



## COVERSHEET

<b>Minister</b>	Hon Shane Jones	<b>Portfolio</b>	Regional Economic Development
<b>Title of Cabinet paper</b>	Provincial Growth Fund: Report Back	<b>Date to be published</b>	15 October 2019

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
24 October 2018	Provincial Growth Fund: Report Back	Office of Minister for Regional Economic Development
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### Information redacted

**YES / NO** (please select)

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In Confidence

Office of the Minister for Regional Economic Development  
Chair, Economic Development Committee

## Provincial Growth Fund: Report Back

### Purpose

- 1 This paper is a report back to the Economic Development Committee on the Provincial Growth Fund (PGF) from its launch in February 2018 to the end of September 2018.
- 2 This paper covers the following details:
  - a. Key PGF and Provincial Development Unit (PDU) activities since the launch of the PGF in February 2018.
  - b. Funding decisions from inception to the end of September 2018
  - c. Disbursement of funds (provided in the A3s as Annex One).
  - d. Indicators of effectiveness (provided in the A3s as Annex One).
  - e. Update on the monitoring and evaluation framework.

### Background

- 3 In December 2017, Cabinet agreed to establish the PGF - \$1 billion per annum for three years. Funding for projects falls into three tiers:
  - a. **Tier 1: Regional projects and capability:** Support for economic development projects, feasibility studies and capability building identified within regions.
  - b. **Tier 2: Sector investment:** Initiatives targeted at priority and/or high value economic opportunities. This includes the One Billion Trees Programme.
  - c. **Tier 3: Enabling infrastructure:** Regional infrastructure projects that will enable regions to be well connected from an economic and social perspective, including rail, road and communications. In July 2018, Cabinet requested an update on progress with the Fund [CAB-18-MIN-0347]. This would include reporting on funding decisions made and the performance of the fund (Phase 1 and 2).
- 4 The progress of the PGF, for the purposes of the report back, is divided into three phases:
  - a. **Phase 1:** pre-investment and remedial infrastructure (2018)

- b. **Phase 2:** funding decisions (late 2018-2019)
  - c. **Phase 3:** delivery of projects (2019-21).
- 5 This report back focuses on the disbursement process and indicators of effectiveness as part of Phase 1, and identifying the sorts of things to be measured as part of Phase 2, to give DEV an indication of how PDU intends to measure performance.
- 6 The format of future PGF reporting will be refined over time.

### **Key PGF and PDU activities**

- 7 The PDU was established to support the administration of the PGF, which was officially launched in February 2018.
- 8 Since the launch of the PGF, the PDU and the Independent Advisory Panel (IAP) have been established. Establishment of the PDU involves putting in place key fund management processes while delivering on its functions. In phase 1 the initial focus has been on processes related to applications and decision making. As the PGF moves into phase 2, the PDU's focus is increasingly on processes around fund disbursement and monitoring and reporting.
- 9 Since the launch of the PGF the Regional Economic Development (RED) Delegated Ministers and IAP have each met a total of eight and nine times respectively.
- 10 The PDU continues to work with partner agencies across central government, and regional stakeholders to develop integrated investment packages the regions, with an initial focus on the six surge regions prioritised for early investment from the PGF. Integrated investment packages have been announced in Northland, Tairāwhiti, Bay of Plenty, and Taranaki. Further investment packages are currently being developed for Bay of Plenty, Manawatū-Whanganui, West Coast, Northland and Hawke's Bay.
- 11 Key achievements include the launch of the Investment Guide to the PGF, the establishment of a new Senior Regional Official (SRO) model to support the regions, the PGF business roadshow, and the development of a new PGF website and the launch of our first social media channel via Facebook. Development of an initial PGF monitoring and evaluation framework and PGF performance metrics is underway and will inform future report backs to DEV.
- 12 Other achievements include Cabinet approval of the Tairāwhiti roading package, One Billion Trees package, and investment in skills and infrastructure (employment, skills and capability, digital connectivity, water storage and land transport). Upcoming Cabinet papers will cover the establishment of a PGF Holding Company, and investment in air connectivity and ports, regional packages, and significant PGF investments.
- 13 Up to the end of September 2018, a total of 577 projects have sought PGF funding to a total value of \$2.5 billion. Of these, 69 per cent have been, or are being, processed, or have been withdrawn or put on hold. Funding of \$306m

worth of projects had been announced to date, a further \$171m of projects were being drafted, and \$85m were being negotiated.

### **Focus for next quarter**

- 14 You will note the measures in the attached A3 documents (Annex One) are preliminary in places. The PDU will undertake further work to develop these measures. As noted above, the PDU will also be focusing on are the disbursement process, and measurement and evaluation while continuing to deliver on its functions for applicants and decision makers.

### **Monitoring and evaluation framework**

- 15 On 23 July 2018 Cabinet noted the initial regional baseline measures that officials had developed in relation to the nine PGF outcomes, directed officials to track the regional indicators, and noted that officials would do further work to develop robust indicators in areas where there is currently a lack of good regional indicators and to develop a plan for evaluating the PGF [CAB-18-MIN-0347]. Detailed design of a PGF Monitoring and Evaluation Framework is underway, supported by a cross agency advisory group and governance group. RED Ministers will be consulted on development of the framework. What we learn from the PGF will inform wider government work on the measurement of outcomes.

### **Disbursement of funds and indicators of effectiveness**

- 16 This information is provided in the **A3s attached as Annex One**.

### **Consultation**

- 17 The following agencies have been consulted on the report back material: Ministry of Primary Industries, Ministry of Transport, New Zealand Transport Agency, Te Puni Kōkiri

### **Financial implications**

- 18 There are no financial implications.

### **Human rights implications**

- 19 There are no human rights implications.

### **Legislative implications**

- 20 There are no legislative implications.

### **Regulatory impact analysis**

- 21 A regulatory impact analysis is not required.

### **Gender implications**

- 22 There are no gender implications.

### **Disability perspective**

23 There are no disability implications.

### **Recommendations**

1 **Note** the attached A3s which provides information relating to funding decisions made and the performance of the Fund to the end of September 2018.

### *Publicity*

2 **Agree** to release this paper, with redactions as appropriate.

Authorised for lodgement

Hon Shane Jones

Minister for Regional Economic Development

PROACTIVELY RELEASED



# FUNDING DECISIONS

FROM INCEPTION TO 30 SEPTEMBER 2018

## PGF ANNOUNCEMENTS

### Multi-region

**Commercial In-confidence** Upper North Island Port Study **\$7.5m**  
 The Howard League Driver License Initiative **\$6.5m**  
 Afforestation Grants Scheme (AGS) **\$8.4m**  
 Erosion Control Funding Programme **\$5m**  
 Remembrance Tree Planting Programme **\$6.6m**  
 Trees that Count

### Waikato

up to **\$800k** Waharoa Industrial Hub  
 up to **\$900k** Te Aroha Tourism Precinct

### Taranaki

**\$950k** Hydrogen supply infrastructure front end engineering design, planning and cost estimation to support H2 Taranaki  
**\$600k** General Manager Transitional Economy  
**\$50k** H2 Taranaki - Roadmap Development  
**\$250k** Rail Freight Opportunities - New Plymouth Eastgate  
**\$250k** The Business Guide to Tree Planting on Taranaki Hill Country  
**\$50k** Business Case Development - Future Foods - Food Network  
**\$125k** Venture Taranaki Major Regional Food Opportunities  
**\$100k** Tapuae Roa: Māori Enterprise and Education Stocktake  
**\$400k** SH43 Business Case Development (Single Stage)  
**\$13.4m** Taranaki Crossing Experience  
**\$100k** New Energy Development Centre  
**\$100k** Taranaki Innovation Precincts  
**\$5m** Taranaki Cathedral Project

### Manawatū-Whanganui

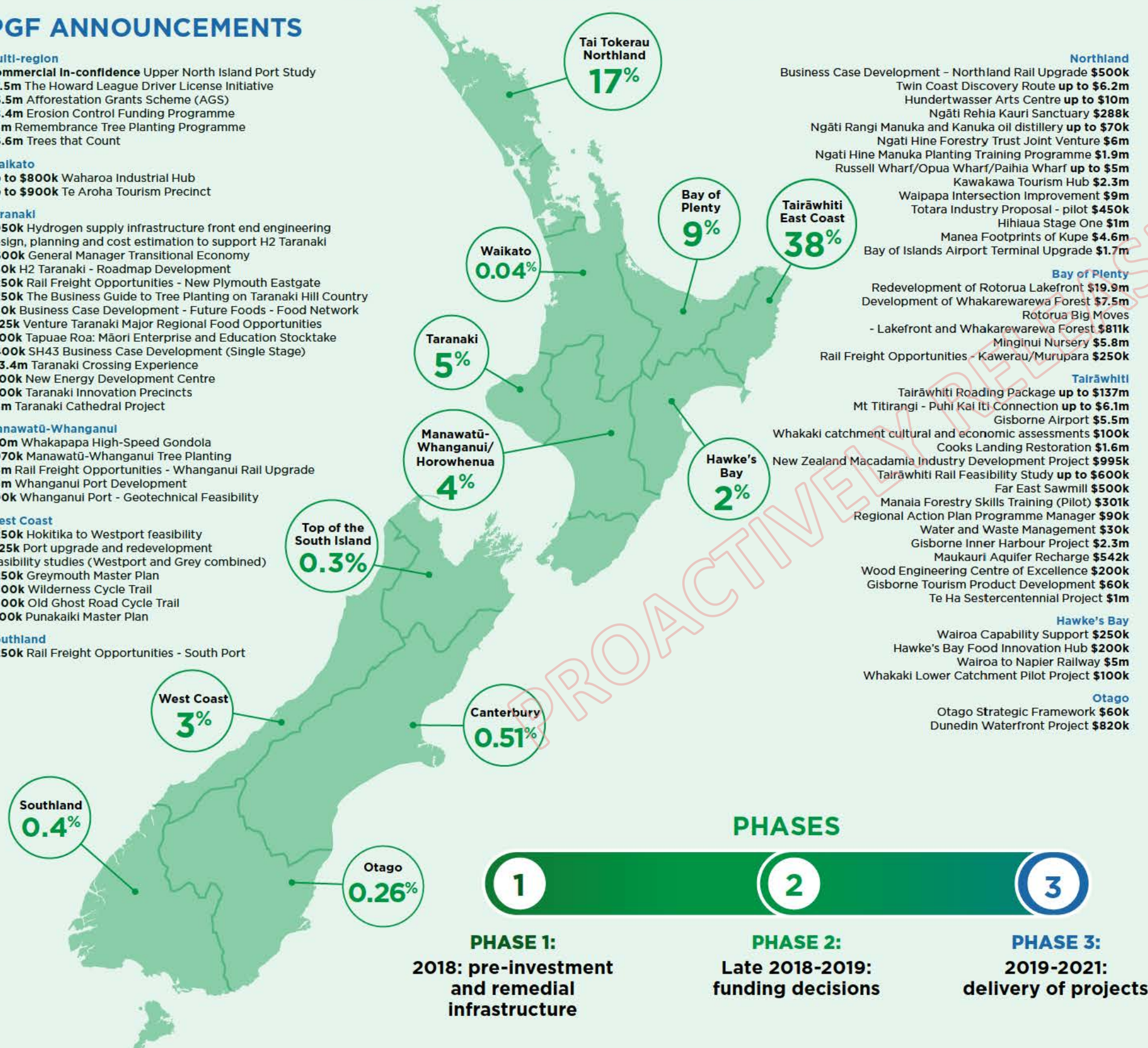
**\$10m** Whakapapa High-Speed Gondola  
**\$970k** Manawatū-Whanganui Tree Planting  
**\$3m** Rail Freight Opportunities - Whanganui Rail Upgrade  
**\$3m** Whanganui Port Development  
**\$90k** Whanganui Port - Geotechnical Feasibility

### West Coast

**\$250k** Hokitika to Westport feasibility  
**\$125k** Port upgrade and redevelopment feasibility studies (Westport and Grey combined)  
**\$250k** Greymouth Master Plan  
**\$500k** Wilderness Cycle Trail  
**\$500k** Old Ghost Road Cycle Trail  
**\$100k** Punakaiki Master Plan

### Southland

**\$250k** Rail Freight Opportunities - South Port



**Northland**  
 Business Case Development - Northland Rail Upgrade **\$500k**  
 Twin Coast Discovery Route up to **\$6.2m**  
 Hundertwasser Arts Centre up to **\$10m**  
 Ngāti Rehia Kauri Sanctuary **\$288k**  
 Ngāti Rangī Manuka and Kanuka oil distillery up to **\$70k**  
 Ngāti Hine Forestry Trust Joint Venture **\$6m**  
 Ngāti Hine Manuka Planting Training Programme **\$1.9m**  
 Russell Wharf/Opua Wharf/Paihia Wharf up to **\$5m**  
 Kawakawa Tourism Hub **\$2.3m**  
 Waipapa Intersection Improvement **\$9m**  
 Totara Industry Proposal - pilot **\$450k**  
 Hihiau Stage One **\$1m**  
 Manea Footprints of Kupe **\$4.6m**  
 Bay of Islands Airport Terminal Upgrade **\$1.7m**

**Bay of Plenty**  
 Redevelopment of Rotorua Lakefront **\$19.9m**  
 Development of Whakarewarewa Forest **\$7.5m**  
 Rotorua Big Moves - Lakefront and Whakarewarewa Forest **\$811k**  
 Minginui Nursery **\$5.8m**  
 Rail Freight Opportunities - Kawerau/Murupara **\$250k**

**Tairāwhiti**  
 Tairāwhiti Roading Package up to **\$137m**  
 Mt Titirangi - Puhī Kai Iti Connection up to **\$6.1m**  
 Gisborne Airport **\$5.5m**  
 Whakaki catchment cultural and economic assessments **\$100k**  
 Cooks Landing Restoration **\$1.6m**  
 New Zealand Macadamia Industry Development Project **\$995k**  
 Tairāwhiti Rail Feasibility Study up to **\$600k**  
 Far East Sawmill **\$500k**  
 Manaia Forestry Skills Training (Pilot) **\$301k**  
 Regional Action Plan Programme Manager **\$90k**  
 Water and Waste Management **\$30k**  
 Gisborne Inner Harbour Project **\$2.3m**  
 Maukauri Aquifer Recharge **\$542k**  
 Wood Engineering Centre of Excellence **\$200k**  
 Gisborne Tourism Product Development **\$60k**  
 Te Ha Sestercentennial Project **\$1m**

**Hawke's Bay**  
 Wairoa Capability Support **\$250k**  
 Hawke's Bay Food Innovation Hub **\$200k**  
 Wairoa to Napier Railway **\$5m**  
 Whakaki Lower Catchment Pilot Project **\$100k**

**Otago**  
 Otago Strategic Framework **\$60k**  
 Dunedin Waterfront Project **\$820k**

## PHASES



DEV REPORT BACK AS AT 30 SEP 2018

## MOVING INTO PHASE 2: SHIFT IN FOCUS

Tier 1	Regional Projects and Capability:
	<ul style="list-style-type: none"> <li>Investment plan for enhancing management and governance capability in the regions</li> <li>Lessons from skills package and future funding requirements</li> </ul>
Tier 2	Sector Investments:
	<ul style="list-style-type: none"> <li>Investment ready projects over \$20 million in value: 10 proposals which could also form part of regional packages (from November 2018 onwards)</li> </ul>
Tier 3	Enabling Infrastructure:
	<ul style="list-style-type: none"> <li>Investment in air connectivity and ports</li> <li>Investment plan for the Marsden Spur project</li> </ul>

## GOVERNMENT COMMITTED FUNDS FOR ESSENTIAL REMEDIAL INVESTMENT

Rail infrastructure (\$80m) One Billion Trees programme (\$481m)  
 Tourism infrastructure (\$75m) Departmental resourcing (\$30m)

## DISBURSEMENT OF FUNDS

(From October 2017 to 30 September 2018)

The balance of \$51,733,022 includes funding transfers to MPI (\$21,899,000) and MOT (\$16,250,000) processed as part of the October Baseline Update.

TIERS	AMOUNT APPROVED (\$M)	DISBURSED TO DATE 30/09/18
Tier 1 Regional Projects and Capability	47,648,859	2,796,333
Tier 2 Enabling Sector Investments	128,549,600	32,186,689
Tier 3 Enabling Infrastructure Projects	239,525,600	16,750,000
<b>Grand Total</b>	<b>415,724,059</b>	<b>51,733,022</b>

REGIONS	%	APPROVED	PAID TO DATE 30/09/18
Tai Tokerau/Northland	(17%)	70,742,325	1,344,689
Waikato	(0.04%)	148,400	114,000
Bay of Plenty	(9%)	37,773,225	186,333
Tairāwhiti/ East Coast	(38%)	156,805,709	258,000
Hawke's Bay	(2%)	7,265,000	140,000
Manawatu Whanganui	(4%)	17,395,600	10,187,500
West Coast	(3%)	13,100,620	62,500
Canterbury	(0.51%)	2,105,000	425,000
Southland	(0.4%)	1,663,000	50,000
Taranaki	(5%)	21,700,000	226,000
Top of the South/Te Tau Ihu	(0.3%)	1,248,180	-
Otago	(0.26%)	1,080,000	40,000
National	(20%)	84,599,000	550,000
Other	(0.02%)	98,000	-
<b>Grand Total</b>		<b>415,724,059</b>	<b>13,584,022</b>

A profile of expected expenditure over the next 2 years on a quarterly basis is currently being developed. This will outline when we expect payments to be made to recipients.



# INDICATORS OF EFFECTIVENESS (PROGRESS AS AT 30 SEPTEMBER)

1

## PHASE 1 2018: Pre-investment and remedial infrastructure

Measure	Result (as at 30/9/2018)																								
<b>Pipeline:</b>																									
<b>Number of proposals</b>	577 total																								
<b>Quality of proposals</b>	112 <b>Note:</b> The above result is approved projects. <b>Caveat:</b> Methodology for this measure is currently being developed and will evolve to internal audit samples of selected applications. Audits will prepare the PDU for external audits and evaluation of the PGF Fund. Audit parameters will be aligned to the Evaluation Framework currently being developed.																								
<b>Conversion of high-quality initiatives and feasibility studies into proposals</b>	<b>Caveat:</b> A methodology is currently being developed to measure this indicator i.e. conversion rate from EOIs/proposals to applications and comparing to other funds.																								
<b>Administration:</b>																									
<b>Capability of applicants lifted</b>	Each region is supported by the appointed senior and/or Principal regional advisor to lift capability of each applicant. <b>Caveat:</b> Methodology for this measure will include feedback and/or survey from applicants.																								
<b>Applications progressed efficiently</b>	<table border="1"> <thead> <tr> <th></th> <th>MAR</th> <th>JUL</th> <th>AUG</th> <th>OCT</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>Applications approved/declined within 30 days:</td> <td>5</td> <td></td> <td>17</td> <td></td> <td>22</td> </tr> <tr> <td>Applications approved/declined within 60 days:</td> <td>15</td> <td></td> <td>43</td> <td></td> <td>58</td> </tr> <tr> <td>Applications processed within 90 days:</td> <td>9</td> <td></td> <td>35</td> <td></td> <td>44</td> </tr> </tbody> </table> <b>Caveat:</b> further developmental work to include rate of improvement and types of applications.		MAR	JUL	AUG	OCT	TOTAL	Applications approved/declined within 30 days:	5		17		22	Applications approved/declined within 60 days:	15		43		58	Applications processed within 90 days:	9		35		44
	MAR	JUL	AUG	OCT	TOTAL																				
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Applications approved/declined within 60 days:	15		43		58																				
Applications processed within 90 days:	9		35		44																				
<b>Improved capability of Government to engage with regional partners and Maori</b>	The Provincial Development Unit are working towards proactive partnership with regional partners and iwi at a regional level and will continue to prioritise engagement with Māori across regions, particularly in the development and approval of projects being put forward. More work is required to engage with local iwi / Maori and bring into proposals where appropriate. We will report back on the PDU approach / methodology in the next report.																								
<b>Direct impacts:</b>																									
<b>Greater partnering activity between regional players, and with private sector</b>	There are currently 15 joint funded projects (co-funded for consistency with Investment Statement) with regional councils (3) and with private sector (12) as listed below: 1. <b>Big Moves Phase 2:</b> Lakefront & Forest Projects - Rotorua District Council (Te Kaunihera O Nga Roto O Rotorua) 2. <b>Provision &amp; Facilitation of BOP Action Plan Appendix 10</b> - Bay of Plenty Regional Council 3. <b>Napier to Wairoa Rail</b> - Kiwirail Holdings Ltd. 4. <b>Hawke's Bay Food Innovation Hub Feasibility Study</b> - Hastings District Council 5. <b>Bay of Islands Airport Upgrade Project</b> - Far North Holdings Ltd 6. <b>Te Hiku Dune Lakes (Project Management)</b> - Te Hiku Development Trust 7. <b>Letter of Exchange</b> - Te Pae Tawhiti Implementation - Te Puni Kokiri 8. <b>Stage Four - Waitangi Mountain Bike Park</b> - Focus Paihia Community Charitable Trust 9. <b>The Restoration of Lake Omapere</b> - Initial Feasibility Trust: a. Lake Omapere Ahu Whenua Trust    b. Te Aranga Hou Marae Trust 10. <b>Russell Wharf Extension &amp; Upgrade</b> - Far North Holdings Ltd. 11. <b>Opua Wharf Pontoon Upgrade Project</b> - Far North Holdings Ltd. 12. <b>Kawakawa, Te Hononga Project</b> - Far North Holdings Ltd. 13. <b>Manea Footprints of Kupe Centre:</b> a. Te Hua O Te Kawariki Trust    b. Far North Holdings Ltd    c. Manea Foot prints Kupe Ltd 14. <b>Southland - Water Project:</b> Capacity Building Project (18 Months) - Southland Regional Council (Te Taiao Tonga) 15. <b>Rangatahi Learn While You Eran (LWYE)</b> - Tane Manhuta (NZ) Ltd																								
<b>Programmes delivered for youth NEET</b>	There are 19 programmes supported through He Poutama Rangatahi (HPR) funding between April and August 2018; these programmes reach 2,300 rangatahi. While HPR is a separate fund to the PGF (reporting to the Minister of Employment), it is delivered by the PDU and work is currently underway to bring HPR within the PGF due to the strong alignment between outcomes sought. <b>Caveat:</b> further developmental work is required to include all PGF invested projects in this indicator.																								
<b>Remedial infrastructure projects beginning to get underway</b>	To date the Provincial Growth Fund has invested in the following infrastructure projects: 1. <b>Whanganui port</b> - Geotechnical feasibility 2. <b>Passenger rail service</b> business case 3. <b>Russell wharf</b> upgrade 4. <b>Opua wharf</b> upgrade 5. <b>Kiwirail</b> 6. <b>Tairāwhiti roading</b> 7. <b>Bay of Island Airport Terminal Upgrade</b> 8. <b>Wairoa to Napier Railway</b> 9. <b>Waipapa Intersection Improvement</b> 10. <b>Rail Freight Opportunities</b> - Kawerau/Murupara 11. <b>Gisborne Inner Harbour Projects</b> 12. <b>Rail Freight Opportunities</b> - Whanganui Rail Upgrade 13. <b>Whanganui Port Development</b> 14. <b>Northland Accelerated Rail Package Business Case</b> 15. <b>Greymouth Master Plan</b> 16. <b>Twin Coast Discovery Route</b> 17. <b>Putauaki Trust Roding and Related Infrastructure</b> 18. <b>Gisborne Airport Terminal</b>																								
<b>Trees planted and planting pipeline</b>	60,556,000 trees planted as at 17 September. Planting pipeline to be confirmed.																								

2

## PHASE 2 Late 2018 - 2019: Funding decisions

Measure	Result (as at 30/9/2018)
<b>Pipeline:</b>	
<b>Number and quality of initiatives</b>	• 577 proposals and 112 quality proposals
<b>Conversion of proposals into approved investments</b>	• 112 <b>Caveat:</b> Methodology for this measure to be further developed and will include a comparison to other similar funds.
<b>Spread of investments across regions, tiers, risk profiles and for Māori</b>	Current focus aligned to Phase 1 priorities: pre-investment - preparing applications and progressing outstanding regional initiatives and remedial infrastructure: • Pre-investment: increased focus on funding skills enhancement applications as we move into phase 2 and reduced focus on feasibility studies (these will increasingly be brought forward as proposals). • Remedial infrastructure: investment in land transport, digital connectivity, water storage as set out in October Cabinet paper. • Greater focus on business initiated applications. • Regions: packages for Bay of Plenty, Manawatu/Whanganui, Northland. • Risk profile • Māori • A methodology will be developed to measure this indicator in the current quarter.
<b>Administration:</b>	
<b>Decision makers supported to make choices that optimise the spread of investments across regions, tiers, risk profiles and for Māori that are cognisant of climate change and impacts</b>	• Cabinet paper support investment in skills and infrastructure as still in phase 1. • Development of integrated investment packages ensure priority investments funded in surge regions. • The PDU is developing metrics on sector investments as the PGF moves into Phase 2.
<b>Direct impacts:</b>	
<b>Greater investment interest from private sector following early government investments</b>	This will be reported in the next update following the investment roadshow undertaken recently.
<b>Number of NEET now work ready</b>	He Poutama Rangatahi is a trial programme with the objective of reducing rates of young people who are Not in Education, Employment of Training (NEET) in the four regions where NEET rates are highest (Hawkes Bay, Tairāwhiti, (Eastern) Bay of Plenty, and Te Taitokerau). • Funding of \$13.275 million was approved for the 2017/18 FY, since transferred to the 2018/19 FY, under the Vote: Labour Market - Employment portfolio. • Since HPR's launch on 26 January 2018, there has been strong demand for the programme, resulting in the trial funding of \$13.275 million being almost fully allocated already. • There is now a pipeline of applications for HPR funding awaiting decisions (over \$10 million currently). That is, there are multiple communities and groups within the four focus regions of the trial, as well as in other parts of the country, who want help to tackle their youth employment challenges. • Following the first funding announcement (April 2018), there have been regular commitments of funding, with nineteen projects across the four target regions: • Hawke's Bay (5); • Tairāwhiti (4); • Eastern Bay of Plenty (6); and • Te Taitokerau (4).
<b>Number of jobs created through early investments</b>	<b>Caveat:</b> Data for this measure is currently being assessed by reviewing all successful applicants.
<b>Infrastructure projects underway and delivered</b>	There are no projects delivered at this point in time.
<b>Trees planted</b>	60,556,000 trees planted as at 17 September.

The above tables reflect indicators identified in the February paper. Table One sets out the progress towards phase 1 and 2 where there are early indications of progress that can be provided. In some cases, there is work in progress to develop the measure and methodology further. Note: measures will be reviewed at the end of each phase to ensure they evolve with the programme and fit for business.