



COVERSHEET

Minister	Hon Stuart Nash	Portfolio	Economic and Regional Development
Title of Cabinet paper	Report back on RSPF impact management framework	Date to be published	16 June 2022

List of documents that have been proactively released

Date	Title	Author
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16 June 2022	Regional Strategic Partnership Fund: Report on Impact Management Framework	Office of Minister for Economic and Regional Development

Information redacted

NO / YES

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Office of the Minister for Economic and Regional Development
Cabinet Economic Development Committee

Report back on RSPF impact management framework

Proposal

- 1 This paper seeks Cabinet agreement to an impact management framework for the Regional Strategic Partnership Fund (RSPF).

Relation to government priorities

- 2 The RSPF is a \$200 million Government manifesto commitment to catalyse increased investment in regional economic development, which supports the Government's objectives from the Speech from the Throne, and the five-point plan for economic recovery.
- 3 It is also a lever of the Government's industry policy, across which the Minister of Finance is leading work to ensure greater coherence and collective impact to address key challenges, reduce emissions and lift value and wages. The impact management framework will enable a well-evidenced account of how the RSPF is contributing to these objectives.

Issue Identification

- 4 In order to ensure that meaningful success measures are developed for the RSPF, an impact management framework has been designed to reflect project achievement. This will allow government to effectively gauge the impact our investments are having across our regional communities.

Executive Summary

- 5 An impact measurement framework has been developed to capture the RSPF's Productive, Resilient, Inclusive, Sustainable, and Māori-enabling (PRISM) impact. The approach addresses a key recommendation of the early evaluation of the Provincial Growth Fund (PGF). The evaluation recommended a more holistic measurement approach which captured the wider benefits already being generated by PGF projects. The approach also builds on and supports wider Government work, such as emissions reduction, broader outcomes procurement, environmental, social and corporate governance reporting expectations, and social enterprise development.
- 6 The framework consists of a set of Indicators, underpinned by an outcomes logic model, which connects them to the PRISM objectives. The indicators will be used to capture project-level outcomes. This data will also be aggregated, and complemented by other available data, to tell a programme-level story about the success of the RSPF.

- 7 Indicators unique to Māori-led projects are included in the framework. However, it may be the case that a Māori-centred approach would complement project-level reporting by measuring the success of the RSPF's key Māori-led investments at the community-level, and by more clearly demonstrating their contribution to wider economic outcomes for Māori. Kānoa-RDU will work with Te Puni Kōkiri (TPK) to explore a bespoke approach to measuring the success of key Māori-led RSPF projects, which aligns with Māori Economic Resilience Strategy (MERS) indicators. I recommend Cabinet delegate to the Māori Economic Development Ministers authority to make any further decisions relating to additional Māori-specific measures of RSPF success.
- 8 Building PRISM aligned indicator reporting into contracts is an extension of the Government's broader outcomes procurement rule. While each indicator reported on by RSPF projects will in itself be a broader outcomes procurement clause, broader outcomes procurement principles will be applied at the contracting stage to each indicator to ensure broader outcomes opportunities are fully realised.
- 9 Implementing the impact management framework means the Government will be well positioned to understand the impact of the RSPF portfolio, communicate this impact to partners, stakeholders, and the public, craft the narrative around investments.

Background

- 10 The RSPF is the Government's \$200 million commitment to support regional economic development by catalysing private investment aligned with the Productive, Resilient, Inclusive, Sustainable, and Māori-enabling (PRISM) vision for regional economies.
- 11 In the first half of 2021, Cabinet agreed broad parameters [CAB-21-MIN-0006] and operational details [CAB-21-MIN-0114] to implement the RSPF. Cabinet agreed the objective of the RSPF is to contribute to PRISM regional economies, to be delivered through a work programme with five streams:
 - 11.1 Stream 1 – facilitating regional economic development partnerships;
 - 11.2 Stream 2 – enabling regional and business economic development;
 - 11.3 Stream 3 – accelerating Māori economic aspirations;
 - 11.4 Stream 4 – supporting sector transformations;
 - 11.5 Stream 5 – coordinating a more effective all-of-government system.
- 12 I noted to Cabinet that I would report-back with further details of a benefits management framework to measure the success of the RSPF in delivering against its PRISM objectives. The benefits management framework (now an impact management framework consistent with wider government work) will be used to provide regular reporting on the RSPF to Regional Economic Development Ministers and Cabinet Economic Development Committee.
- 13 When I sought decisions on the RSPF's operational details, I provided to Cabinet two draft sets of indicators of success, short- to medium-term and long term. These indicators have informed the final impact measurement framework set out in this paper, which contains a refined set of indicators.

The RSPF is investing for impact

- 14 The PRISM objectives of the RSPF are consistent with a growing trend among investors to “invest for impact”, that is; investing with the intention to generate positive measurable social and environmental impact alongside a financial return. In doing so, investors are not simply being charitable. Increasingly environmentally and socially conscious consumers are changing their purchasing habits. These trends are unsettling traditional production ethics and tapping into them is a credible growth strategy.
- 15 The PRISM objectives, translated into a set of investment criteria, and applied alongside a commercial assessment (and eligibility criteria), will ensure that the RSPF is investing for impact. Commercial viability will be a necessary but not sufficient condition for RSPF investment – contribution to the PRISM objectives is also expected. By investing for impact in this way the RSPF will ensure it is partnering with firms and enterprises which support the Government’s ambitions for New Zealand’s regional economies.

An approach to measuring the RSPF’s impacts has been developed

- 16 Building on earlier work carried out by the Department of Internal Affairs (DIA), developing recommendations to enable social enterprise and impact investment, Kānoa-RDU has developed an impact measurement framework.¹ The process engaged other agencies and some existing funding recipients to refine Kānoa-RDU’s existing evaluation framework into a pragmatic yet aspirational framework for both measuring and managing the RSPF’s PRISM outcomes.

The approach addresses a key recommendation of an early evaluation of the PGF

- 17 The evaluation of the Provincial Growth Fund (PGF) has been completed, which is being considered at the same Cabinet Committee as this paper. The evaluation indicated that a number of applicants consider the reporting used to measure the success of PGF projects was too narrow, in that it did not properly capture the wider social and environmental benefits of a project. This was a particular concern of Māori-led projects. The evaluation recommended that a holistic framework be applied to the measurement of project impact. The RSPF’s impact investment and measurement approach, based on the PRISM objectives, addresses this recommendation.

The impact measurement framework

- 18 The RSPF’s impact measurement approach consists of a set of indicators, underpinned by an outcomes logic model, which indicate how projects are contributing to the PRISM vision for regional economies.
- 19 I seek Cabinet’s agreement for the following framework and approach (paragraphs 18 – 23) to be used to measure the impact of the RSPF. Implementing the framework will mean the Government will be well positioned to understand the impact of the RSPF portfolio, communicate this impact to

¹ Kānoa-RDU was supported by Ākina, an impact investment consultancy, who also supported the work carried out by DIA.

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partners, stakeholders, and the public, craft the narrative around investments, and have meaningful data to make future RSPF funding decisions.

RSPF Impact Management Framework and Indicators

Indicator	Outcome	PRISM alignment
1. Improved innovation by funded entity	Better development of innovative products and processes	Productive
2. Improved business capability by funded entity	Improved business confidence in regions	Productive Resilient
3. Number of connections or collaborations related to funded activity since receiving funding	Business & industry (including Māori) can access tools and support to prosper in the regions	Productive Resilient Sustainable
4. Sectors transitioning up the 'value chain'	Improved business confidence in regions	Productive Resilient
5. Māori businesses enabled to operate in a way that is consistent with their tikanga	Māori determine their own economic development pathways	Māori-enabling Inclusive
6. Māori businesses enabled to diversify and/or invest in higher value production	Māori determine their own economic development pathways	Māori-enabling Productive
7. Number of staff who have increased their capability as a result of the funding	More high quality employment opportunities for people in the regions	Productive Inclusive
8. Number of employers supporting their staff to improve their wellbeing (e.g. living wage, help with accessing support, training and mentoring)	More high quality employment opportunities for people in the regions	Inclusive
9. Area of whenua Māori in productive use consistent with tikanga Māori	More productive and sustainable use of land and natural resources	Māori-enabling Sustainable
10. Percentage increase in R&D spending	Sustainability (natural, human, social, physical) practices are normalised across all business and industry activity	Productive Resilient
11. Amount of waste sent to landfill	Sustainability (natural, human, social, physical) practices are normalised across all business and industry activity	Sustainable
12. Changes in emissions profile	Sustainability (natural, human, social, physical) practices are normalised across all business and industry activity	Sustainable
13. Percentage of funded firms with climate change transition and/or adaptation plan	Sustainability (natural, human, social, physical) practices are normalised across all business and industry activity	Sustainable Resilient

- 20 While pragmatic, this is a relatively wide set of indicators designed to capture the range of outcomes various RSPF projects are expected to deliver, and to work for the different types of entities the RSPF will partner with.
- 21 Measurement data to populate the indicators will be generated by the inclusion of answers to quantitative and qualitative questions in the regular project reporting process that funding recipients are required to carry out. Appendix One sets out these questions.

Measurement of the indicators will be complemented by broader data

- 22 The impact measurement framework is the primary means by which the RSPF's contribution to regional PRISM outcomes will be measured. This measurement will be undertaken in conjunction with standard measures, such as revenue earned, milestones met, FTEs created and co-investment leveraged.
- 23 The impact measurement approach will be used to tell a project level story, and aggregated to tell a programme level story, potentially by investment stream, region, sector or at the national-level. The programme-level story will also be complemented by analysis of administrative data, and where available, by regional, sector and national-level data.

Measuring the success of Māori-led projects at the community-level

- 24 The impact measurement framework contains three indicators which are unique to Māori-led projects. Māori-led projects will also report on other relevant indicators. Administrative data about Māori-led projects will then be used to tell a rich story about the success of the RSPF in supporting Māori firms and entities to contribute to holistic PRISM outcomes.
- 25 However, a Māori-centred approach focused on the community- (instead of project-) level may be able to better measure the overall success of the RSPF's Māori-led investments, particularly those of Stream 3 – Accelerating Māori economic aspirations. TPK officials note that Māori Economic Resilience Strategy (MERS) indicators are being used to track the direction of the Māori economy, and these could inform indicators that track outcomes for Māori communities from relevant RSPF projects.
- 26 Kānoa-RDU will work with TPK to explore an additional bespoke approach to measuring the success of key Māori-led RSPF projects, aligned with MERS indicators. This is also an opportunity to more clearly demonstrate the contribution of the RSPF's Māori-led investments to wider government economic objectives for Māori. I recommend Cabinet delegate to the Māori Economic Development Ministers authority to make any further decisions relating to additional Māori-specific measures of RSPF success.

The approach will build on and support wider Government work

Broader outcomes procurement

- 27 While each indicator included for reporting by a project will in itself procure a broader outcome, broader outcomes procurement principles will also be applied at the contracting stage to each indicator to ensure broader outcomes opportunities are fully realised. For example, opportunities to build and enable

Māori capability and participation, or that of local firms and job seekers, will be incorporated into indicators and contracts where appropriate.

Impact investment and social enterprise development

- 28 Investing for impact is a growing area of interest across government. The RSPF impact management framework will build on and extend wider government work on investing for impact. The Social Enterprise Sector Development Programme (The Impact Initiative) developed targeted recommendations to support the enabling of a thriving impact investment and social enterprise sector in Aotearoa New Zealand. The RSPF's impact management framework is consistent with these recommendations, which included how government could achieve greater impact through investment.

ESG reporting

- 29 Globally, large firms and publicly listed companies are increasingly reporting against environmental, social and corporate governance (ESG) factors, and being expected to do so by government and regulators. This trend is influencing smaller firms and entities too. They are increasingly looking to tell their ESG story, and being asked for information to input into larger firms' reports. The External Reporting Board (XRB) is currently developing an integrated ESG reporting framework, based on Te Ao Māori, to provide a framework for a wide range of types of firms to report in a more integrated, holistic way.
- 30 Both impact investment measurement and ESG reporting are designed to tell a story about the wider impact of commercial activity. Both put firms and entities in a stronger position to operate in a sustainable way, and attract a growing amount of capital looking for opportunities to invest for impact. However, firm capability to deliver impact measurement and ESG reporting is still developing. Firms and entities that receive RSPF funding will be encouraged and supported to develop this capability through their reporting on agreed impact indicators. Learnings from the implementation of the impact measurement approach will be shared with XRB and across government.

Emissions reductions and climate adaptation

- 31 Emissions reduction is a priority overarching government objective. In recognition of the various challenges and opportunities of regional economies, the RSPF has a broad range of objectives, captured by the PRISM vision, which includes emissions reduction. The impact measurement framework can further support New Zealand's emissions reduction and climate adaptation goals by emphasising the importance of emissions reduction and adaptation planning. To do this, the emissions reduction indicator will be implemented as an "opt-out" indicator. Firms and entities that do not adopt the emissions reduction indicator will have to explain why. Those that adopt the indicator will be supported to access the tools and support they need, where available. All entities will be encouraged to undertake adaptation planning, and the number of firms that do will be measured.

Continuous improvement of regional economic development investment

- 32 The impact measurement framework is part of a wider impact management approach. Impact management captures a three-step process of continuous improvement in the delivery of impact investment:

Step 1 – Measure impact: Firms adopt indicators that align with their anticipated impact.

Step 2 – Report impact: Firms report on how their operations have achieved anticipated impact.

Step 3 – Manage impact: Firms grow their understanding of how they are, and are not, achieving desired impact, and make decisions to continuously improve their performance.

- 33 Impact management primarily applies to firms and entities as they seek to grow their impact. However, it will also apply to the delivery of the RSPF. The RSPF is a two-year investment programme. While most projects will be in early stages at the end of this two-year period, officials anticipate enough data will have been collected through the implementation of the impact management framework (including, where possible, from PGF projects) to support continuous improvement and further policy development.

Implementation

- 34 I will oversee implementation of the impact management framework. To do this, I recommend I am delegated the authority to make minor changes to the framework, in consultation with the Regional Economic Development and Māori Economic Development Ministers groups as necessary.

Financial and legislative Implications

- 35 This paper contains no financial or legislative implications.

Impact Analysis

- 36 This paper has no regulatory, climate, population or human rights impacts.

Consultation

- 37 The following agencies have been consulted: Te Puni Kōkiri, Ministry for Primary Industries, Te Arawhiti: Māori Crown Relations, Department of Internal Affairs, New Zealand Trade and Enterprise, Ministry of Social Development, The Treasury, Te Manatū Waka Ministry of Transport, and Waka Kotahi.. The Department of the Prime Minister and Cabinet has been informed.

Proactive Release

- 38 This paper will be proactively released in whole within 30 business days of decisions being confirmed by Cabinet.

Recommendations

The Minister for Economic and Regional Development recommends that the Committee:

- 1 **note** that I indicated to Cabinet that I would report-back with further details of a benefits management framework to measure the success of the Regional Strategic Partnership Fund (RSPF) against its Productive, Resilient, Inclusive, Sustainable and Māori-enabling (PRISM) objectives;

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- 2 **note** that the RSPF has been designed to invest for impact, based on its PRISM objectives, and that an Impact Measurement Framework (the Framework) has been developed;
- 3 **note** the Framework addresses a key recommendation of the early evaluation of the Provincial Growth Fund (PGF);
- 4 **note** the Framework consists of a set of indicators, underpinned by an outcomes logic model, which connects them to the PRISM objectives;
- 5 **note** the indicators are:
 - 5.1 Improved innovation by funded entity;
 - 5.2 Improved business capability by funded entity;
 - 5.3 Number of connections or collaborations related to funded activity since receiving funding;
 - 5.4 Sectors transitioning up the 'value chain';
 - 5.5 Māori businesses are enabled to operate in a way that is consistent with their tikanga;
 - 5.6 Māori businesses enabled to diversify and/or invest in higher value production;
 - 5.7 Number of staff who have increased their capability as a result of the funding;
 - 5.8 Number of employers supporting their staff to improve their wellbeing (e.g. living wage, help with accessing support, training and mentoring);
 - 5.9 Area of whenua Māori in productive use consistent with tikanga Māori;
 - 5.10 Percentage increase in R&D spending;
 - 5.11 Amount of waste sent to landfill;
 - 5.12 Change in emissions profile;
 - 5.13 Percentage of funded firms with a plan to mitigate and/or adapt to climate change;
- 6 **note** that the indicators will be used to capture project-level outcomes which indicate how projects are contributing to PRISM outcomes, and that this data will be aggregated and complemented, where available, by wider data sets to tell a programme-level story about the success of the RSPF;
- 7 **note** that funded recipients will be required to report on the quantitative measures most relevant to their project, and all relevant qualitative indicators;

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- 8 **note** that all funded recipients will be required to report on the 'change in emissions' profile' indicator unless they have a good reason not to, and all funded recipients will be encouraged to implement climate adaptation plans;
- 9 **agree** to delegate to the Māori Economic Development Ministers group the authority to make any further decisions relating to potential additional Māori-specific measures of RSPF success;
- 10 **note** that indicators agreed for reporting will be included in contracts, and informed by broader outcomes procurement principles;
- 11 **note** that implementing the framework means the Government will be well positioned to understand the impact of the RSPF portfolio, communicate this impact, and have meaningful data to support continuous improvement and further policy development;
- 12 **agree** the Framework set out in this paper as the RSPF impact measurement approach;
- 13 **agree** to delegate to the Minister for Economic and Regional Development the authority to make minor changes to the Framework identified during its implementation, in consultation with the Regional Economic Development and Māori Economic Development Ministers groups as necessary.

Authorised for lodgement

Hon Stuart Nash

Minister for Economic and Regional Development

Report back on RSPF impact management framework

Appendix One: RSPF measurement indicators

Indicator		Quantitative questions	Qualitative questions
1	Improved innovation by funded entity	<ul style="list-style-type: none"> How many new products or services have you brought to the market? What percentage increase in gross profit per unit sold? How many new digital technologies have you developed, or advanced digital technologies have you adopted? 	<p>The funded activities have increased our staff's motivation to innovate and implement change <i>(Strongly agree - Strongly disagree)</i> <i>Option to provide examples</i></p>
2	Improved business capability or performance by funded entity	<ul style="list-style-type: none"> How many new digital technologies have you adopted as a result of RSPF funding? 	<ul style="list-style-type: none"> The funded activities have improved our ability to access further capital from commercial lenders; The funded activities have improved our ability to expand our business, and/or plan for the future <p><i>(Strongly agree - Strongly disagree)</i> <i>Option to provide examples</i></p>
3	Number of connections or collaborations related to funded activity since receiving funding	<ul style="list-style-type: none"> How many connections or collaborations to enabling stakeholders (e.g. EDAs, industry, and Māori business), related to the funded activities, have you made (or strengthened) since receiving funding? How many other local firms have been supported by your business operations as a result of RSPF funding? 	<ul style="list-style-type: none"> The funded activities have resulted in greater connection between stakeholders (e.g. EDAs, industry, and Māori business) in the region. <p><i>(Strongly agree - Strongly disagree)</i> <i>Option to provide examples</i></p>
4	Sectors transitioning up the 'value chain'	<ul style="list-style-type: none"> What is your CAPEX spend since receiving RSPF funding (i.e. not including RSPF funding) 	<ul style="list-style-type: none"> RSPF funding has created more demand in the region for higher value skills, processes, or technology RSPF funding has put our enterprise in a position to expand into higher value activities <p><i>(Strongly agree - Strongly disagree)</i> <i>Option to provide examples</i></p>

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Indicator		Quantitative questions	Qualitative questions
5	Māori businesses are enabled to operate in a way that is consistent with their tikanga		<ul style="list-style-type: none"> RSPF funding has enabled us to operate in a way that is consistent with our tikanga The funded project is aligned with our values and aspirations <p><i>(Strongly agree - Strongly disagree)</i> Option to provide examples</p>
6	Māori businesses enabled to diversify and/or invest in higher value production	<ul style="list-style-type: none"> How many new products is your firm/entity producing (that it wasn't previously producing)? 	<ul style="list-style-type: none"> RSPF funding has enabled our business or entity to produce new and/or higher value products The funded activities have improved our ability to access further capital from commercial lenders <p><i>(Strongly agree - Strongly disagree)</i> Option to provide examples</p>
7	Number of staff who have increased their capability as a result of the funding	<ul style="list-style-type: none"> How many additional local staff have been hired permanently as a result of RSPF funding? How many staff have been trained or upskilled as a result of the RSPF funding? 	The funded activities have resulted in the upskilling of our staff <i>(Strongly agree - Strongly disagree)</i> Option to provide examples
8	Number of employers supporting their staff to improve their wellbeing (e.g. living wage, help with accessing support, training and mentoring)	<ul style="list-style-type: none"> As an employer, do you support your staff to improve their wellbeing (e.g. living wage, help with accessing support, training and mentoring) 	RSPF funding has enabled your organisation to support the wellbeing of your employees and/or the local community? <i>(Strongly agree - Strongly disagree)</i> Option to provide examples
9	Area of whenua Māori in productive use consistent with tikanga Māori	<ul style="list-style-type: none"> How much whenua Māori that is related to the RSPF funded activities is in productive use consistent with your tikanga? 	The funded activities have resulted in more whenua Māori being moved into productive use consistent with our tikanga <i>(Strongly agree - Strongly disagree)</i> Option to provide examples

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Indicator		Quantitative questions	Qualitative questions
10	Percentage increase in R&D spending	<ul style="list-style-type: none"> By what percentage has your R&D funding (including funding to commercialise R&D) increased over the last reporting period? 	<p>The funded activities have resulted in our business taking steps to plan for the future of business (automation, digital economy etc)</p> <p><i>(Strongly agree - Strongly disagree)</i></p> <p><i>Option to provide examples</i></p>
11	Amount of waste sent to landfill	<ul style="list-style-type: none"> How many KGs of waste did your business send to landfill over the last reporting period? How much has your business spent on sending waste to landfill in the last reporting period? 	<p>The funded activities have resulted in our business (select those that apply):</p> <ul style="list-style-type: none"> reducing waste sent to landfill increasing recycling or composting activities keeping resources circulating in economy <p><i>(Strongly agree - Strongly disagree)</i></p> <p><i>Option to provide examples and describe changes in waste generation as a result of funded activities</i></p>
12	Changes in emissions profile	<ul style="list-style-type: none"> How many KGs of greenhouse gas has your business emitted over the last reporting period? 	<p>The funded activities have helped our organisation reduce our emissions in areas of our business (select those that apply):</p> <ul style="list-style-type: none"> Moving people Moving goods Office operations Site operations and equipment Product design and development other <p><i>Option to provide examples and describe changes in waste generation as a result of funded activities</i></p>
13	Percentage of funded firms with a climate change transition and/or adaptation plan	<ul style="list-style-type: none"> Has your organisation developed and begun implementing or developing a Climate Change transition and/or adaptation, plan? 	<p>The funded activities have helped our organisation transition to greener jobs, processes, technology</p> <p><i>(Strongly agree - Strongly disagree)</i></p> <p><i>Option to provide examples</i></p>