



## COVERSHEET

<b>Minister</b>	Hon Shane Jones	<b>Portfolio</b>	Regional Development
<b>Title of Cabinet paper</b>	Regional Infrastructure Fund Detailed Settings and Drawdown from Tagged Contingencies	<b>Date to be published</b>	23 July 2024

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
June 2024	Regional Infrastructure Fund Detailed Settings and Drawdown from Tagged Contingencies	Office of the Minister for Regional Development
17 June 2024	Regional Infrastructure Fund Detailed Settings and Drawdown from Tagged Contingencies CAB-24-MIN-0214 Minute	Cabinet Office

### Information redacted

### YES / NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of Confidential advice to Government and Commercial information.



# Cabinet

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Regional Infrastructure Fund: Detailed Settings and Drawdown from Tagged Contingencies

Portfolio                      Regional Development

On 17 June 2024, Cabinet:

#### Appropriation arrangements

- 1        **agreed** to the establishment of a new multi-category appropriation 'Regional Development: Regional Infrastructure Fund MCA' in Vote Business, Science and Innovation, to be administered by the Ministry of Business, Innovation and Employment (MBIE) and with the Minister for Regional Development as appropriation Minister, to support regional economic growth through the Regional Infrastructure Fund (RIF);
- 2        **agreed** that the single overarching purpose of this appropriation be to support regional economic growth through the RIF;
- 3        **agreed** that the intention statement be to achieve a lift in the productivity potential of the regions through the delivery of regional infrastructure initiatives;
- 4        **agreed** that the categories for this appropriation be as follows:

Title	Type	Scope
Regional Infrastructure Fund – Operating	Non-Departmental Other Expense	This category is limited to improving regional economies' resilience and productivity
Regional Infrastructure Fund – Capital	Non-Departmental Capital Expenditure	This category is limited to investment in Crown owned companies and their subsidiaries

- 5        **noted** that on 29 April 2024, Cabinet:
  - 5.1        agreed to establish a \$1.2 billion fund to invest in regional infrastructure, subject to further advice on:
    - 5.1.1        the proposed criteria, eligibility and invitation process;
    - 5.1.2        the development of a robust process to identify high value investment options;
    - 5.1.3        clarity on investment mechanisms and expected fiscal implications;

- 5.1.4 operational arrangements, including options for which entities are best placed to deliver investments from the RIF;
- 5.1.5 Ministerial decision-making structures, including for drawdown of the contingencies;
- 5.2 agreed to establish tagged operating and capital contingencies associated with the Regional Development portfolio of up to the following amounts to provide for the policy decision in paragraph 5.1 above:

	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Regional Infrastructure Fund - Tagged Operating Contingency	-	100.000	100.000	100.000	-
Regional Infrastructure Fund - Tagged Capital Contingency	-	300.000	300.000	300.000	-

[CAB-24-MIN-0148.10]

- 6 **noted** that the tagged operating and capital contingencies described in paragraph 5.2 above will expire on 1 February 2025;
- 7 **agreed** that, as the further work described in paragraph 5.1 above has been satisfactorily completed, establishing a \$1.2 billion fund to invest in regional infrastructure can now proceed;
- 8 **approved** the following changes to appropriations to provide for the decisions in paragraphs 5 and 7 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Business, Science and Innovation Minister for Regional Development	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Regional Development: Regional Infrastructure Fund MCA:					
Non-departmental Other Expense:					
Regional Infrastructure Fund – Operating		Confidential advic	Confidential advic	Confident al advic	
Non-Departmental Capital Expenditure:	-				-
Regional Infrastructure Fund - Capital		300.000	300.000	300.000	

<b>Total Multi-Category Expenses and Capital Expenditure:</b>					
<b>Regional Development: Regional Infrastructure Fund MCA:</b>	-	Confidential advice to	Confidential advice to	Confidential advice to	-
Departmental Output Expenses:					
Regional Development: Operational Support (funded by revenue Crown)	-	Confidential ad	Confidential ad	Confidential ad	-
<b>Total Operating</b>	-	<b>100.000</b>	<b>100.000</b>	<b>100.000</b>	-
<b>Total Capital</b>	-	<b>300.000</b>	<b>300.000</b>	<b>300.000</b>	-

- 9 **agreed** that the operating expenses incurred under paragraph 8 above be charged against the Regional Infrastructure Fund - Tagged Operating Contingency described in paragraph 5 above, and that the capital expenditure incurred under paragraph 8 above be charged against the Regional Infrastructure Fund - Tagged Capital Contingency described in paragraph 5 above;
- 10 **agreed** that the changes to appropriations for 2024/25 above be included in the 2024/25 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 11 **noted** that, following the adjustments detailed in paragraph 8 above, the RIF tagged contingencies are exhausted and closed;

**RIF policy and administration settings**

- 12 **noted** that on 20 May 2024, Cabinet agreed to the high-level settings of the RIF, including the high-level investment strategy and framework, RIF delivery and assessment, and the establishment of a Regional Development Ministerial Group (RDMG) [CAB-24-MIN-0168.02];
- 13 **noted** that Cabinet agreed that the RIF would have an initial focus on areas such as Māori economic development and flood resilience [CAB-24-MIN-0168.02, paragraph 19];
- 14 **noted** that:
  - 14.1 officials have provided the Minister for Regional Development with an Confidential advice to Government
  - 14.2 Confidential advice to Government
- 15 **noted** that Cabinet also agreed to create a dedicated flood resilience funding category under the RIF’s Resilience Infrastructure component that will initially make \$200 million available for eligible projects [CAB-24-MIN-0168.02, paragraph 31];
- 16 **noted** that officials are in the process of completing the final due diligence stages for each of the 42 flood resilience projects, and will seek agreement from the RDMG to the funding arrangement for each project before proceeding to contracting;

- 17 **agreed** that the RIF will go live on 1 July 2024;
- 18 **agreed** to delegate decision-making authority to the Minister of Finance, Minister for Infrastructure, Minister for Māori Development and Minister for Regional Development, as delegated RIF Ministers (RIF Ministers), for the purpose of making ongoing policy and administration decisions for the RIF;
- 19 **noted** that the above group of delegated RIF Ministers is distinct from the RDMG, as the RDMG will solely focus on making investment decisions;

### Investment Strategy

- 20 **noted** that the Minister for Regional Development intends to publish a RIF Investment Strategy to:
- 20.1 provide clear direction for Crown investment under the RIF;
  - 20.2 create clarity to focus resources toward defined investment priorities, maximising the impact of the programme;
  - 20.3 set clear scope and boundaries to enable clear and explicit decision-making, and improve the effectiveness of ongoing monitoring and future evaluation of the programme;
  - 20.4 increase confidence, transparency and clarity for all parties, including prospective applicants, around the eligibility of different projects for each of the funding components;
- 21 **agreed** to the Investment Strategy overview, as set out in Appendix Two to the paper under CAB-24-SUB-0205;
- 22 **noted** that officials will work with relevant agencies to develop position papers for each identified focus area/sector for the RIF, to complement the Investment Strategy;
- 23 **agreed** to delegate decision-making authority for updates to the Investment Strategy and other RIF policy and process documents to RIF Ministers;

### Monitoring and evaluation

- 24 **noted** that the Minister for Regional Development has committed to reporting back to Cabinet before the Confidential advice to Government with a detailed monitoring and evaluation roadmap, which will incorporate performance measures and evaluation milestones, to provide visibility of the ongoing effectiveness of the RIF [CAB-24-MIN-0168.02];
- 25 **agreed** to the overarching framework, as outlined below, that will be used to develop the monitoring and evaluation roadmap, to provide clear guidelines for officials and applicants on the intended outcomes and measures of the RIF;
- 26 **agreed** that the overarching roadmap framework comprise the following:
- 26.1 the purpose of the Monitoring and Evaluation Roadmap, e.g. to guide Kānoa – Regional Economic Development & Investment Unit (Kānoa – RD) to monitor and evaluate the RIF, and understand whether the benefits sought by the programme are being achieved;

- 26.2 a RIF Outcomes Framework, including:
  - 26.2.1 short, medium, and long-term outcomes (as set out in paragraph 29 below), including measurable indicators aligned with each of these outcomes;
  - 26.2.2 data collection and reporting overview, including how existing Kānoa processes and tools can be used to ensure consistent, timely and accurate monitoring and reporting to key stakeholders;
- 26.3 monitoring of the process and lessons learned;
- 26.4 evaluation approach, including:
  - 26.4.1 formative evaluation, including procurement for an independent evaluation approach if appropriate;
  - 26.4.2 identification of potential impact studies;
- 27 **directed** officials to set aside Confidential advice to Gov from the RIF's departmental operating expenditure to support the evaluation of the RIF programme;
- 28 **noted** that the Minister for Regional Development proposes that the high-level and long-term aims for the RIF are to:
  - 28.1 lift productivity in regional economies by increasing the performance of businesses and catalysing the development of new or emerging industries; and/or
  - 28.2 improve the ability for regional businesses and communities to absorb and recover from shocks and adapt to changing conditions;

**Outcomes and measures**

29 **agreed** to the following outcomes and measures:

Short-term (0-3 years)	Medium-term (3-10 years)	Long-term (10+ years)
<p>The RIF will:</p> <ul style="list-style-type: none"> <li>• invest in regional critical needs and opportunities</li> <li>• identify and respond to potential risks and impacts on regional communities</li> <li>• create more value from existing Crown investments and assets</li> <li>• create employment opportunities in developing infrastructure assets</li> <li>• improve access to finance for investors, notably for Māori.</li> </ul>	<p>The RIF will:</p> <ul style="list-style-type: none"> <li>• minimise fiscal impacts of adverse events for communities and authorities</li> <li>• better prepare regions for climate change risks and impacts</li> <li>• increase value of tax dollars invested and returns for Government and taxpayers</li> <li>• create sustainable employment and an upskilled workforce</li> <li>• improve outcomes for Māori through improved economic participation, crowding in of private finance (e.g. increasing capability of financial institutions to work with iwi and invest in whenua Māori).</li> </ul>	<p>The RIF will:</p> <ul style="list-style-type: none"> <li>• improve outcomes for regional New Zealand through addressing of critical infrastructure deficits.</li> </ul>
<p>Indicators of progress include:</p> <ul style="list-style-type: none"> <li>• measure of increased private capital investment in regions through co-funded RIF projects</li> <li>• RIF funding allocated and majority of contracting completed by Kānoa – RD</li> <li>• RIF investments are directly relevant to regional priorities</li> <li>• measured value of investment into resource security and resilience infrastructure</li> <li>• number of people employed on initial projects</li> <li>• value of investments in whenua Māori entities that are able to access funding that were previously unable to do so.</li> </ul>	<p>Indicators of progress include:</p> <ul style="list-style-type: none"> <li>• construction underway/completed on all infrastructure projects</li> <li>• measured value of commercial and/or residential assets protected from investment into resilience structure e.g. floodbanks, drainage</li> <li>• increased innovation spending by entities and businesses invested in</li> <li>• enhanced utilisation and returns for Māori from their assets, increased whenua Māori productivity, including a shift to higher value (instead of high-volume) production</li> <li>• greater proportion of employment in higher wage ranges after investment.</li> </ul>	<p>Indicators of progress include:</p> <ul style="list-style-type: none"> <li>• increased regional economic output post completion of project</li> <li>• greater economic activity (such as faster growing GDP, revenue, improved labour productivity) in the sectors and/or focus areas in which the RIF has invested</li> <li>• growth in supply chain connections for regions, both national and international, including increase in products and services exported out of regions where there have been investments</li> <li>• growth of new and emerging industries (e.g. aquaculture, renewable energy) in regions where there have been investments</li> <li>• growth in the Māori economy post-completion</li> <li>• reduced public spending on adverse events (e.g. severe weather events) in regions invested in.</li> </ul>

30 **noted** that officials will continue to develop the RIF’s measures of success, with a view to having a comprehensive set of baseline measures that can be tracked over time and be included as part of the monitoring and evaluation roadmap;

**Project origination, eligibility and assessment criteria**

- 31 **noted** that Cabinet has agreed to the RIF being delivered through Kānoa – RD [CAB-24-MIN-0168.02, paragraph 24];
- 32 **noted** that Cabinet has agreed that RIF projects will be identified and initiated by a combination of invitation and unsolicited applications [CAB-24-MIN-0168.02, paragraph 23];
- 33 **agreed** that, from 1 July 2024, the RIF will be available for projects invited by Kānoa – RD officials to begin considering an application, and that any interested parties will be able to submit an Expression of Interest in making an unsolicited application to the RIF and begin engaging with Kānoa – RD;
- 34 **agreed** that, to be eligible for RIF support, projects must:
- 34.1 be with a New Zealand-based legal entity (which does not preclude partnering with offshore parties);
  - 34.2 be to deliver on an asset based in one of the provincial regions of New Zealand (i.e. excluding Auckland, Wellington, and metropolitan Christchurch);
  - 34.3 be focused on delivering a ‘hard infrastructure’ asset or completing physical works that protect existing Crown/local infrastructure or assets developed through the RIF;
  - 34.4 contribute to improving the resilience and/or productivity of regional businesses, community and/or the economy;
  - 34.5 fit at least one of the RIF funding component definitions (Resilience or Enabling Infrastructure);
  - 34.6 be connected to regional priorities – demonstrate evidence of relevant regional and local support, either through existing regional development mechanisms, or through another relevant body such as a council, iwi, economic development governance group or other representative group;
  - 34.7 where the investment is for an asset in an individual business:
    - 34.7.1 share benefits or services with other businesses or the community; and
    - 34.7.2 be a business that has a primary focus on one of the following areas: energy security, water security, food security, connectivity (transport solutions or digital connectivity), or growth of a Māori-owned business that is critical to enabling outcomes throughout a community or region;
  - 34.8 show an ability to deliver, including an implementation plan appropriate to the size, scale and nature of the project, robust project governance/decision-making systems, and risk identification and management;
  - 34.9 have a co-funding element (from a private investor, iwi, or other non- government entity) where relevant, while any investments in individual businesses must have an element of co-funding;
  - 34.10 require government financial support to progress or to crowd in private investment (either within the region or elsewhere) – i.e. the project would not otherwise happen without RIF support;




- 34.11 where applicable, involve applicants that pass due diligence checks (e.g., credit check, suitable character);
- 35 **agreed** that the following will not be eligible for RIF support:
- 35.1 projects already funded through the following central government programmes:
    - 35.1.1 social infrastructure (housing and accommodation, schools, hospitals);
    - 35.1.2 large-scale national digital connectivity (broadband) initiatives;
    - 35.1.3 roads of national significance;
  - 35.2 ancillary commercial activity, such as marketing or business development;
  - 35.3 funding for apprenticeships or Vocational Education and Training;
  - 35.4 a project in potable water, wastewater or storm water assets, except for investment in the following that will remain eligible:
    - 35.4.1 rural, community-owned water assets (that are not on the local authority's water network);
    - 35.4.2 water assets that are not 'business as usual' assets and are directly critically-enabling for eligible RIF projects, for example storm water assets that are typically vital to ensure the success of a floodbank project;
  - 35.5 projects that are already underway, unless the applicant can demonstrate why the project would not proceed without RIF support;
  - 35.6 'business as usual' infrastructure maintenance works;
  - 35.7 purchases of land, except in instances where this is essential to the success of an investment-ready infrastructure project;
- 36 **agreed** that projects be assessed against the following criteria:
- 36.1 value proposition – strategic fit, how well does the project fit with the objectives of the RIF, and is there a need for investment;
  - 36.2 impact – the economic case, including direct and spillover benefits from the project (i.e. what is the Crown and regional community, alongside the investor, getting in return from the investment);
  - 36.3 ability to deliver – commercial and management aspects of the project, how well does the project demonstrate its ability to deliver, and what is the financial position of the prospective funding recipient;
  - 36.4 risk assessment;
- 37 **noted** that, from time to time, the Minister for Regional Development expects that officials will draw on expertise from relevant independent experts (for example, with specific industry knowledge), to test the viability of proposed projects deemed to be 'high risk' by Crown Regional Holdings Limited and/or officials, based on scale, complexity, or the level of commercial risk (e.g. the project is in an emerging industry);

## Financial settings

- 38 **agreed** that generally, RIF loans will:
- 38.1 establish terms with a maximum of 20 years (as is more typical for infrastructure projects), depending on project modelling;
  - 38.2 be established with interest rates that are general practice for the infrastructure that is being financed;
  - 38.3 be flexible in repayment terms, for example capitalising interest until a project is generating sufficient revenue;
  - 38.4 offer convertible and/or subordinated debt options;
  - 38.5 take reasonable security within the context of the investment; and
  - 38.6 in the case of concessionary loans, only be offered where a project would otherwise not be viable and has significant public benefit;

39 Confidential advice to Government



- 40 **noted** that the Minister of Finance will agree a Loan and Equity framework, and that the RDMG will consider advice from officials that will recommend the most appropriate investment arrangement for each project proposal, determined as part of the detailed financial and management assessment;
- 41 **noted** that Māori economic development settings will remain flexible, in line with the detailed investment settings of the RIF, to ensure use of the most appropriate investment instrument for each project;

## Administration

- 42 **noted** the governance structures for administering the RIF, outlined in the paper under CAB-24-SUB-0205;
- 43 **agreed** that RDMG meet at least every two months to assess and approve project investment decisions;
- 44 **agreed** to delegate investment decision-making authority for grant investments of \$3 million or smaller to MBIE senior officials;
- 45 **authorised** the MBIE Deputy Secretary, Kānoa – RD, to decline project applications to allow for better efficiencies within the decision-making process;

46 **noted** that the Minister for Regional Development intends to report back to Cabinet before the <sup>Confidential advice to Government</sup> [redacted] with a detailed monitoring and evaluation roadmap, including specific performance measures and evaluation milestones, and any proposed amendments to ensure equity in the application process, to provide visibility of the ongoing effectiveness of the RIF.

Rachel Hayward  
Secretary of the Cabinet