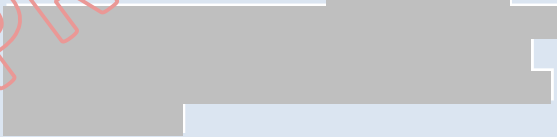


COVER SHEET

2.20 Southland Business and Community Led Co-Investment (COIN) Network Application	<p style="text-align: center;">For: Approval</p>
Background & context:	Recommendation:
<p>Applicant Organisation:</p> <ul style="list-style-type: none"> Invest South (a Community Trust of Southland subsidiary) <p>Location:</p> <ul style="list-style-type: none"> Invercargill, Southland <p>Proposal:</p> <ul style="list-style-type: none"> Establishment of a membership-based investment network to mobilise Southland's private investment potential. This application will establish the physical facilities and human capability to pair early stage and fast growing companies with investors. This has potential to grow employment while boosting regional GDP. The application is structured so that by Year 3, it is financially Commercial Information due to its strategic partners, encompassing Iwi, commerce, education and local government. <p>Funding Sought:</p> <ul style="list-style-type: none"> Year 1: \$ Commercial Inform Year 2: \$ Commercial Inform Year 3: \$ Commercial Inform TOTAL \$ Commercial Inform (Comm %) <p>Co-funding from partners:</p> <ul style="list-style-type: none"> Year 1: \$ Commercial Inform Year 2: \$ Commercial Inform Year 3: \$ Commercial Inform Commercial Information Year 4: \$ Commercial Inform TOTAL \$ Commercial Inform (Comm %) <p>Background:</p> <ul style="list-style-type: none"> Of New Zealand's regions in 2017, Southland ranked tenth out of 15 in terms of regional GDP. This application aims to shift that dial and arises 	<p>We recommend that the IAP/ SROs:</p> <ul style="list-style-type: none"> Approve this application subject to the conditions below being met to the satisfaction of the head of the PDU. <p>Conditions</p> <ol style="list-style-type: none"> Legal commitments from strategic partners to co-invest in line with the budget provided by the applicant An appropriate governance structure that is distinctive from Invest South An agreed process for qualifying early stage/fast growing companies Detailed milestones against which PGF funding will be progressively drawn down.

from the Southland Regional Development Strategy (SoRDS). This strategy identified a gap for a business network designed to marry early stage and fast growing businesses with willing investors. It is about mobilising Southland's latent private investment potential.

- The application for a Southland Business and Community Led Co-Investment (COIN) Network comes from Invest South; a Community Trust of Southland subsidiary. The proposed Network focusses on retaining and growing early stage businesses that would likely relocate in order to attract capital. The application is not an investment fund. It is an investment ecosystem and network for early stage and fast growing businesses to obtain capital and advice. COIN will further 'curate' co-working spaces to assist such businesses with the resources and support they need. The applicant notes that in 2017, a record \$86 million was invested nationally into 111 early stage companies (Young Company Finance Index). It is likely that Southland was under-represented in this figure.
- The Strategic Partners, which straddle local government, business, academia, the community and Iwi, are committed to COIN long term. They will replace PGF's initial support and ongoing finance will also come from sponsorship, corporate membership (most likely nominee companies) and individual investor-members. Commercial Information

- This application targets capability building for business and is something that the PGF Investment Statement supports. COIN follows a model employed in other regions, such as Bay of Plenty's Enterprise Angels, which has provided advice to COIN. Since launching in 2008, Enterprise Angels claims to have facilitated \$Commercial Information worth of investment in Commercial Information stage and established businesses. COIN aims to fulfil a similar role in Southland; becoming a catalyst and network for local investors. Not only this, but COIN will also help to stimulate and validate entrepreneurial concepts.

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<ul style="list-style-type: none"> COIN aligns with what the OECD noted in 2011 with regard to financing high growth firms: <p><i>“Entrepreneurship does not operation in a vacuum. It can only flourish in a healthy entrepreneurial ecosystem in which a range of stakeholders play a role, including entrepreneurs, investors, large companies, universities, governments, services providers, etc. Governments can help by making sure the appropriate legal and financial framework conditions are in place and by addressing market failures. However, the main actors in building the angel market must be angel investors themselves”.</i></p> Creating an investment ecosystem lies behind the COIN application for Southland. It will further work with Venture Southland as the Regional Business Partner for Callaghan Innovation and NZTE. Venture Southland will be a referral source into COIN for those businesses seeking for capital and support. COIN will continue this relationship with the new SRDA (the new EDA – to be established by February 2019). 		
PGF criteria that this proposal supports:		
PGF Criteria	Assessment Commentary	Rating (1✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	<ul style="list-style-type: none"> PGF funding will result in Comme FTE’s related directly to COIN. The real power of the application comes in business growth/expansion and job creation across a number of industry sectors by matching private investors with early stage and fast growing businesses. 	✓✓✓
Delivers benefit to the community	<ul style="list-style-type: none"> The investment network that COIN will catalyse has potential to unlock significant economic growth. This has potential to boost regional GDP, better manage natural resources and unlock Iwi entrepreneurship. 	✓✓✓✓
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> Commercial Information is a Strategic Partner (in principle) with COIN. As part of Ngāi Tahu regional economic development and whanau enterprise ecosystem, it views COIN as a significant component 	✓✓✓✓

	to supporting regional growth for Maori in enterprise.	
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> While not directly applicable to this application, it is highly likely that this will be a feature of businesses it will catalyse, given 18% of New Zealand's physical exports come from the region. 	✓✓✓
Mitigation of climate change effects	<ul style="list-style-type: none"> While not directly applicable to this application, it is highly likely that this will be a feature of businesses it will catalyse, given the trajectory of government policy to reduce ruminant agriculture while adding value to what is currently being produced. 	✓✓
<ul style="list-style-type: none"> Additionality 		
Adding value by building on what is already there	<ul style="list-style-type: none"> This investment network fills a gap in the investment eco-system within Southland. As such, it greatly aids the ability of promising start-ups and early stage companies to grow. 	✓✓✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> The potential is vast, as it will marry willing pre-qualified investors to early stage / fast growing companies. This will act as a regional super charger. 	✓✓✓✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> The application aligns with the Southland Regional Development Strategy and is supported by the four councils (with Environment Southland being a financial strategic partner). 	✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> Financial support for four year budget as well as letters of support from: <ul style="list-style-type: none"> Environment Southland; Community Trust of Southland; Southland Chamber of Commerce; Southland Institute of Technology; and Te Rūnanga o Ngāi Tahu 	✓✓✓✓
Governance, risk management and project execution		
Robust project management and governance systems	<ul style="list-style-type: none"> Invest South is the 'parent' and is a subsidiary of the well-regarded Community Trust of Southland. Confidence in Invest South's governance is high. The Governance Structure for COIN itself will need to be documented and is a draft condition. 	✓✓
Risk management approach	<ul style="list-style-type: none"> As COIN is an investment network, it does not have direct exposure to risk as that is carried by the private investors it will introduce to early stage 	✓✓

	companies.								
	<ul style="list-style-type: none"> PGF is not investing in the companies themselves. 								
Future ownership / operational management	<ul style="list-style-type: none"> The business plan is financially stable for Years 1 to 4 with the Community Trust of Southland as the ultimate parent (and strategic investor). Ultimately its sustainability hinges on curating a successful investment ecosystem. 								✓✓
The purpose of this briefing is to consider recommending/ declining PGF funds to the:									
Risk Issues:									
<p>Reputational:- As COIN is a network to marry investors with early stage/fast growing companies, there is a risk of reputational backwash if the network fails to deliver. This is mitigated by tying PGF funding to performance milestones.</p> <p>Bias:- Unsuccessful early stage companies may accuse COIN and its investors of bias. This is mitigated by structures around pre-qualifying such companies coming forward for investment.</p> <p>Eligibility points of note:</p> <ul style="list-style-type: none"> <i>Due diligence:-</i> Full due diligence is to be completed. <i>Conflict(s) of interest:-</i> Based on the information provided no conflict of interest is evident noting that full due diligence will inform this item further. <i>Illegal Activity:-</i> Based on the application information provided there is no indication that the applicant or project has been involved in, or associated with illegal activity. <i>Alignment with Regional development plans:-</i> The application is focused on Southland but could stretch into Central Otago. <i>Commercial funding availability:-</i> Partner funding and deals will be COIN's sustainable funding stream. PGF investment is a means to bridge the gap between start-up and sustainability. 									
Consultation undertaken or implications:									
Legal	N/A	HR	N/A	Finance	N/A	MBIE policy	N/A	Other	Applicant
Supporting proposal:				Yes					
Appendices:				Yes - Commercial Information					
Sponsor(s):				N/A					
Manager/Author of paper:				Privacy of natural persons, Investment Director / David Broome, Senior Regional Advisor					