

2.12 Okaroro Incorporation (Inc) Whenua Whakatupuranga Project

Evaluation, Cover Sheet and Decision Form

Project:	Okaroro Incorporation (Inc) Whenua Whakatupuranga Project		FOR:	Approval
Applicant:	Okaroro Inc		Pipedrive ID:	Commercial I
Application type:	WM	(A) Total Project Value:	\$ Commercial Informat	
Funding type:	Grant	(B) PGF Funding Sought:	\$ Commercial Informat	
Entity Type:	Incorporated Society	(C) PGF Funding Recommended:	\$ Commercial Informat	
Region:	Northland	(D) Applicant Contribution:	\$ Commercial Inform	
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Com %	
Sector:	Agriculture / Horticulture			
Application summary:	<p>Okaroro Incorporation (Inc) was established in the 1950s to manage 1,496 hA of land on behalf of 263 shareholders with lineage to Ngati Te Tarawa (hapu). The farm is in a remote area of the Bay of Islands (Motatau) and is 57 kilometres north-west of Whangarei.</p> <p>Commercial Information, Okaroro Inc obtained farm advice which identified the following work needed to be completed in order for benefit to be realised from the whenua:</p> <ul style="list-style-type: none"> • Fencing and riparian planting of 14km of waterways (\$ Commercial Informat) • Commercial Information • Upgrade of 5km of roading along Tipene Road (\$ Commercial Informat) • 10km of electric fencing to allow for better stock management (\$ Commercial Informa) <p>PGF support is being sought to fund the above activities. The applicant has also included \$ Commercial Inform for project management to ensure that the Commercial Informat project is completed on time and to specification. The work will allow for better pastoral management of the farm so that it can be operated profitably and will fence off waterways to ensure both the waterways and stock is protected.</p> <p><i>[Please see full project description in the Application Description Section]</i></p>			
The PDU recommends that SROs:				

Agree to approve an up to \$ ^{Commercial Information} **grant from the PGF towards Okaroro Incorporation:**

- Because the project meets the following Whenua Maori principles:
 - The land is owned by Maori land owners – Okaroro farm is Maori freehold land owned by Okaroro Inc. Okaroro Inc took back management of the Okaroro block after it was released from Part I of the Native Land Amendment Act 1936 in the 1950s.
 - The project increases productivity of the land – additional fencing will enhance pastoral management and allow for increased stock numbers. This will improve stock units per hectare on the farm, a widely used metric to determine the efficiency of farms across New Zealand.
 - The project will commence within the timeframe of the PGF – the project is scheduled for completion by ^{Commercial Information}.
 - Land owners have established governance and management arrangements – Okaroro Inc has an established governance arrangement and will require the project manager to report weekly on the progress of the project.
 - There is no evidence that indicates negative impacts on water quality and climate change – PGF funding will allow Okaroro Inc to fence the waterway that runs through the property, protecting the waterway as well as stock.

- Subject to:
 - The PDU receiving a detailed project plan and budget.
 - \$ ^{Commercial Information}

- Note:
 - ^{Commercial Information}
 - ^{Commercial Information}
 - ^{Commercial Information}
 - PDU is currently awaiting feedback from MPI and TPK on this project. Both agencies have indicated their initial support for the project in principle.

Section A: Triage – Assessment against PGF eligibility criteria

Declining under CAP-18-MIN-0347

➤ Is the project an illegal activity?	No
➤ Is the project located in the three main metropolitan areas?	No
➤ Is the project seeking investment in large scale infrastructure of social assets?	No
➤ Is the project seeking investment for three waters?	No

Due diligence on applicant – Summary of findings	Completed
Due diligence has been undertaken and nothing of note was identified.	
Conflicts of Interest	Unclear
<ul style="list-style-type: none">• [REDACTED] Privacy of natural persons [REDACTED]	

Application description

Background

Okaroro Inc was established in the 1950s and is responsible to a small shareholding group of whanau that whakapapa to each other, with the associated hapu being Ngati Te Rarawa. This project has stemmed from a special shareholders meeting held in 2015 where the point was raised “we have been farming Okaroro for three generations, so is it going to take another three generations before we actually realise something?” This led to Okaroro Inc formulating a Strategic Plan and Vision.

PGF support will accelerate the work necessary to achieve Okaroro’s vision, which is “to diversify and manage the farm in a way and in a manner that ensures that the land doesn’t get put at risk, generating other sources of revenue, better budget control and using what we have to its absolute potential”.

Application Summary

The project is to take place across two blocks of land administered by Okaroro Inc, these are:

- Motatau 2 Section 39 and 60 (amalgamated under the Maori Land Court to form the Okaroro Block)
- Motatau 2 Section 59D (referred to by the applicant as the Hauraki Block)

Both blocks of land are held under a [redacted] Commercial Information

[redacted] The work for which PGF support is sought will take place on the two land blocks owned by Okaroro Inc.

PGF funding is being sought for the following:

- Fencing and riparian planting of 14km of waterways (\$ [redacted] Commercial Information)
- [redacted] Commercial Information
- Upgrade of 5km of roading along Tipene Road (\$ [redacted] Commercial Information)
- 10km of electric fencing to allow for better stock management (\$ [redacted] Commercial Information)
- Project management (\$ [redacted] Commercial Information)

The successful delivery of this project will generate financial benefit for Okaroro Inc shareholders from land that is currently under-utilised. [redacted] Commercial Information

Implementation

Okaroro Inc will establish a project team which is to be managed by [redacted] Privacy of natural persons. The project team will include current Farm Manager [redacted] Privacy of natural persons and the contractors commissioned to undertake the roading, fencing [redacted] Commercial Information. Committee of Management member [redacted] Privacy of natural persons will provide support to the project team at a governance level.

The applicant states that resource consents are not required for the project as Okaroro Inc has not engaged in any major work covered by the Resource Management Act or planning requirements set out by the Northern Regional Council or Far North District Council.

No specific procurement plan has been provided but the applicant has provided quotes for all pieces of work to do with this project. All of the quotes have been provided by local businesses. The project team will be responsible for commissioning contractors and reporting to the Committee of Management and shareholders. The applicant notes that contracting local businesses will provide employment opportunities to locals.

Benefits

Improved fencing, including electric fencing, will allow Okaroro Inc to increase its stock numbers. This project will allow Okaroro Inc to increase stock numbers and stock units meaning the farm is operated as profitably as equivalent

land holdings.

Debt is currently approximately 1% of equity however Okaroro Inc is unwilling to service more debt to improve the property in order to avoid putting the whenua at risk from excessive borrowings. The provision of PGF support will allow the applicant to invest in other developments such as fertilizer and water reticulation (including troughs and dams) and enable Okaroro Inc to unlock the economic potential of its land much sooner.

The fencing and riparian planting element of this project will protect waterways on the Okaroro and Hauraki blocks along with other waterways further downstream. Despite just one waterway running straight through the farm, due to the farm's location at a high-point of the Mid North, the waterway is connected to Taumarere as well as the Kaipara Harbour. The fencing and riparian planting of this waterway will ensure water quality is maintained, erosion is controlled and stock is protected from the waterways.

Risks

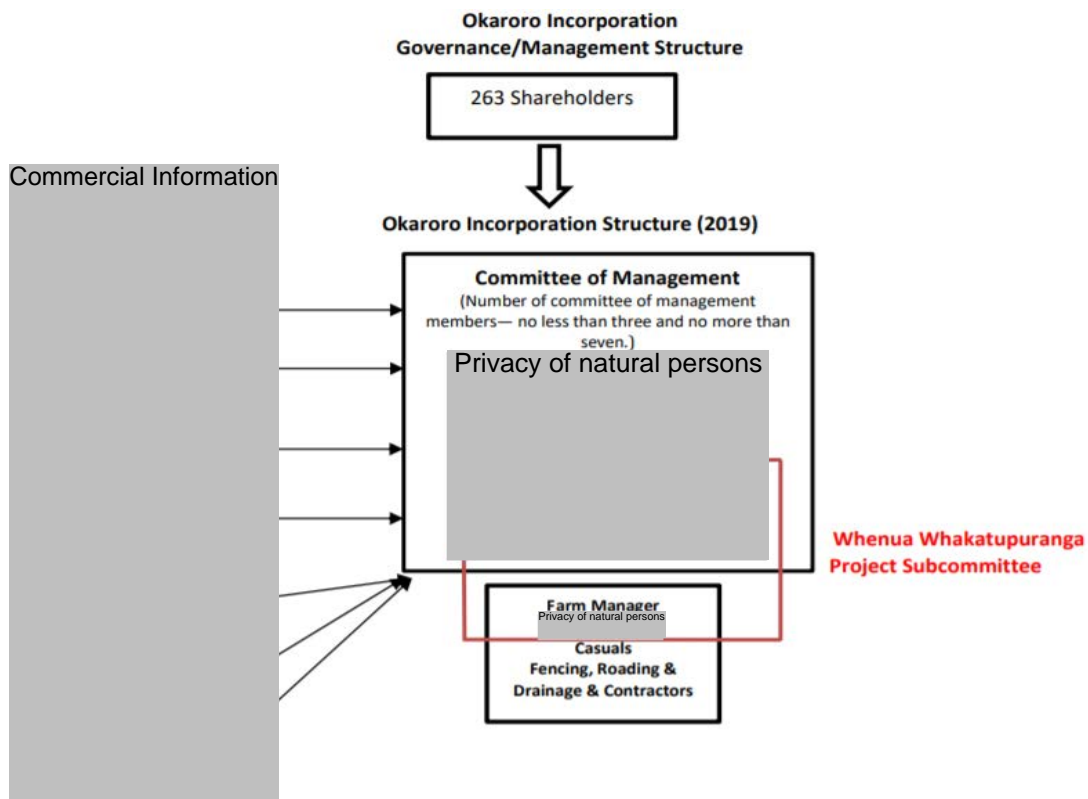
The applicant notes that this project is the first time Okaroro Inc has undertaken procurement in collaboration with Government. The applicant will ensure ongoing communications with the PDU take place to grow a working partnership. [Redacted] Privacy of natural persons [Redacted]

Unforeseen weather events are also seen as a risk that could potentially delay the completion of the roading works.

Project Ownership (Structure and Key Personnel)

The project will include fencing on the Hauraki block owned by Okaroro Inc as well as fencing throughout the Okaroro block. All of the work for which PGF funding is sought will be located on property owned by Okaroro Inc.

Below is a diagram illustrating Okaroro Inc's current governance structure and how the project will be governed within that structure:



Overseas Investment Office

- Is the application being made by a non-New Zealand based legal entity? (Foreign investment laws may apply and the Overseas Investment Office consulted)

No

Section B: Operational Assessment Criteria (Complete for EoIs and Applications)*(Rate and comment – 1= poor, 5 = very good - Provide the number for this project, not subsequent phases)***Fund and government outcomes**

Please highlight number below

Would the project:

➤ create permanent jobs?	The project is not expected to create any immediate jobs other than the work that will be completed by contractors. The infrastructure works are necessary to ensure the existing jobs at the farm are sustainable.	N/A 1 2 3 4 5
➤ deliver community benefits?	The project will provide infrastructure necessary for the farm to be operated profitably. Once the farm is operating profitably, Okaroro Inc will redistribute profits for the benefit of its shareholders.	N/A 1 2 3 4 5
➤ increase utilisation of and returns on Maori assets?	This project is necessary infrastructure work that will accelerate Okaroro Inc achieving its goals set out in its Strategic Plan. All of the work is on Okaroro Inc owned land.	N/A 1 2 3 4 5
➤ enhance the sustainability of natural assets?	This fencing work and riparian planting will protect the waterways running through Okaroro Inc's property. This will ensure that the waterways remain healthy and the risk posed by erosion is mitigated.	N/A 1 2 3 4 5
➤ mitigate climate change effects, or assist with the lowering of emissions?	This project will have minimal impact on lowering emissions.	N/A 1 2 3 4 5

Additionality**Would the project:**

➤ add value by building on what is already there, without duplicating effort?	<p>This project will provide infrastructure that is necessary for Okaroro Inc to operate the farm profitably and sustainably. Okaroro Inc has operated the farm since the 1950s.</p> <p>Commercial Information</p> <p>This will include the development of an environmental plan showing where the fencing and planting for the water ways will be located.</p>	N/A 1 2 3 4 5
➤ be a catalyst for productivity potential in the	<p>The project is aligned with the objectives of the Whenua Maori allocation in that it aims to address the under-utilisation of Maori owned land.</p> <p>Commercial Information</p>	N/A 1 2 3 4 5

region?	<p style="text-align: center;">Commercial Information</p> <p>The roading component of this project will create an alternative access route for a future forest plantation. The forest plantation will enable land use to be diversified and will create additional revenue streams for Okaroro Inc from the whenua.</p>	
Connected to regional stakeholders and frameworks		
Does the project:		
➤ align with regional priorities, such as frameworks, or regional plans?	The Tai Tokerau Economic Action Plan 2016 sets out three goals specifically for land and water. One of these goals is to sustainably use land and water resources to increase productivity from current enterprises. Another of these goals is to support the development of Maori landholdings as a priority for growth. Okaroro Inc's project shows strong alignment with the Tai Tokerau Economic Action Plan as the project includes riparian planting and the fencing off of waterways and the project will provide necessary infrastructure for Okaroro Inc to operate the farm profitability in the future.	N/A 1 2 3 4 5
➤ have the support of local governance groups (councils, iwi and hapu)?	No evidence of support from council, iwi or hapu has been provided. The applicant notes it has been working with Privacy of natural persons Northland Regional Council to develop an environment plan.	N/A 1 2 3 4 5
Governance, risk and project execution		
Does the application show:		
➤ robust project management and governance systems?	Okaroro Inc has provided detail of its governance structure and how the project will be managed within this structure. A diagram of the governance structure has been included under the section "Project Ownership (Structure and Key Personnel)". Privacy of natural persons will act as project manager and report to Okaroro Inc's Committee of Management weekly.	N/A 1 2 3 4 5
➤ plans for future ownership and operational management?	Okaroro Inc is focused on making the farming operation more profitable without putting ownership of the land at risk. All work completed as part of this project is on land that is owned by Okaroro Inc.	N/A 1 2 3 4 5
➤ how the project will be delivered and managed?	Okaroro Inc has provided a high level project plan indicating the project will be completed in Commercial Information . Okaroro Inc notes that it has identified suitable contractors for the project who have planned to complete the work in accordance with the project plan provided.	N/A 1 2 3 4 5
Section C: Risk Management Evaluation		
Does this application demonstrate consideration of the following risks?		Yes

Risk description	Mitigations	Risk Rating
Additional unforeseen work is required to complete the project	Okaroro Inc will contribute the shortfall for any additional work required to deliver the project	Low
Adverse weather events mean the roading works cannot be completed within the specified timeline	Okaroro Inc will commence roading work as soon as the outcome of PGF application is known. Delay in timelines also won't stop Okaroro Inc getting benefit from the work being completed.	Medium
Okaroro Inc is unable to meet the deadline for payments to contractors	Okaroro Inc will negotiate a ^{Comm} % drawdown prior to commencement	Low
First time undertaking procurement with central government	Provide regular and ongoing communications with PDU officials to establish working relationship. Notify government of issues as they arise so that support can be provided as necessary.	Low

If the answers to the first question is NO, or assessments of risk(s) are HIGH, discuss with an Investment Director.

Section D: Funding and financial analysis

Please highlight number below

Does the application show:

<p>➤ How strong is the financial position of the applicant organisation?</p>	<p>Commercial Information</p> <p>[Redacted]</p> <p>Commercial Information</p> <p>[Redacted]</p> <p>Commercial Information</p> <p>[Redacted]</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ How does the scale of the project compare to their overall</p>	<p>The project is well within the scale of Okaroro Inc's current farm operation. The project manager will also be assisted by the Farm Manager ^{Privacy of nat} [Redacted], who has improved the farm's efficiency over recent years.</p>	<p>N/A 1 2 3 4 5</p>

business?		
➤ Why is Crown funding being sought rather than commercially-available funding?	Crown funding has been sought as Okaroro Inc works toward its strategic plan which is guided by the following vision - “to diversify and manage the farm in a way and in a manner that ensures that the land doesn’t get put at risk, generating other sources of revenue, better budget control and using what we have to its absolute potential”.	N/A 1 2 3 4 5
➤ What does the independent financial analysis/ business case indicate?	N/A	N A 1 2 3 4 5
➤ Is the funding model requested appropriate? Is the PDU recommending a different model?	<p>Okaroro Inc is seeking \$^{Commercial Informa} of grant funding from the Whenua Maori allocation. Grants are generally the preferred funding model for Whenua Maori projects where less than \$1 million is being sought.</p> <p>Commercial Information</p> <p>Commercial Information</p>	N/A 1 2 3 4 5
➤ Has the applicant provided evidence of market pull for this project?	The project has arisen following advice from ^{Commercial Information} Okaroro Incorporation’s Farm Advisor. ^{Commercial Information} the Farm Advisor noted that diversification of land use and improved pasture management is necessary to ensure the land is secure and profitable for future generations.	N/A 1 2 3 4 5
➤ Has the applicant provided evidence that their supply chain is secure?	Has an existing farming operation on the properties with existing customer base.	N/A 1 2 3 4 5
Summary of funding and financial analysis:	<p>The financial analysis shows that Okaroro Inc is in a strong financial position and will continue to operate for the foreseeable future. ^{Commercial Info}</p> <p>The provision of a PGF grant will enable better pasture management for</p>	N/A 1 2 3 4 5

Okaroro Inc and mean the farm can be operated more efficiently. The absence of PGF support will significantly delay the timeline for this project and with it delay Okaroro Inc's ability to derive income from the whenua for the benefit of its 263 shareholders.

Funding arrangements

Funding for this project will be made by way of a grant made to Okaroro Incorporation. The applicant has provided the following table of proposed deliverables:

#	Description	Payment criteria:	Invoice Value \$ (Exc. GST)	%	Invoice Date:
1	Payment upon signature	Funding agreement signed	\$ Commercial Inform	Comm %	Commercial Information
2	Progress payment	<ul style="list-style-type: none"> - Rooding work completed including drainage culverts - Comm % of fencing complete - Project management costs considered 	\$ Commercial Inform	Comm %	C I Informatio
3	Progress payment	<ul style="list-style-type: none"> - Remaining fencing complete - Project management costs considered - Commercial Information 	\$ Commercial Info	Comm %	C I Informatio
4	Final payment	Project complete	\$ Commercial Info	Comm %	Commercial Information
Total			\$ Commercial Informa		

Note that this table of proposed deliverables will be required to be amended at the contracting stage as the PDU is not including the costs Commercial Information in the amount of PGF support being recommended.

Consultation from partner agencies undertaken or implications

MFAT has provided the following comments on all applications funded under the Whenua Maori allocation:

- MFAT notes there are legal risks that grants and concessionary loans for export-related projects, particularly in the agriculture sector, conflict with our international obligations, as per our advice to RED Ministers dated 2 December 2019.
- The risks, in terms of the potential adverse implications for New Zealand's agricultural export interests as a whole, should be weighed up against well-being benefits to Māori in structurally disadvantaged regions facilitated by the Whenua Māori programme.

PDU is currently awaiting MPI's comments on this proposal

Is there any further information from the applicant?

Yes - Comments below

Following initial assessment, additional information was sought from the applicant:

- Lease agreements for the two land blocks not owned by Okaroro Inc.
- A map of the paddocks referenced in the application and which land block each paddock is located in.

Summary statement of Application Review undertaken

All of the following have occurred as part of this application assessment and recommendation:

- Discussions between the Regions Team and the Investment Team; and
- Consultation with relevant partner agencies allowing the provision of technical advice; their verbatim feedback is included above; and
- Full and comprehensive review by an Investment Director; and
- Review by the Head of Investment; and
- Review by the PDU Leadership Team.

These have occurred to the satisfaction of the reviewer and the reviewer concurs with the recommendation.

Review has been completed

Yes

Supporting proposal:

Yes

Appendices:

Yes – Applications and supporting letters are as annexes Withheld - Commercial Information

Author of paper:

MN, Investment Analyst, PDU Investment Team
PS, Investment Director, PDU Investment Team