>	<p>Tai Tokerau / Northland Retaining specialist contractors and workforce as fuel refining operations is converted to a downsized imported fuels terminal.</p>
<i>Grow Innovation and Investment</i>	This is a key area for the RSPF to fund	<p>This workstream has three areas of focus:</p> <ul style="list-style-type: none"> Manufacturers use and develop innovation, including advanced technologies, to lift productivity. Innovation activities are coordinated to develop high-value commercial products. Capital and investment are available and procurement opportunities are clear. <p>The ITP action plan is likely to be funded through future budgets and there are opportunities for the RSPF to support early initiatives that can support the intent of the ITP and provide learnings for future initiatives.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> Growing innovative companies, especially those who support centres of excellence to drive ecosystem innovation. Purchase of equipment. Diffusion of manufacturing innovations across business networks and companies. 	<p>Tai Tokerau / Northland High value manufacturing is largest sector in the region and there is potential to grow through innovations and to provide alternative expansion opportunities for Auckland based businesses. Maritime servicing and port freight ventures are ready opportunities.</p> <p>Waikato Supporting innovation and high-tech developments (including automation and artificial intelligence). Significant untapped potential exists to increase value, such as from primary industries manufacturing.</p> <p>Tairāwhiti Opportunity to invest in technology to increase efficiency and productivity of businesses and develop new techniques.</p> <p>Manawatū-Whanganui Developing new clusters of expertise in the region which can drive innovation and specialist knowledge to achieve efficiencies and higher productivity. Enabling the region to better diffuse and apply new global technology to manufacturing processes and innovation through design-led processing and product development.</p> <p>Canterbury Diffusing research-informed innovation through manufacturing to lift productivity. High value manufacturing.</p> <p>Southland Utilise global knowledge to create innovations in house building through pre-fabrication manufacturing.</p>

Workstream	Advice	Commentary	Regional priorities alignment
<i>Create a leading sustainable and low-emissions sector</i>	Some projects may be eligible for RSPF funding	<p>This workstream is focused on:</p> <ul style="list-style-type: none"> • The sector can maximise opportunities from and adjust to environmental expectations and requirements. • Manufacturing is sustainable and embeds circular economy practices, including minimising waste. • Manufacturing that generates low carbon emissions and contributes to climate change goals. <p>This workstream is still in early stages of development, and therefore there is likely to be a limited contribution that the RSPF can make to support it.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • More sustainable, low-emission, and environmentally sound manufacturing processes. • Diffusion of sustainable manufacturing innovations across business networks and companies. 	<p>Tai Tokerau / Northland</p> <p>Opportunity with the growth of new horticulture and forestry crop and green energy in the region to bed in sustainable manufacturing processes from the outset.</p> <p>Waikato</p> <p>Eco-processing and manufacturing, such as through utilising geothermal energy resources, and the desire to share these practices across Waikato and neighbouring regions.</p> <p>Manawatū-Whanganui</p> <p>Supporting clustering to drive sustainable practices.</p>
<i>Enhance global connectivity and opportunities</i>	The RSPF is unlikely to fund	<p>New Zealand Trade & Enterprise (NZTE) is leading this workstream with focus on:</p> <ul style="list-style-type: none"> • The sector has strong global connections and market access. • New Zealand has an international reputation for providing innovative, quality and customer-focused solutions. • Global opportunities are identified and maximised. <p>As this workstream is addressing challenges at a system level, this is not something the RSPF would consider supporting through funding projects.</p>	<p>There is no explicit regional priorities alignment, but Kānoa – RDU will continue to support as appropriate as regions may develop new products and new markets through work detailed in the other workstreams.</p>

2. Agritech

Launched in July 2020, the Agritech ITP is centred on creating a world-leading agricultural technology (agritech) ecosystem. It aims to establish agritech as a high-value export sector in its own right while increasing the productivity and sustainability of the New Zealand primary sector. The agritech sector has been defined broadly as manufacturing, biotech and digital-based technology companies that are creating product, service, IP and value chain solutions for the agriculture, horticulture, aquaculture, apiculture, and fishing sectors. The Agritech ITP is focused on technologies that help primary producers to improve what they do. Technologies used to process primary products are therefore related but not currently in scope. Forestry and wood processing technologies are excluded for the purposes of the ITP, given the presence of the Forestry and Wood Processing ITP.

As the primary industries, and associated sectors such as manufacturing, are the backbone of regional economies, there is significant potential to support developments in agritech both for domestic use and for international export. Therefore, the RSPF is likely to have a substantial role in supporting New Zealand’s existing primary industries to innovate to become more PRISM and enabling the entry of new fields that will support better economic futures.

Workstream	Advice	Commentary	Regional priorities alignment
<i>Global</i>	The RSPF is unlikely to fund	<p>NZTE is leading this workstream to connect the New Zealand agritech ecosystem to global opportunities, learn for global leaders, and collaborate better with Australia.</p> <p>While Kānoa – RDU has supported connections between regional projects and global companies, these have been undertaken at a project level around supporting production, rather than supporting development of agritech for export, and is not an system level. We expect that this will continue through the RSPF, but the RSPF’s contribution to the system is likely to be limited.</p>	There is no explicit regional priorities alignment, but Kānoa – RDU will continue to support as appropriate as regions may develop new products and new markets through work detailed in the other workstreams.
<i>Commercialisation</i>	This is a key area for the RSPF to fund	<p>This workstream has three areas of focus: accelerating commercialisation of research institute intellectual property (IP), on-farm technology prototyping, and international research collaboration.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Diffusion of innovation across business networks and companies. • Supporting commercialisation of IP. 	<p>Tai Tokerau / Northland Improve mussel spat harvesting methods.</p> <p>Waikato Support business networks and diffusion of innovation driven from Ruakura – Waikato Innovation Park.</p> <p>Bay of Plenty Support best practice aquaculture technology learnings. Increasing the use of horticulture harvesting robotics.</p> <p>Hawke’s Bay Utilising Foodeast, the region’s Food Innovation Centre, to support innovations in agritech.</p> <p>Manawatū-Whanganui Utilising FoodHQ, based in Palmerston North, and other initiatives, such as the Rural Innovation Lab, to support innovations in agritech.</p> <p>Chatham Islands Investment to support more efficient farming practices, utilising agritech.</p> <p>Te Tau Ihu / Top of the South Opportunities to apply technology and automation solutions to horticulture industry to meet workforce challenges. Support business networks and innovation driven by Cawthron Institute.</p> <p>Canterbury Support business networks and innovation driven by research entities at Lincoln Campus.</p>

Workstream	Advice	Commentary	Regional priorities alignment
<i>Investment</i>	This is a key area for the RSPF to fund	<p>This workstream focuses on specialist early-stage capital funding and maximising global funding links and opportunities.</p> <p>There are funding gaps in the Agritech system for New Zealand which the RSPF can help fill to encourage more firms to develop agritech and to attract other investment streams.</p> <p>Likely areas for investment:</p> <ul style="list-style-type: none"> • Scaling up agritech companies. • Seed funding to support commercial partners to invest. 	<p>Tai Tokerau / Northland Improve mussel spat harvesting methods.</p> <p>Bay of Plenty Further developing the region's advantage in aquaculture through supporting developing and adoption of new technologies.</p> <p>Hawke's Bay Supporting firms to innovate and apply new technology.</p> <p>Manawatū-Whanganui Development of new technologies to revolutionise harvesting and processing.</p>
<i>Data Interoperability and Regulations</i>	The RSPF is unlikely to fund	<p>The Ministry for Primary Industries is leading this workstream to improve the compatibility of data systems, open data, and address international and regional variations in regulatory standards and requirements.</p> <p>As this workstream is addressing challenges at a system level, this is not something the RSPF would consider supporting through funding projects.</p>	There is no explicit regional priorities alignment, but Kānoa – RDU will continue to support as appropriate.
<i>Skills and Workforce</i>	The RSPF is unlikely to fund	<p>This workstream focuses on the skills required to develop agritech, skills required to use agritech, and the impact of agritech on the workforce.</p> <p>The Regional Skills Leadership Groups (RSLGs) are the lead government programme for regional skills and are undertaking workforce planning in regional New Zealand. Therefore, the RSPF is unlikely to support this workstream, unless aspects are directly connected to investments in other workstreams.</p>	There is no explicit regional priorities alignment, but Kānoa – RDU will continue to support as appropriate.
<i>Government</i>	The RSPF is unlikely to fund	<p>This workstream aims to promote and improve the transparency of government support, encourage communication and streamlining across government, and improve understanding of the agritech sector.</p> <p>While Kānoa – RDU will support this workstream through the RSPF's <i>Stream 5: Coordinating a more effective all-of-government system</i>, there is not likely to be any investment requirements.</p>	There is no explicit regional priorities alignment, but Kānoa – RDU will continue to support as appropriate.

3. Aquaculture and Fisheries

There are two key strategic activities underway in this theme: the Fisheries ITP (under development) and the Aquaculture Strategy (published but still being implemented). Both are the responsibility of MPI.

Fisheries ITP

This ITP is focused on wild capture fisheries (and excludes aquaculture) and seeks to reduce the environmental impacts of fishing and increase the value received from fisheries by moving towards a more ecosystem-based approach to fisheries management. While initial ITP scoping work is currently underway, the RSPF is unlikely to have a significant proactive role in supporting the aims of the ITP as regional economic development priorities are all currently focused on aquaculture rather than wild capture.

Aquaculture Strategy

The Aquaculture Strategy aims to grow the aquaculture industry five-fold from its current \$600 million in annual revenue to \$3 billion by as soon as 2030, while ensuring the sector remains sustainable, productive, resilient and inclusive. This includes enabling Māori prosperity through a partnership approach, including but not limited to delivering the Crown’s settlement obligations to Māori. Five regions have identified growing aquaculture as a regional priority, all of which present strong opportunities for Māori-enabling development. The RSPF can support the sustainable growth of aquaculture toward the Strategy’s goal. Kānoa – RDU will work with MPI to support progress of the Aquaculture Strategy.

The Aquaculture Strategy aims to enhance New Zealand as a globally recognised world-leader in sustainable and innovative aquaculture management across the value chain. It also aims to enable Māori prosperity through a partnership approach. Five regions have identified growing aquaculture as a regional priority, all of which present strong opportunities for Māori-enabling development. Officials anticipate this sector will grow in importance for both regional economies and the New Zealand economy. The RSPF can support the sustainable growth pathway. Kānoa – RDU will continue to work with MPI to support progress of the Aquaculture Strategy.

Seaweed is an emerging industry not currently reflected in the regional priorities. However, Kānoa – RDU will continue to work with regions and MPI to identify opportunities for investment, as seaweed is likely to be a big opportunity for New Zealand.

Workstream	Advice	Commentary	Regional priorities alignment
<i>Maximising the value of existing farms through innovation (including new opportunities such as new species)</i>	This is a key area for the RSPF to fund	<p>This work stream is focused on facilitating a strategic shift which results in a greater level of innovation and commercialisation from research. Three actions are noted to affect this strategic shift:</p> <ul style="list-style-type: none"> Facilitating co-investment in priority research and innovation; Investing to improve pathways to commercialisation; and Implementing regulatory changes to support investment confidence. <p>The RSPF’s investment focus within this framework is likely to be helping to de-risk commercialisation opportunities to accelerate high value aquaculture development. Some investment opportunities related to developing innovative products or processes may also be appropriate if other funding is not available.</p>	<p>Te Tai Tokerau / Northland Northland is looking to further develop its production of mussels and oysters. Research, innovation, and commercialisation for Māori owned assets are a key focus to enhance and sustain the region’s mussel spat industry and to commercialise new oyster farm ventures.</p> <p>Waikato Waikato is looking to move its food and ingredient manufacturing sector further up the value chain, including by transforming aquaculture ingredients</p> <p>Bay of Plenty The region has existing onshore aquaculture infrastructure that will catalyse further development</p> <p>Te Tau Ihu Ocean economy businesses with commercial projects (currently all aquaculture and including associated pharmaceuticals being developed by Cawthron Institute)</p> <p>Southland While the sector itself is a high priority for the region, opportunities for investment from the RSPF are dependent on resource consents.</p>
<i>Extending into high value land-based aquaculture</i>	This is a key area for the RSPF to fund	<p>Currently New Zealand’s aquaculture sector is predominantly based inshore. There is an opportunity to develop and adopt high value land-based technology which enhances the sustainability of the aquaculture sector. Productive land-based technologies, such as hatcheries, are also needed to grow our marine aquaculture output.</p> <p>Kānoa-RDU has experience investing in land-based aquaculture and will seek to support further commercial opportunities. However, as a relatively new area of investment, some regulatory challenges may be present.</p>	<p>Bay of Plenty Diversify into higher-value products, such as nutraceuticals.</p>

<p><i>Extending aquaculture into the open ocean</i></p>	<p>Some projects may be eligible for RSPF funding</p>	<p>Extending aquaculture into the open ocean is the big opportunity for aquaculture growth, with New Zealand's economic zone presenting significant potential. However, this opportunity requires a significant technological shift, and still requires significant regulatory work to fully enable. The RSPF is unlikely to invest directly in open ocean aquaculture within its set timeframe.</p>	<p>Bay of Plenty Commercial Information</p> <p>Southland While the sector itself is a high priority for the region, opportunities for investment from the RSPF are dependent on resource consents. A number of projects, such as those related to salmon, are dependent on the necessary open ocean aquaculture resource consents being granted, which may take longer than the lifetime of the RSPF</p>
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4. Construction and Housing

Housing is a key issue for all regions (whether or not it has been identified as an *economic development* priority), and construction is part of a number of regions' priorities. Both issues are generally excluded from RSPF eligibility, although there may be scope for the possibility of funding to go towards smaller scale projects with an aim of unlocking multiple connected benefits in a region. For example, RSPF funding could be used to support the development of commercial modular or pre-manufactured housing solutions.

There are significant work programmes under way relating to both housing and construction, such as Construction Sector Accord, and the \$3.8 billion Housing Acceleration Fund. Because of this, the role that the RSPF will have in construction and housing projects will be limited. Kānoa - RDU will continue to engage other government agencies to ascertain the most appropriate way to support any proposals relating to construction and housing. How the RSPF is likely to support is provided in the table below.

Area	Advice	Commentary	Regional alignment
<i>Small scale infrastructure</i>	The RSPF is unlikely to fund	This is a possible area for RSPF investment to enable regions to unlock opportunities through smaller, targeted investments. There may be opportunities to invest RSPF funding, particularly as it pertains to the unlocking of whenua Māori.	<p>Tai Tokerau / Northland Identified new housing stock required by the region. The RSPF may be able to support only with unlocking land.</p> <p>Bay of Plenty Identified need for infrastructure to enable housing</p> <p>Chatham Islands Identified need for large scale infrastructure solutions</p>
<i>Modular Housing</i>	Some projects may be eligible for RSPF funding	This work stream is focused on exploring modular housing options to address regional housing constraints. Kānoa – RDU will remain connected to this work programme and engage other government agencies to ascertain the viability of RSPF investment in this space.	<p>Tai Tokerau / Northland Generating small but healthier living standards that contribute to the reduction of over-crowding and sub-standard make-shift structures.</p> <p>Hawke's Bay Innovative off-site modular housing capacity</p> <p>Taranaki Innovative off-site modular housing capacity for iwi Māori</p> <p>Wairarapa Innovative off-site modular housing capacity for iwi Māori</p> <p>Southland Innovative off-site modular housing capacity</p>
<i>Building Materials - Housing</i>	Some projects may be eligible for RSPF funding	This work stream is focused on exploring options to address the national shortage of building materials, particularly for housing in the regions. Kānoa – RDU will remain connected to this work programme and engage other government agencies to ascertain the viability of RSPF investment in this space.	<p>Bay of Plenty Diversify wood processing offerings</p> <p>Tairāwhiti Diversify wood processing offerings, such as off-site manufacturing</p> <p>Hawke's Bay Housing Materials</p> <p>Chatham Islands Supporting the region to obtain building materials</p> <p>Te Tau Ihu / Top of the South Diversify wood processing offerings</p>

5. Digital Technologies

MBIE has been working with the digital technologies sector (led by NZTech) since late 2019 on the ITP, which is now in draft form and will be considered by Cabinet for release before the end of 2021.

The digital technologies sector was selected because of its role in supporting New Zealand's transition to a higher value, lower emissions, and internationally connected economy with a more diversified export base. A strong digital technologies sector in New Zealand will also provide important spill-over benefits to other sectors of the economy, as businesses across the economy are able to use its products and services. This is vital given our ongoing productivity challenges, our need to use technology to meet our emission reduction goals, and in how we support the wider economic recovery from the COVID-19 global pandemic

The ITP is focusing on two future growth areas that have potential to create high-value jobs for all New Zealanders (including in the regions) and generate strong export growth over coming years:

- Exports – Software as a Service (SaaS) and Interactive Media are both subsectors that have grown rapidly over recent years in New Zealand, are highly scalable, and are projected to experience sustained global growth over the next decade and more. These sub-sectors also create high-value jobs in New Zealand.
- Artificial Intelligence (AI) – A considered and co-ordinated approach to the greater uptake of AI, will provide a platform for enhanced growth over the medium-term.

Core foundational areas around skills, actions to enable the workforce to become more diverse and inclusive; the procurement role of government; efforts to grow the use of data for supporting innovation; and access to capital are also included as workstreams, and there is a specific workstream looking at Māori Participation - work to empower Māori to become greater participants in the sector, recognising that only 4% of the sector's current workforce is Māori.

Regions including Northland, Tairāwhiti, Waikato and Otago (including Queenstown) have participated in different degrees in ITP workshops and other engagement as the ITP has been developed. The data workstream of the ITP has also supported the i4 Accelerator which seeks to help empower more New Zealand businesses to better understand and use data as a strategic business asset. This is to assist industries in different regions to think about ways they can take advantage of data-driven technologies, such as artificial intelligence (AI) and the Internet of Things (IoT), to help solve real-world problems and further drive innovation for social and economic good.

Five RED Partnerships (Northland, Waikato, Tairāwhiti, Kapiti, and West Coast) have identified digital technology as a priority. The RSPF may support digital technology where it cannot be funded by other parts of government, and will prioritise it where it connects with another of a region's priorities. As discussed in the Agritech ITP section, there are key opportunities to support the primary sector to become more future focused through the development of AI and other technology to address sector challenges, such as availability of workforce. Some regions, such as Tai Tokerau / Northland and West Coast continue to face challenges regarding access to digital connections, which impacts on their ability to create and utilise digital advances – the RSPF is unlikely to support gaining access. Waikato and Tairāwhiti note that there are opportunities to build on existing technology industries in their regions to further develop technology advances and boost productivity, whereas Northland, Kapiti and West Coast see the potential such technology would have to transform regional businesses. Kānoa – RDU will continue to work with the Digital Technology ITP team going forward to ensure alignment.

6. Energy

Energy covers the supply and demand of all forms of renewable and non-renewable energy. It is a broad remit of work, with a lot of it crossing over with the draft Emissions Reduction Plan. While the work-programme is broad, there are opportunities for the RSPF to support projects within energy's workstream, especially in the areas tabled below.

Officials will have a clearer direction on the energy workplan early next year once Cabinet has agreed to the Emissions Reduction Plan, and we have an indication of what is being supported from the budget process. Kānoa – RDU will keep you updated on how the RSPF can best support this work programme.

Workstream	Advice	Commentary	Regional priorities alignment
<i>The development of the Energy Strategy, getting to 100 per cent renewable electricity, and setting a renewable energy target.</i>	Some projects may be eligible for RSPF funding	<p>In its final advice, the Climate Change Commission recommended that the Government 'commit to delivering a strategy to decarbonise the energy system and ensure the electricity sector is ready to meet future needs'. Within this are a wide set of actions and factors that need to be considered including:</p> <ul style="list-style-type: none"> • Considering how to significantly scale up renewable electricity generation and infrastructure; • Phasing down the use of coal and gas while ensuring security of supply and mitigating distributional impacts • Considering how to support energy affordability and security for communities, commercial and industrial customers – with regard given impacts on iwi and those in remote/rural areas. <p>Developing a plan for decarbonising industry and supporting the development of low emissions fuels (both covered below).</p>	<p>Taranaki Industry transformation - in line with the Just Transition process. This is likely to focus on supporting wave energy and offshore wind in Taranaki.</p> <p>Chatham Islands New renewable energy generation and system upgrade.</p> <p>West Coast Renewable energy solutions and develop a strategy.</p> <p>Southland Clean energy, utilising Tiwai power.</p>
<i>Decarbonising industry (process heat and industrial products and process emissions)</i>	Some projects may be eligible for RSPF funding	The \$70 million Government Investment in Decarbonisation Industry Fund (GIDI) exists to provide funding to support the adoption of energy efficiency and fuel switching to renewable technologies in industry. It is a strong focus for MBIE's energy team.	Taranaki Industry transformation - in line with the Just Transition process.
<i>Supporting the development and use of low-emissions fuels (hydrogen, biofuels); and the development of the Circular and Bioeconomy Strategy</i>	Some projects may be eligible for RSPF funding	<p>This workstream is focused on exploring hydrogen and sustainable bioenergy (see Forestry and Wood Processing). Kānoa - RDU will remain connected on this work programme, especially where there are opportunities to connect regional projects to it.</p> <p>A cross-agency work programme may be developed focusing on a Circular and Bioeconomy Strategy for Aotearoa as part of the ERP. These strategies are about moving away from a linear and extractive economy to one that is based on restorative and circular systems that make greater use of renewable biological resources such as for food, building products and energy. It cuts across agriculture, forestry, waste, energy, and buildings.</p> <p>Kānoa - RDU may support some projects through wood processing and clean energy, but more work needs to be done to ensure there is a need for RSPF funding and that any opportunities are suitable for RSPF funding.</p>	<p>Bay of Plenty Desire to develop bio-fuel products.</p> <p>Tairāwhiti Desire to develop waste to energy. Energy from wood processing</p> <p>Manawatū-Whanganui Desire to develop wood residue products that can replace non-renewable materials.</p> <p>West Coast Desire to develop bio-fuel products</p>
<i>Technology demonstrations / pilots</i>	Some projects may be eligible for RSPF funding	<p>This is focused on technology demonstrations and trials. The Energy Efficiency & Conservation Authority (EECA) and MBIE are currently involved in this work at a small scale for end use energy technologies, and for community/ Māori renewable energy projects. Depending on the outcome of budget 2022, MBIE and MPI could be further involved in clean energy technology demonstrations at a larger scale and wider scope.</p> <p>Kānoa - RDU officials are connected on this work and exploring whether there are any gaps where RSPF funding could create change.</p>	There is no explicit alignment with regional priorities, but Kānoa – RDU will continue to support as appropriate.

7. Food and Beverage

The Food and Beverage ITP aims to:

- support the development of emerging food and beverage industries and products to go global, and
- lift the productivity and sustainability of our existing industries.

While the ITP’s development is still in early stages, with MPI currently working to mid-2022 delivery of finalised ITP initiatives, the RSPF is likely to have a key role in supporting two out of the ITP’s six workstreams outlined below where they relate to priorities identified by RED Partnerships.

As the ITP is developed, officials can provide you with updated advice on the below.

Area	Advice	Commentary	Regional alignment
<p><i>Leveraging intellectual property (IP) for New Zealand benefit</i></p>	<p>This is a key area for the RSPF to fund</p>	<p>This is a key area for RSPF investment to enable regions to capitalise on food and beverage innovation and successful commercialisation of products and related processing technologies.</p> <p>The RSPF is likely to fund:</p> <ul style="list-style-type: none"> • New technology / innovative products to improve efficiencies and reduce emissions. • Clustering firms and research centres to connect up better and to consider intellectual property from initial stages of projects. 	<p>While the priorities below are not specifically focused on strengthening New Zealand’s intellectual property settings, they are likely to lead to successful commercialisation of products and innovation in the sector.</p> <p>Bay of Plenty Build further innovations to support higher-value horticulture products and a diversified Māori economy.</p> <p>Tairāwhiti Driving sustainable, value-add horticulture and unlocking the potential of whenua Māori.</p> <p>Hawkes Bay Higher value food production.</p> <p>Te Tau Ihu / Top of the South Food & beverage and wellness products.</p> <p>Kāpiti Developing a higher-value food and beverage sector in Kāpiti</p> <p>Wairarapa Supporting primary production innovators to add value</p> <p>Chatham Islands Support entrepreneurial initiatives in food and beverage</p> <p>Southland Low-emission plant-based food and beverage manufacturing business.</p>

Area	Advice	Commentary	Regional alignment
<i>Ensuring our infrastructure and technology is fit for purpose</i>	This is a key area for the RSPF to fund	<p>This is a key area for RSPF investment as it will enable food and beverage firms in the regions to develop and scale-up new products. We have seen food technology, innovative products and maximising tech opportunities coming up in regional priorities.</p> <p>The RSPF may fund:</p> <ul style="list-style-type: none"> Commercial scale-ups of firms (for example sustainable food packaging). 	<p>Te Tai Tokerau / Northland Improving crop processing to add value High value manufacturing to modernise food processing equipment and add further value to the industry.</p> <p>Tairāwhiti Maximising tech opportunities in the region.</p> <p>Hawkes Bay Security of export logistics – through resilient infrastructure. Investment and support for firms that innovate and apply new technology</p> <p>Taranaki Industry transformation – through sustainable transition of food and fibres and tech.</p> <p>Manawatū – Whanganui To use technology and innovation to sustainably grow and optimise key regional food and fibre industries.</p> <p>Top of the South / Te Tau Ihu Application of technology and automation solutions is a priority to meet sector challenges. Opportunities exist to improve access to production and food technology facilities, particularly food start-ups.</p> <p>Canterbury Grow and improve food processing and high value manufacturing. Improve security of logistics through resilient infrastructure</p>
<i>Addressing regulatory barriers to food and beverage innovation and commercialisation</i>	The RSPF is unlikely to fund	The RSPF's role will be limited. This area is to identify strategic regulatory change required for a successful New Zealand food and beverage sector.	There is no explicit alignment with regional priorities, but Kānoa – RDU will continue to support as appropriate.
<i>Leadership (and capability) for transformation</i>	The RSPF is unlikely to fund	The RSPF's role will be limited, as this is focused on enhancing leadership at all levels of the food and beverage sector. Kānoa – RDU will stay involved through <i>Stream 5 – Coordinating a more effective all-of-government system.</i>	There is no explicit alignment with regional priorities, but Kānoa – RDU will continue to support as appropriate.
<i>Improving access to knowledge and insights</i>	The RSPF is unlikely to fund	The RSPF's role will be limited, as this area is focused on identifying options to increase levels of research and development in food and beverage firms.	While no regions have specifically identified as a priority, it is assumed that through investing in innovative firms, regions would be improving research and development as well as access to knowledge and insights.
<i>Aligning for impact</i>	The RSPF is unlikely to fund	The RSPF's role will be limited, as this is focused on driving strategic alignment and cooperation across the food and beverage system. Kānoa – RDU will stay involved through <i>Stream 5 – Coordinating a more effective all-of-government system.</i>	There is no explicit alignment with regional priorities, but Kānoa – RDU will continue to support as appropriate.

8. Forestry and Wood Processing

Te Uru Rākau – New Zealand Forest Service is developing an ITP for the Forestry and Wood Processing industry, in partnership with industry, Māori and unions. This will set out a roadmap to lift the sector's productivity by increasing value-add wood processing, creating a sector that is inclusive and a significant contributor to regional development; and positioning the sector at the heart of New Zealand's bioeconomy by creating sustainable low-carbon wood products that support decarbonisation of New Zealand.

While the ITP's development is still in early stages the RSPF is likely to have a role in supporting two out of the four key areas detailed below where they relate to priorities identified by RED Partnerships. RSPF support may provide opportunities to pilot new approaches that can then be rolled out on wider scale through the ITP (currently being funded through \$23 million reprioritised 1BT allocation) and related Budget bid processes. As the ITP is fully developed officials can provide you with updated advice on the below.

Area	Advice	Commentary	Regional alignment
<i>Transforming and expanding the domestic wood processing sector into a high-tech and high-value sector</i>	This is a key area for the RSPF to fund	<p>This is a key area for RSPF investment to enable regions to further capitalise on their comparative advantages in the forestry and wood processing sectors and to respond to the current demand from the construction sector. It will also support regional contribution to the Emissions Reduction Plan.</p> <p>The RSPF is likely to fund:</p> <ul style="list-style-type: none"> • Wood processing facilities and new technology to improve efficiencies and reduce emissions. • Cluster initiatives to support a stronger network with improved capability and innovations. These may be physical or virtual initiatives. 	<p>Te Tai Tokerau / Northland Increase volume and diversity capability to increase construction supply and to pivot to new products.</p> <p>Waikato Address supply chain issues by processing within region instead of attaining from foreign markets.</p> <p>Bay of Plenty Build further innovations to support higher-value outputs and further develop cluster of expertise to support national sector transformation.</p> <p>Tairāwhiti Leverage existing and new businesses to increase volume and capability.</p> <p>Te Tau Ihu / Top of the South Expand and increase value of reconstituted wood products.</p>
<i>Growing forests – new planting of permanent forests and of plantations</i>	The RSPF is unlikely to fund	<p>The RSPF's role will be limited. Significant funding has already been provided by Government through the One Billion Trees programme. Officials consider that this programme addressed large portions of the ready and available land, and therefore there will be limited opportunities for the RSPF to support. It also does not have as strong a potential to transform regional economies in the short to medium term as innovation and new technology does. However, there may be opportunities to support Māori aspirations through small amounts of funding, especially where it aligns with the <i>New Zealand Wood Availability Forecast 2021 to 2060</i>.</p> <p>The RSPF will try to support Māori aspirations to grow forests where it relates to unlocking of unproductive whenua.</p>	<p>Te Tai Tokerau / Northland There are opportunities to further unlock whenua Māori to support long-term supplies to local wood processors.</p> <p>Bay of Plenty There are opportunities to restore forestry plantations for iwi Māori.</p> <p>Tairāwhiti There are opportunities to further unlock whenua Māori and develop forestry plantations.</p>
<i>Development of new products and markets</i>	Some projects may be eligible for RSPF funding	<p>New Zealand Trade and Enterprise (NZTE) is leading this area, with support from Te Uru Rākau. It is focused on adding value in New Zealand by doing more processing here. A key part of this is securing markets and price points overseas.</p> <p>Kānoa - RDU will remain connected on this work programme and will advise Ministers on any opportunities that arise and are suitable for RSPF funding.</p>	<p>While not all regions have specifically identified this as a priority, it is assumed that through developing new manufacturing processes many regions would seek to develop new products and new markets.</p> <p>Te Tau Ihu Reconstituted wood product manufacturing.</p> <p>Tairāwhiti Waste to energy. By-products turned into further value-add products.</p>

Area	Advice	Commentary	Regional alignment
<p><i>Supporting the bio-fuel economy</i></p>	<p>Some projects may be eligible for RSPF funding</p>	<p>Early work is underway to support development of bio-fuels from wood residue. The science and technology for this area are still emerging, but there are some areas, such as wood pellets, that are investment ready now.</p> <p>A Budget bid is also underway to support this programme. Kānoa - RDU will remain connected on this work programme, especially where there are opportunities to connect regional projects to it.</p>	<p>Bay of Plenty Desire to develop bio-fuel products.</p> <p>Tairāwhiti Desire to develop waste to energy.</p> <p>Manawatū-Whanganui Desire to develop wood residue products that can replace non-renewable materials.</p>

9. Water security

While only five regions (Northland, Bay of Plenty, Tairāwhiti, Hawke's Bay and Wairarapa) have identified water access, storage, and resilience as a regional economic development priority, we know that this is a challenge across much of New Zealand.

Under the 'Fit for a Better World' roadmap the Ministry for Primary Industries (MPI) recently released a current national scale assessment of water availability and security to assess regions where strategic investments in freshwater infrastructure and demand side management has the greatest potential to grow the food and fibre sector.

That work has identified these same five regions, as well as the Waikato, Manawatū-Whanganui, Tasman, and Otago as regions of interest with potential opportunities to grow, or at risk of retrenchment due to the current over-allocation of the water resource. This work has also identified other regions including Canterbury that would benefit from improved demand side management of freshwater.

MPI is currently updating this National Scale Assessment by undertaking a sensitivity analysis to determine how this picture will change in the near future and mid-century in response to the next generation of Council plans due by 2025 in response to the 2020 National Policy Statement on Freshwater Management, and the impacts of climate change. The assumption is that water availability and security across the country will continue to decline.

This updated assessment will be available in the first quarter of 2022, but as the status of water availability and security is rapidly changing due to regulatory changes and the impacts of climate change, government response will need to be agile and consider a broad range of benefits (environmental, social, economic, cultural). In addition, the Future of Local Government Review and Three Waters Reform Programme, both led by the Department of Internal Affairs (DIA), and the National Adaptation Plan and Resource Management reform, led by MFE, are likely to have significant implications on this work. Iwi and Māori are central to any response.

Kānoa – RDU officials will undertake further engagement with MPI, MFE, and DIA to determine how the RSPF supports improved water security across regional New Zealand and work on progressing water security collectively across agencies given its importance to RED. It is likely that the RSPF will make small investments to improve water access for specific communities, where it will unlock economic opportunity, and Kānoa – RDU will work with agencies to maximise the approach across government to enable wider benefits. This includes improving sustainability of water use and supply.

10. Employment, Skills and Labour Market

Most RED Partnerships have identified employment, skills, and the labour market as a priority. Placing skilled people in fulfilling work with good conditions is a vital part of revitalising regions. Getting more people into sustained employment improves wellbeing, delivers positive social outcomes and contributes to sustainable regional growth.

It is also a key tool for inclusion in regions; ensuring that Māori, Pasifika peoples, women, young people, disabled people, and older people have income security.

Generally, skills and training (e.g. work-ready programmes, job matching programmes) are excluded from RSPF funding. A range of other agencies and instruments monitor the role of employment in regions. This includes Regional Skills Leadership Groups (RSLGs), which have a presence in every region and have fed into the process for confirming RED priorities in the region.

There may be opportunities to fund initiatives in regions where employment or training would be a secondary benefit. This could include opportunities where Kānoa – RDU can act as a facilitator of conversations between regional stakeholders and interested agencies. Kānoa – RDU will continue to work with the RSLGs central secretariat and the Ministry of Social Development (MSD) to progress, as detailed in CAB-21-MIN-0114.

11. Physical Connectivity, Transport and Supply Chains

Physical connectivity and transport remain an important aspect of regional economic development in regional New Zealand, with four RED Partnerships (Waikato, Chatham Islands, Canterbury, and Otago) identifying them as a regional priority. While other regions have not explicitly identified this area as a priority, we know that it is key for all regions, especially as the ongoing COVID-19 pandemic has impacted transport (both people and freight), with many operators dealing with a range of economic and logistical challenges in part due to shifting Alert Levels. How this situation adapts during the implementation of the traffic light system will be significant for regional economies.

There are a number of programmes and initiatives that seek to invest in and/or sustain transport across rail, road, and maritime. For example, the 2021-24 National Land Transport Programme (NLTP) was announced in September 2021 and plans significant investments by Waka Kotahi NZ Transport Agency in land transport and infrastructure over the next three years.

Supply chains are critical to New Zealand's economy and are a portal to markets for industry, producers, and communities. The supply chain system is market-led and driven by commercial imperatives, although central government plays multiple roles, including as a supplier of transport infrastructure and an investor in rail services through KiwiRail. Local government also has a significant role through port and airport ownership and local roads.

Effective and efficient supply chains and a fully integrated multi-model system will be critical to growth opportunities in New Zealand, particularly in areas with historical transport underinvestment or under-utilisation of resource such as land. Smarter transport alternatives for suppliers that reduce double handling or wasted travel time will be critical to unlocking region's potential.

It is not for the RSPF to fund these systems, but Kānoa RDU can be informed and help facilitate connections between regions and decision makers. As it relates to the RSPF, Ministers have provided clear direction funding is not available for large scale infrastructure projects.

Investment in transport through the RSPF will only be considered as a secondary benefit to a scheme (for example, to unlock Māori land or increase the capability of a business). There may be investment opportunities in technology or logistics that will indirectly help transport matters. Again, investment in businesses that build vehicles (such as barges, inland fishing boats et cetera) or produce innovations such as EV, intelligent transport systems (drone, self-driving car manufacture or support) could be considered on a case-by-case basis.

12. Science and Innovation

Science and innovation systems are critical to boosting the number of knowledge-intensive, internationally connected firms. MBIE, the lead agency for science and innovation, is working to lift business expenditure on research and development, improve the benefits to the wider economy from business development assistance, and harness the potential of the digital economy.

The Government's vision for the science system is set out in the National Statement of Science Investment, covering the period 2015 – 2021 inclusive.

As part of Budget 2021, the Government has invested \$56.12 million in science, research, and innovation. Part of this funding is being provided to accelerate and increase agricultural greenhouse gas mitigation research and development and increase the options and tools available to farmers and growers to cost-effectively reduce emissions on-farm. This is likely to accelerate widespread uptake of these technologies on New Zealand farms, to deliver immediate and lasting reductions in agricultural greenhouse gas emissions and cost-savings.

RED Partnerships have identified priorities in:

- increased investment of green technology and sustainable production practices.
- the tech start-up ecosystem as a sector for further investment.
- the establishment of centres of research and developmental excellence in the region to address local skills gaps and/or attract higher value employment into a region.

While RSPF funding is generally not available for entrepreneurial ventures and start-ups, there may be opportunities to fund initiatives in regions where these are secondary benefits to a scheme (for example, a whenua Māori initiative). This could include opportunities where Kānoa – RDU can act as a facilitator of conversations between regional stakeholders and interested agencies. Additionally, a range of different government investment funds available in the science and innovation space, and Kānoa – RDU will work to support possible proposals with other avenues of possible funding.

13. Tourism

Tourism remains a vital part of regional economic development, with five RED Partnerships (Northland, Taranaki, Manawatū-Whanganui, Wairarapa, Kāpiti) identifying tourism as a regional priority. We know that while other regions have not explicitly identified it as a priority, it is a key sector for most regions in New Zealand.

Tourism continues to be heavily impacted by the ongoing COVID-19 pandemic, including through the need to adapt to the shifting Alert Levels and now Traffic Light approach. Even with the impacts of the pandemic, domestic tourism has continued to represent a large portion of New Zealanders' spending at Alert Levels 1 and 2.

There are a number of initiatives specifically aimed at sustaining and recalibrating tourism for current markets, such as the \$200 million *Tourism Communities: Support, Recovery and Re-set Plan*. A Tourism Industry Transformation Plan being led by MBIE seeks to set the long-term vision and action plan for tourism in New Zealand.

As it relates to the RSPF, tourism will not be a priority for investment for the foreseeable future (as per CAB-21-MIN-0114). Benefits for tourism would only be considered by the RSPF as a secondary benefit to a scheme (for example, for sector enablement or whenua initiative).