



PROVINCIAL GROWTH FUND UPDATE TO WIDER REGIONAL ECONOMIC MINISTERS

PURPOSE

1. The purpose of this paper is to update the wider Regional Economic Development Ministers on the Provincial Growth Fund since its launch just over 100 days ago on 23 February 2018.

THE PROVINCIAL GROWTH FUND

Overview

2. The Provincial Growth Fund (PGF) was officially launched on 23 February 2018. The introduction of the PGF represents a significant opportunity for regional economic development and is a centrepiece of the Government's commitment to economic growth that is sustainable and benefits all New Zealanders.
3. The PGF aims to lift productivity potential in the provinces. Its priorities are to enhance economic development opportunities, create sustainable jobs, enable Māori to reach their full potential, boost social inclusion and participation, build resilient communities, and help meet New Zealand's climate change targets. An overview of the
4. All provinces are eligible for funding, however, Tairāwhiti/East Coast, Hawke's Bay, Tai Tokerau/Northland, Bay of Plenty, West Coast and Manawatū-Whanganui have been identified for early investment. **Appendix I** provides further information on the PGF.

Highlights since the launch of the PGF

5. A significant amount of progress has been made to support the effective delivery of the PGF. Since the launch of the PGF just over 100 days ago, some of the highlights include:
 - **240 projects** have been lodged
 - of the **240 projects**, **112** are applications, seeking funding of **\$300m** and over half of the projects have funding committed
 - up to \$^{Commercial Information} of funding has been announced and all funding announcements are published on the Ministry of Business, Innovation and Employment's website. For context, this is nearly three times the amount of the previous Regional Growth Programme.
 - Significant funding announcements to date include:
 - **\$20m** for Taranaki on 6 April 2018
 - **\$46m** investment package for Northland on 1 June 2018
 - **\$10m** for Ruapehu Alpine Lifts on 15 June 2018.
 - contracts to the value of \$^{Commercial Information} are being drafted and contracts with a value of \$^{Commercial Information} are being negotiated. Executed contracts are to the value of \$^{Commercial Information}.



6. **Appendix II** provides a status update of the PGF as of 20 June 2018.

The Provincial Development Unit

7. The Provincial Development Unit established to implement and administer the PGF has introduced the following processes and systems required to scale up and maintain the integrity of the Fund:
- PipeDrive - a cloud-based client relationship and pipeline management system to manage PGF applications at speed
 - new application and assessment forms that reflect prudent approaches to due diligence practice
 - applicants are required to declare that they have not been convicted or are under investigation for any offences
 - contract templates are proportionate to the level of risk.

The Investment Statement

8. A strategy, by way of an Investment Statement has been developed to provide further guidance to applicants about the Government's approach to and priorities for the PGF. The Investment Statement has been developed with input from Ministers, senior leaders, commercial experts, the Independent Advisory Panel and the Chair of the Māori Economic Development Advisory Board. The Investment Statement covers nine aspects:
- a. Geographic scope
 - b. Regional action plans
 - c. PGF allocation
 - d. Capability development
 - e. Sector priorities – tourism, food and beverage, forestry
 - f. Infrastructure priorities – road, rail and digital
 - g. Supporting Māori economic development
 - h. Operationalising the PGF
 - i. Cost-benefit analysis
 - ii. Relationship of PGF to other government funds and programmes
 - iii. Co-contributions and co-investments
 - iv. Risk
 - v. Funding instruments
 - i. Measuring performance of PGF.

9. Shortly, the Investment Statement will be publically released

FOCUS FOR THE NEXT SIX MONTHS

10. While a significant amount of progress has been made to implement and administer the Fund, further work is required to continue to build the pipeline of investments and achieve the objectives of the PGF.
11. It is expected that the majority of the Fund would be largely committed by 2020 and the



objective is to achieve a balanced portfolio of investments. This will require a front-end loaded effort over the next 12-18 months focusing on:

- Mobilising government, the Independent Advisory Panel and different commercial players to support regions to bring forward high quality proposals that are decision-ready
 - Implementing a new regional operating model to better integrate government
 - Implementing an accelerated process for low value (<\$100k)/low risk projects
 - Operationalising the Investment Statement
 - Targeted engagement in the regions and with sectors to promote the Fund and the Investment Statement
 - Refreshing Regional Action Plans, taking into account the priorities and criteria of the PGF
 - Commencing a series of regional engagements for the Minister and the Under-Secretary, combined with a package of announcements
 - Developing integrated investment packages focusing following regions over the next six months – Hawke’s Bay including Wairoa, Tairāwhiti-East Coast, Bay of Plenty including Opotiki, Manawatu/Whanganui, West Coast and Southland
 - Developing a set of sector-led investment proposals.
12. The PD J leadership team will discuss the focus for the next six months with you on Monday 25 June. Material to support this discussion will be tabled at the meeting.



APPENDIX 1: PGF TIERS AND CRITERIA

The Fund has three investment tiers:

1. Regional projects and capability: Support of economic development projects, feasibility studies and capability building identified by the regions.
2. Sector investment (including One Billion Trees programme): Investment in initiatives targeted at priority and/or high value economic opportunities.
3. Enabling infrastructure projects: Investment in regional infrastructure projects that will lift productivity and grow jobs.

There are no set limits for funding. Applications will be assessed against these criteria.

Projects will be assessed against four criteria:

4. Link to Fund and government outcomes – The project should lift the productivity potential of a region or regions, and contribute to other objectives. These include jobs, community benefits, improved use of Māori assets, sustainability of natural assets, and mitigating and adapting to climate change.
5. Additionality – The project needs to add value by building on what is there already and not duplicating existing efforts. The project also needs to generate clear public benefit.
6. Connected to regional stakeholders and frameworks – Projects must align with regional priorities. They will need to have been discussed and agreed with relevant local stakeholders.
7. Governance, risk management and project execution – Projects will need to be supported by good project processes and those involved should have the capacity and capability to deliver the project. Projects need to be sustainable in the longer term beyond the Fund's life.

Projects will also be assessed to ensure that any investment fits with their scale and risk profile. The overall package of investments will be tracked to ensure strategic fit. Individual projects need to support and build on one another.