



Monitoring, Evaluation and Reporting update

Purpose

This paper provides Regional Economic Development (RED) Ministers with an update on Provincial Growth Fund (PGF or Fund) monitoring, evaluation and reporting.

Reporting

Overall progress on implementing the PGF is captured in the three-yearly DEV progress report, consisting of a briefing and A3 infographic, that draws on information from all the agencies involved in delivering the Fund. The second report for the period ending February 2019 has developed substantially since the first report delivered in October 2018 and will continue to evolve as new types of information become available.

Ministers also now receive a monthly PGF distribution dashboard that is more operationally focused and also provided to the Independent Advisory Panel (IAP) and Ministry of Business, Innovation and Employment (MBIE) senior leadership.

Both reports include headline information on the total amounts committed from the fund by sector and region. The DEV progress report also provides information about the distribution of funding for specific projects and how these have translated into contracts and monetary disbursements to recipients.

Systems to provide more comprehensive information on the progress of contracted projects and performance of the overall portfolio continue to be developed. It is anticipated that reporting to RED Ministers on this will be available in the next couple of months for projects managed by the PDU and for the whole portfolio as part of the DEV report for the period ending June 2019.

Evaluation

In February 2018 a commitment was made to evaluate the PGF's progress by the end of 2020 to inform future Government decisions on regional investment. This evaluation will be early in the life of investments approved under the PGF so its broad objectives will be to:

- provide an understanding of how the PGF has operated and contributed to regional outcomes;
- identify early markers of success; and
- highlight any ways the Fund can better achieve its outcomes.



MBIE's Evidence & Insights branch are helping with development of the framework for the 2020 evaluation, and the Provincial Development Unit (PDU) is also supported by a cross agency governance group and working group.

It is anticipated that the evaluation will be based around the PGF indicators of effectiveness. As part of this, the evaluation will consider the effectiveness of the PDU and partner agencies in delivering high quality applications and projects that deliver on the PGF's objectives. To the extent possible at that time, the evaluation will also consider the outputs and direct impacts of PGF investments. Finally, the evaluation will attempt to track indicators associated with the PGF's nine broad outcomes. However, as was noted to Cabinet in February 2018, observable improvements in regional indicators may take at least two to three years after investments have been made by the PGF and so it is unlikely that meaningful information on the impact on outcomes will be available in the lifetime of the PGF.

We anticipate bringing the evaluation framework to RED Ministers in mid-2019.

Lessons learnt

Through the PGF's investment in productivity potential, the Government's objective is to invest in opportunities that will improve regional economic and social outcomes. The PGF is an opportunity for Government to operate differently – to invest alongside regions and to move at pace across a range of investment areas (skills, business, infrastructure) within a three year timeframe. Observations of the experience of setting up and allocating the PGF, PDU and associated cross-government working arrangements and working with applicants:

Set up

The Government began the investment of the PGF while establishing the PGF framework and institutions. This was beneficial in enabling progress to be made on issues that had been of importance in the regions for some time. At the same time, developing a three year, \$3 billion fund was largely new territory for all involved and required significant development work around approach and process. While challenging, this situation led to the development of a number of innovative approaches to public sector policy (such as investment to support the engines of productivity) and public sector delivery (such as integrated regional packages, enhanced SRO arrangements and more focused engagement in the regions to identify priorities). While there has been high levels of public interest in the projects that the PGF has invested in, the public's understanding of the PGF itself may not be very strong.



Allocating the PGF

The PGF has made provision for investments in skills, infrastructure (land transport, water storage and digital connectivity) and Whenua Māori. The remainder of the PGF has been open to other types of investments. This has ensured a wide spread of applications have come forward for consideration. It has meant that those projects that are quicker to get up and running have been progressed, such as in the tourism sector. As the uncommitted funding in the PGF reduces, decisions about how this can be allocated could focus on projects or sectors of particular interest to the Government.

The three year timeframe of the PGF is a defining element of the Fund, driving an acceleration in the timeframes for development of projects and investments and focusing investment on the range of potential projects that can be undertaken with immediate impact. This timeframe has meant that some potential investments have not been progressed because they would not be sufficiently underway in PGF timeframes, e.g. Kiwirail's forestry rail proposal. However, this ensures the impact of the PGF will be felt as soon as is possible in the regions. There has been no shortfall in potential opportunities for investments that could be underway within the PGF timeframes. Some of the feasibility studies funded by the PGF will not be taken through to delivery, given the timeframes remaining in the PGF. They will, however, provide future Governments with good information on projects that could be undertaken post 2020.

Cross-government working arrangements

Delivering on the PGF has at times required a shift in the way the public sector operates, in relation to:

- shifting from an economic and social perspective focused on national outcomes to understanding the specific investments that could unlock the potential of the regions
- changing processes within and across agencies to enable the PGF to deliver at pace
- recalibrating risk assurance approaches to be effective and fit for purpose for the PGF
- working together to use PGF funds to achieve the objectives of the PGF (which may not be the same as other departmental and Ministerial objectives but may be in their patch).

While this has at times been challenging, it provides a practical example of what whole of government delivery involves – the benefits and the dynamics to be managed by the public sector.



Working with applicants

The PGF has received almost 1000 applications in a little over a year. Providing feedback and advice that is timely and clear has been an ongoing area of focus for the PDU and other PGF agencies in this context.

The PGF is often seen as a 'funder of last resort', for projects or work programmes that have not been able to source funding elsewhere. A significant number of requests for funding come forward from communities, regions, private sector parties and government agencies that are declined because of poor fit with the PGF's objectives. In part, this is due to the open nature of the PGF and the desire to attract a wide spread of applications. In part, it is due to the lack of public understanding of the PGF as noted above, and in part it is due to other funding options not being available in other parts of government or the economy.

The PGF's applications have come from individual projects and as part of integrated regional packages, both of which have required PGF officials to be familiar with the needs and desires of the regions. Much knowledge has been built up over this time, which will be valuable for the Government in determining the approach it wishes to take to regional economic development once the PGF has been fully committed.

Implementing the PGF - progress to date and challenges

The PDU has advanced a full work programme to enhance the maturity of many of its processes and systems, encountering and addressing set-up challenges as part of this process.

One challenge encountered was in ensuring the appropriate levels of due diligence, assessment and governance to support decision-making. Limited due diligence was undertaken prior to announcing funding Renew Energy Limited for a waste to energy feasibility study. Following a review into the Waste-to-energy decision, due diligence is conducted on applicants and key personnel before funding is approved, announced and contracted. The PDU has established the appropriate level of due diligence, assessment and governance arrangements to support robust decision-making.

Progress has also been made in ensuring systems and processes exist to manage conflicts of interest for staff and contractors. To manage conflicts of interest PDU applies MBIE's conflict of interest policy and procedure, which apply to employees, contractors, consultants, secondees, interns and volunteers. MBIE's process is also used for Senior Regional Officials (SROs) and the IAP.

To deliver on the objectives and priorities of the Fund, the Investment Guide Powering up Aotearoa – New Zealand's Regions was launched in August 2018. Over 2018, the Cabinet has set a clear direction in relation to infrastructure investments and skills, employment and capability to support the regions to be well



connected, meet emerging regional needs and deliver sustained employment outcomes. A new operational model with a strong regional presence has been implemented to strengthen the delivery of the PGF, be highly responsive and engage directly with local communities. Each region has a dedicated SRO supported by staff located both in Wellington and respective regions.

The PDU has also encountered challenges in setting up a system to manage and handle the large numbers of queries through Official Information Act requests and parliamentary questions. In response, the PDU has begun pro-actively releasing papers, reports and decisions on the Grow the Regions website.

The Auditor-General made recommendations regarding improvements needed in several areas to give assurance over matters of probity, and to strengthen processes, appropriation structures, monitoring, and evaluation in respect of the PGF. The PDU continues to engage with Audit New Zealand to update them on actions taken in light of their recommendations, to provide assurance that the PGF is effectively administered and that the PDU has appropriate systems, processes and guidance in place. As we further develop our systems and processes we do so in a manner that is appropriate and will meet Government's objectives for the PGF.

PROACTIVELY RELEASED