

BRIEFING

Paper seeking Cabinet approval, in principle, to establish the Regional Infrastructure Fund

Date:	20 March 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	2324-2154

Action sought		
	Action sought	Deadline
Hon Shane Jones Minister for Regional Development	<p>Agree to consult your Ministerial colleagues on the paper you intend to take to Cabinet seeking approval, in principle, to establish the Regional Infrastructure Fund (RIF).</p> <p>Agree to officials lodging the paper for consideration by the Cabinet Economic Policy Committee on 10 April 2024.</p>	21 March 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Karl Woodhead	Acting General Manager – Strategy, Planning and Performance, Kānoa – RDU	Privacy of natural persons	✓
Privacy of natural persons	Senior Advisor, Economic Development and Transitions		

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 Withdrawn |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

BRIEFING

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Purpose

To provide you with a draft paper seeking Cabinet approval, in principle, to establish the Regional Infrastructure Fund (RIF), so that you can initiate Ministerial consultation ahead of the paper being considered by the Cabinet Economic Policy Committee.

Recommended action

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

- a **Note** the draft paper seeking Cabinet approval, in principle, to establish the Regional Infrastructure Fund (RIF) (the Cabinet Paper) includes the settings for the RIF you agreed to in December 2023 (briefing 2324-1412 refers), more recent settings you discussed with your Ministerial colleagues, and suggestions provided by your office.

Noted

- b **Note** that officials have developed the Cabinet paper having engaged with a range of government agencies, including both The Treasury and the Office of the Auditor General to incorporate lessons learnt from implementing previous Regional Development funds.

Noted

- c **Note** you:

- i committed, as part of your portfolio priorities, to providing Cabinet with advice by quarter two of 2024 on a fiscally responsible, sustainable funding model for Regional Development investments using returns from existing Regional Development investments
- ii requested advice on integrating the establishment of the RIF with the establishment of this sustainable funding model, which have the potential to be complementary.

Noted

- d **Note** further analysis on the scope and implementation of this new funding approach is required.

Noted

- e **Agree** to separately seek Cabinet approval to establish the sustainable funding model for Regional Development investments to enable clear decision-making and allow for officials to

focus on implementation of the RIF, ready for investment decision-making from July 2024 onwards.

Agree / Disagree

f Confidential advice to Government

Agree / Disagree

g **Agree** to consult your Ministerial colleagues on the RIF Cabinet paper from 21 March 2024 to 2 April 2024.

Agree / Disagree

h **Agree** to officials lodging the Cabinet paper by 10 am Thursday 4 April 2024 for consideration by the Cabinet Economic Policy Committee on Wednesday 10 April 2024, pending any changes required from Ministerial consultation.

Agree / Disagree

i **Note** that, subject to Cabinet approval to establish the RIF, officials will develop:

- i further advice for delegated RIF Ministers to agree detailed RIF settings, before the end of June 2024
- ii further advice to support you in seeking Cabinet approval to establish a sustainable funding model for Regional Development investments.

Noted



Karl Woodhead
**Acting General Manager Strategy, Planning
and Performance, Kānoa – Regional Economic
Development & Investment Unit, Ministry of
Business, Innovation & Employment (MBIE)**

Hon Shane Jones
Minister for Regional Development

..... / / 2024

20 / 03 / 2024

Background

1. We have prepared a draft paper for you to take to Cabinet to seek in principle agreement to establish the Regional Infrastructure Fund (RIF) (the Cabinet paper), attached as **Annex One**. Formal agreement to establish the RIF will be made through Budget 2024.

2. Confidential advice to Government

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Your decisions, meetings with Ministerial colleagues, and consultation across government agencies have informed the draft Cabinet paper

The draft Cabinet paper describes how establishing the RIF will improve access to capital, increase investment in regional infrastructure, and support this Government's objectives.

3. The Cabinet paper includes the RIF settings you agreed to in December 2023 (briefing 2324-1412 refers) and the more recent settings you discussed with your Ministerial colleagues (briefings 2324-1705 and 2324-1893 refer).
4. The Cabinet paper's proposed settings help strike a balance between delivering immediate and efficient impact while ensuring that investment decisions are founded on robust business cases and that the programme's progress is evaluated to ensure it is delivering value for money.

We have developed the Cabinet paper by engaging with a range of government agencies.

5. You instructed Kānoa – Regional Economic Development & Investment Unit (Kānoa – RDU) to lead policy development for the RIF. We have developed the draft Cabinet paper by engaging with The Treasury and the Office of the Auditor General to incorporate lessons learnt from implementing previous Regional Development funds as well as associated reviews.
6. We have also consulted with the Ministry of Foreign Affairs and Trade, the Department of the Prime Minister and Cabinet, New Zealand Transport Agency (NZTA), the Ministry of Transport, the Department of Internal Affairs, Crown Infrastructure Partners, Public Service Commission, the Ministry for Primary Industries, the Infrastructure Commission, Te Puni Kōkiri and the Ministry of Housing and Urban Development. A summary of agency feedback and any resulting changes to the Cabinet paper is included in **Annex Two**.

Key proposed RIF settings

The Cabinet paper proposes that Cabinet delegate decision-making authority to you and the Ministers of/for Finance and Infrastructure as delegated RIF Ministers, while a Regional Development Ministerial Group will approve investment decisions.

7. RIF Ministers, in consultation with other relevant Ministers, would make further decisions about the RIF including:
- (i) Detailed RIF investment strategy (more detailed investment scope)
 - (ii) Financial settings, such as loan repayment terms, approach to equity subscriptions
 - (iii) Detailed design of Māori economic development-enabling RIF settings

- (iv) Establishment of invitation and application processes
 - (v) Eligibility criteria and assessment criteria
 - (vi) Detailed assessment and decision-making processes.
8. This approach ensures further detailed policy and administrative decisions can be made efficiently and, once the programme is live, future settings changes can be made in line with emerging demands and priorities while minimising Cabinet’s administrative burden.
 9. The Cabinet paper proposes establishing a Regional Development Ministerial Group (RDMG), comprising of Ministers from the Finance, Infrastructure, Regional Development, Māori Development, and Local Government portfolios. The RDMG would approve investments (where delegations apply).

The Cabinet paper proposes a scope of investments in line with those you have agreed to, and proposes a consolidated approach with two key funding components, Resilience and Enabling Infrastructure.

10. Our previous advice recommended three funding components of Resilience, Enabling, and Embedding Infrastructure. Feedback from your Ministerial colleagues and your Office has suggested that the RIF would be clearer if the Enabling component and Embedding component were consolidated. This consolidated component is now called Enabling Infrastructure.
11. These changes mean that the RIF can remain flexible to invest in various entities, including private businesses, across both the Resilience and Enabling components. Previously, investment in individual businesses was constrained to the Embedding component, which could have limited the effectiveness of the RIF.
12. The Cabinet paper sets out clear criteria around any investments in individual businesses. This new approach provides clear investment direction and allows the RIF to invest in projects that have maximum benefit in line with its objectives.

The Cabinet paper proposes that the RIF make investments through a mix of loans, equity, and grant investments.

13. The Treasury supports this approach. The proposed RIF settings create a pragmatic approach where loans and equity investments are preferred but grant finance is available to accelerate projects where loans and equity are unviable or where an asset would be more effectively managed as a regional asset.
14. This approach aligns with previous Regional Development funds and with other similar ‘public good’ infrastructure Crown investments, such as those made through NZTA.

The Cabinet paper proposes that the RIF target a greater proportion of funding towards public infrastructure to realise significant broader benefits to New Zealanders.

15. Confidential advice to Government
 - [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]

- 16. RIF investment in projects in the Enabling Infrastructure component will demand greater co-funding contribution from the non-government investment partner(s), so the amount of funding proposed for this component is not as high as for the Resilience Infrastructure component.
- 17. The indicative funding proportions outlined in the Cabinet paper are necessary for Budget 2024 appropriations, however the Cabinet paper aims to ensure that these amounts are flexible, so that the RIF can respond to demand as the programme is delivered.

We propose that the RIF use a mix of invitation and application processes to initiate projects, and that the settings enable this to remain flexible to respond to priorities.

- 18. This proposal enables a regionally led approach where officials can work with regions to identify and invite suitable projects in line with regional priorities, while ensuring an application process uncovers projects that might otherwise not be identified.
- 19. This proposed approach also strikes a balance between allowing for a broader range of projects to be considered, ensuring equal opportunity to access funding for a range of regions, while reducing the administrative burden on applicants and officials, and the decision-making burden on Ministers.

The RIF can help realise the potential of the Māori economy.

- 20. Kānoa – RDU has strong regional presence and relationships with local communities, including Māori. There is strong demand from Māori for investment in various forms of new infrastructure and existing infrastructure. The Cabinet paper proposes Cabinet direct officials to provide delegated RIF Ministers with a detailed design of policy settings that help realise the potential of the Māori economy by addressing some specific barriers and challenges that are unique to Māori.
- 21. The RDMG is proposed to include the Minister for Māori Development, so RIF Ministers may decide to engage the RDMG to provide input on how the RIF could support Māori economic development.

We recommend separately seeking Cabinet approval to establish the sustainable funding model for Regional Development

- 22. A sustainable funding model for how Government supports ongoing Regional Development interventions has the potential to be complementary to the RIF. However further analysis on the scope and implementation of this new funding approach is required.

23. Confidential advice to Government 

24. Confidential advice to Government 

25. Confidential advice to Government 

Next steps

26. We recommend you consult Ministerial colleagues on the Cabinet paper from Thursday 21 March 2024 to Tuesday 2 April 2024, including the Ministers of/for Finance, Infrastructure, Māori Development, and Local Government.
27. Pending any changes required from Ministerial consultation, we seek your agreement to officials lodging the Cabinet paper by 10 am Thursday 4 April 2024, for consideration at the Cabinet Economic Policy Committee (ECO) on Wednesday 10 April 2024. Subject to ECO approval, Cabinet would consider the Cabinet paper on Monday 15 April 2024.
28. We will provide you with an aide memoire on 4 April 2024 to support your attendance at ECO.
29. Subject to Cabinet approval, you are on schedule to launch the RIF as part of Budget 2024.
30. Once you have approval from Cabinet to establish the RIF, officials will develop further advice for delegated RIF Ministers to agree detailed RIF settings, before the end of June 2024. We will also develop further advice to support you in seeking Cabinet approval to establish a sustainable funding model for Regional Development investments.

Annexes

Annex One: Draft Paper seeking Cabinet approval, in principle, to establish the Regional Infrastructure Fund.

Annex Two: Key agency feedback on draft Cabinet paper.

Annex One: Draft Paper seeking Cabinet approval, in principle, to establish the Regional Infrastructure Fund

Attached separately.

Annex Two: Key agency feedback on draft Cabinet paper

Agency	Key feedback	Our response
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Confidential advice to Government, Free and frank opinions

