



Aotearoa Social Enterprise Trust

Project overview

Name of the project	Aotearoa Social Enterprise Trust
Region	Tairāwhiti
Tier and type	Tier 1: Regional (Skills/food processing)
Applicant	PSA Capital
Total project value	\$ ^{Commercial Information}
Amount of funding sought from the PGF	Requested: \$ ^{Commercial Information} PDU recommendation: \$2 million
Financial instrument	Grant/Loan
PDU recommendation	Approve

80. Aotearoa Social Enterprise Trust (ASET) seeks \$^{Commercial Information} from the PGF to construct a food processing facility, and to support the employment and training aspects of the ASET programme.
81. ASET currently helps Tairāwhiti's harder to place workforce members through training and support services. ASET are seeking PGF funding to significantly scale up their food processing facility that is used to provide employment and training opportunities for people in their programme. PGF funding will act as an enabler and catalyst for ASET. It will increase ASET's ability via capacity to employ and offer services to more of Tairāwhiti's hardest to place workforce.
82. This project was approved for funding on 5 November 2018 by Regional Economic Development (RED) Ministers, but without a specific funding amount. The project was approved in conjunction with another project, **Commercial Information**
83. After working with both ^{Commercial Information} and ASET it was established the two could not achieve their individual goals within such a construct. The result has been the **Commercial Information**. However, ASET has not progressed.
84. ASET has established a good reputation in its relatively short existence, delivering strong outcomes including employment for ^{Comme} people. However, this project represents a significant increase in scale.



PDU recommendation

85. The PDU recommends that you approve ASET's application for **\$2 million**, subject to:
- Confirmation that all consents required to establish the facility have been secured
 - Establishing a mechanism that limits Trustees' fees
 - The facility being owned for the community (by an independent party) to enable an alternative provider to use it should ASET cease operation
 - Working being done to ensure the capital expenditure being spent is appropriate
 - Confirmation ASET has sufficient operating expenditure
 - The PDU receiving a copy of Eastland Community Trust's (ECT) procurement process and working with ECT to ensure procurement is undertaken in accordance with this process.
86. The grant/loan mix will be determined by the PDU following approval. The PDU will consult with MPI and MFAT on the activities which would be funded by grant or loan to minimise the risks to our international obligations and existing trade policy settings.
87. The PDU has assessed that risks are evident in providing the requested funding of \$^{Commercial Information}, noting this would be a significant increase in ASET's operation. A reduced funding amount of \$2 million will de-risk the investment while still providing ASET with sufficient funding to establish a processing facility. This approach recognises that ASET is not currently operating at close to the proposed level associated with this application.
88. The PDU also recommends a construction plan milestone-based funding agreement, based on a ^{Comme} per cent initial payment on signing of the agreement followed by three payments across the construction period, holding back \$^{Commercial Information} for the final report.
89. **Commercial Information**

Local support

90. ASET has provided a number of letters of support from the region including: ^{Commercial Inform}. However, support is for ASET's activities in Tairāwhiti, rather than specific support for this application.

Governance

91. Due diligence has been carried out on ASET. Trustees are Meng Foon, Larry Foster, Ernst Packer and ^{Commercial Information} ^{Commercial Information} is the possible project manager.
92. MSD and TPK have provided information about the management structure and confidence is noted with MSD and HPR currently funding ASET.



93. Commercial Information

Benefits

94. ASET works with 'harder to place' members of the community and HPR, TPK and MSD have noted they are achieving good results. The social enterprise model seeks commercial outcomes (generation of profit) but via the achievement of social outcomes and benefits. While efficiencies are therefore likely to be below a strictly commercial operation, the wider goal of ASET is to provide better social outcomes.
95. ASET has noted a number of goals associated with the scale up of their operation and is seeking to implement these by 2020:
- Increase of the number of people employed by ASET (currently ^{Comm})
 - Achieve an average wage of \$^{Commercial Inform} for each employee by 2020
 - Grow produce not currently grown in the region to avoid displacing existing providers
 - Be profitable and use those profits to contribute to reducing poverty and increasing education in Tairāwhiti.
96. The model will help offset the requirement for government funding by generating commercial returns, while still delivering social services including workforce training for some of the regions hardest to place members.

International Obligations

97. MFAT understands this funding is to construct a food processing facility, with other sources being used to support the employment and training aspects of the application. As the funding mix will include a grant and ^{Commercial} loan, this is a subsidy under the Agreement on Subsidies and Countervailing Measures. If the subsidy is contingent on expanding exports, then there is a risk of it being a prohibited export subsidy.
98. Since the funding is to be used for building a food processing facility, the disciplines of the Agreement on Agriculture also apply. As a direct payment to a factor of production (capital), there is a high risk of this falling into the Amber Box, contrary to our existing trade policy settings.
99. This risk is mitigated somewhat by the scale of the proposal and its community-based themes, including supplying domestic retailers with produce.
100. To reduce risks further, MFAT recommends:
- Providing funding for capital expenditure on a commercial basis (in which no subsidy would arise).
 - If a commercial loan is not possible, seek to re-shape the application to focus output on domestic sales rather than exports.
 - Ensure any communications plan reduces the emphasis on exports.



Costs and funding sources

101. The final grant/loan mix for this project is yet to be determined. ASET is seeking funding via a grant. ASET, however, generates revenue from the sale of processed produce. Conversely, ASET provides a proven model of training and pastoral care to the region's harder to place workforce members - work typically funded via a grant.
102. A third option is to develop a grant/loan. The PDU could develop a loan that would seek repayment that was tied to revenue, while acknowledging the social service component of ASET's activities.
103. Co-funding for this project has been secured. ^{Commercial} [redacted] is the largest co-funder. (\$ ^{Commercial Information} [redacted] grant). ^{Commercial Info} [redacted]'s funding is dependent on PGF funding being secured.
104. ASET's model has elements of social enterprise, seeking commercial outcomes while incorporating social benefits (training people and pastoral care). This mix of Trust goals makes it difficult to access commercial funding. While this application to the PGF is a one-off, ASET will continue to seek funding for the provision of services from government.

PDU assessment of the project

105. This section provides an overview of PDU's assessment against the PGF eligibility and assessment criteria.

Assessment against PGF criteria

Criteria	Rating (1✓ to 5✓)	Comment
Sustainable regional economic development	✓✓✓✓	ASET seeks to work with traditionally hard to place people and has achieved a track record of providing employment for such individuals. This service is of benefit to the community and ASET has the support of, among others, MSD, HPR and TPK.
Productivity and innovation	✓✓✓	While the expansion of ASET's operation will bring additional economic activity to the region, and they note increasing GDP in the region is a goal, the opportunity to place an increased number of the region's 'at risk youth' and long-term unemployed into work, offers wider potential for increasing regional gains via better social as well as economic outcomes.
Increased employment, training	✓✓✓✓	ASET currently employs ^{Comme} [redacted] FTEs. Its goal is to continue working with the region's



Criteria	Rating (1✓ to 5✓)	Comment
or work readiness for the sectors workforce		long-term unemployed and hard to place workers to increase the number of well paid, year round jobs.
NZ's ability to meet climate change commitments	N/A	
Māori aspirations for utilising land and other resources and achieving cultural objectives	N/A	
Additionality	✓✓✓	ASET is a current provider of services associated with training and employment for long-term unemployed. They are seeking to expand their operation, thus, extending the opportunity to provide additional employment opportunities.
Connections and alignment with regional priorities	✓✓✓✓	Broadly, the project seeks to increase economic activity via increasing employment and, harvesting and manufacturing in the primary sector. These are noted as priorities in the Tairāwhiti Economic Action Plan.
Environmental sustainability and/or productivity of natural assets	N/A	

Agency comment

Te Puni Kōkiri

106. TPK considers this project would provide a positive contribution to Māori particularly regarding the upskilling and employment of whānau Māori. Tairāwhiti has a high number of unemployment and a high number of NEETS. This initiative would support filling this gap and will contribute to the decrease of these numbers.
107. TPK has not been directly involved in this application to PGF, however based on their previous track record and results, TPK has provided and supported previous funding to ASET to increase their capability and capacity to help unemployed Māori into career pathways.

Risk assessment

35. The following risks have been identified:



Risk description	Mitigations	Risk Rating L/M/H
Scale up	Reduce the scale of the project to reduce the risk of over reach.	L/M
Construction slippage	Careful procurement process and reference check for contractors.	L/M
Cost increases	Fixed price contracts.	M

Recommendations and next steps

108. The PDU recommends that you approve ASET's application for **\$2 million**, subject to:

- a. Confirmation that all consents required to establish the facility have been secured
- b. Establishing a mechanism that limits Trustees' fees
- c. Confirmation that all consents required to establish the facility have been secured
- d. The facility being owned for the community (by an independent party) to enable an alternative provider to use it should ASET cease operation
- e. Working being done to ensure the capital expenditure being spent is appropriate
- f. Confirmation ASET has sufficient operating expenditure
- g. The PDU receiving a copy of ECT's procurement process and working with ECT to ensure procurement is undertaken in accordance with this process.

109. The grant/loan mix will be determined by the PDU following approval. The PDU will consult with MPI and MFAT on the activities which would be funded by grant or loan to minimise the risks to our international obligations and existing trade policy settings.