

## Economic Development Agencies

### Purpose

This paper outlines proposed principles for Provincial Growth Fund (PGF) investment in Economic Development Agencies (EDAs) to assist with capability and capacity building. These principles can also be applied broadly to any applications seeking regional capability and capacity funding.

### Vision

EDAs have sufficient capability and capacity to support regional economic development beyond the life of the PGF.

### Context

An EDA is a local organisation that seeks to promote economic growth within a given geographic area. EDAs seek to identify economic development opportunities, and support the implementation and delivery of these opportunities. In New Zealand, EDAs exist at both the regional and sub-regional level. There may be multiple EDAs operating within a given geographic location. There are also many other forms of organisations that work in regional economic development, and build the capacity and capability of regional economies.

There are a wide range of institutional forms amongst EDAs. At a high-level, EDAs are either:

- Independent stand-alone agencies, which are legal entities that are separate from local authorities. These include trusts and commercial entities
- Council-controlled organisations, which are organisations that are majority-owned and financed by a local authority or local authorities.

Local authorities also provide economic development and business support services. However, international and central government research on EDAs do not consider councils to be EDAs and have excluded these from consideration in this paper.

The Crown does not provide baseline operational funding for EDAs or other organisations, including ongoing capability or capacity funding. However, the Crown has provided EDAs with one-off or time-limited funding in some cases, such as:

- To provide the Regional Business Partners Capability Development and Vouchers programmes, or through Callaghan Innovation, and
- Through the PGF to achieve a specific objective e.g. funding project management.

### Gaps and Opportunities

Successful economic development activities require cooperation and coordination – duplication of existing activities already taking place at a regional level should not be funded and applicants should be encouraged to speak with existing providers to explore how they can participate.

To succeed, an EDA needs to be able to work within a well-designed and co-ordinated local development system. It is important to look beyond the role of individual agencies and towards how all the relevant actors work together in the local development system.

There is significant variation in the form and functions of EDAs because they seek to reflect local preferences and respond to local opportunities and issues. There is also a significant variation in the capability and capacity<sup>2</sup> of EDAs, which is partially due to limited funding.

It is also difficult to measure the performance of EDAs and creating universal measures may not be helpful. Central government has limited data on the performance of EDAs and the success of an EDA is often determined by qualitative indicators and anecdotal evidence, such as the feedback of customers and its reputation. Success also looks different across regions and districts. Furthermore, the local economic development systems EDAs operate in are complex and sometimes the factors that lead to 'poor performance' are beyond EDAs' control.

### **PGF Investment Principles**

We have developed the following principles outlining when the PGF could provide EDAs with capability and capacity funding, and what funding would be used for:

- Applications should be for specific projects and activities that while addressing short-term need, build the long-term capability and capacity of EDAs.
- When seeking funding for capacity (i.e. specialist positions), EDAs need to demonstrate that the position is sustainable beyond the timeframes of the PGF.
- Applicants need to demonstrate that PGF funding for capability and capacity building of EDAs will not be used as a substitute for normal sources of funding (e.g. councils, community trusts, or subscriptions) and that other sources of funding have been investigated.
- Applications should outline clear performance metrics that enable an assessment of whether capacity building has occurred and is leading to performance improvements (work would need to be undertaken to develop these).
- The activities EDAs wish to fund should have the backing of stakeholders (e.g. councils, local governance, Māori, iwi or other relevant agencies).
- Successful economic development activities require cooperation and coordination – duplication of existing activities already taking place at a regional level should not be funded, and applicants should be encouraged to speak with existing providers to explore how they can participate.

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<sup>2</sup> Capability issues refer to cases where an EDA does not have the skills to accomplish its key tasks. Capacity issues refer to cases where an EDA lacks sufficient staff.

- On balance, we believe preference be given to regional approaches and those that could be scaled up nationally, versus district level activities. Achieving successful regional economic development outcomes require a degree of mass and scale of activity. However, a local EDA's application should be considered eligible if it can demonstrate how it will work with others to achieve successful outcomes at a regional level.

These principles will be used to make recommendations about EDA funding and in the interest of consistency will also be used for all capacity and capability applications.

### **PGF investment priorities**

Based on the above principles and what officials understand to be features of successful EDAs and regional economic development outcomes, we consider the following activities could be eligible for PGF funding:

- Developing an EDA strategy alongside key funding partners
- Capacity to deliver PGF funded activities or projects on behalf of the region – i.e. project managers
- Capability via development/management programmes to build EDA staff skill sets
- The provision of specialist programmes to aid firm development, potentially utilising external expertise – e.g. co-starters programmes (this excludes existing programmes of work – e.g. RBP, Callaghan Innovation's 'access to experts service')
- Creating new economic development capacity roles (including bringing in assistance outside an EDA) with an aim towards building sustainable, long-term capacity and capability.

### **Next Steps**

The Provincial Development Unit will work with EDAs on a case-by-case basis and these principles will be applied when assessing applications related to capability and capacity in the regions.