

POWERING UP AOTEAROA – NEW ZEALAND'S REGIONS

THE GUIDE TO
THE PROVINCIAL
GROWTH FUND

New Zealand Government



PROVINCIAL
GROWTH
FUND





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INTRODUCTION

The New Zealand Government has allocated three billion dollars over a three-year term to invest in regional economic development through the Provincial Growth Fund (PGF).

The PGF is a significant opportunity to realise the remarkable potential of the regions of Aotearoa New Zealand. It can provide funding to accelerate growth, and to kick start new initiatives.

Provincial New Zealand is the heartland of Aotearoa, and home to some of our most creative and innovative people. Much of New Zealand's economy rests on the successes of the regions, with tourism, forestry and the primary industries all strong contributors to New Zealand's export economy. However, some regions are challenged with higher unemployment, lower productivity, finding skilled workers and people who are struggling economically, which puts their wellbeing at risk.

Through the PGF, the Government seeks to ensure our regions and our people across New Zealand can reach their full potential as part of an economy that is sustainable, inclusive and productive.

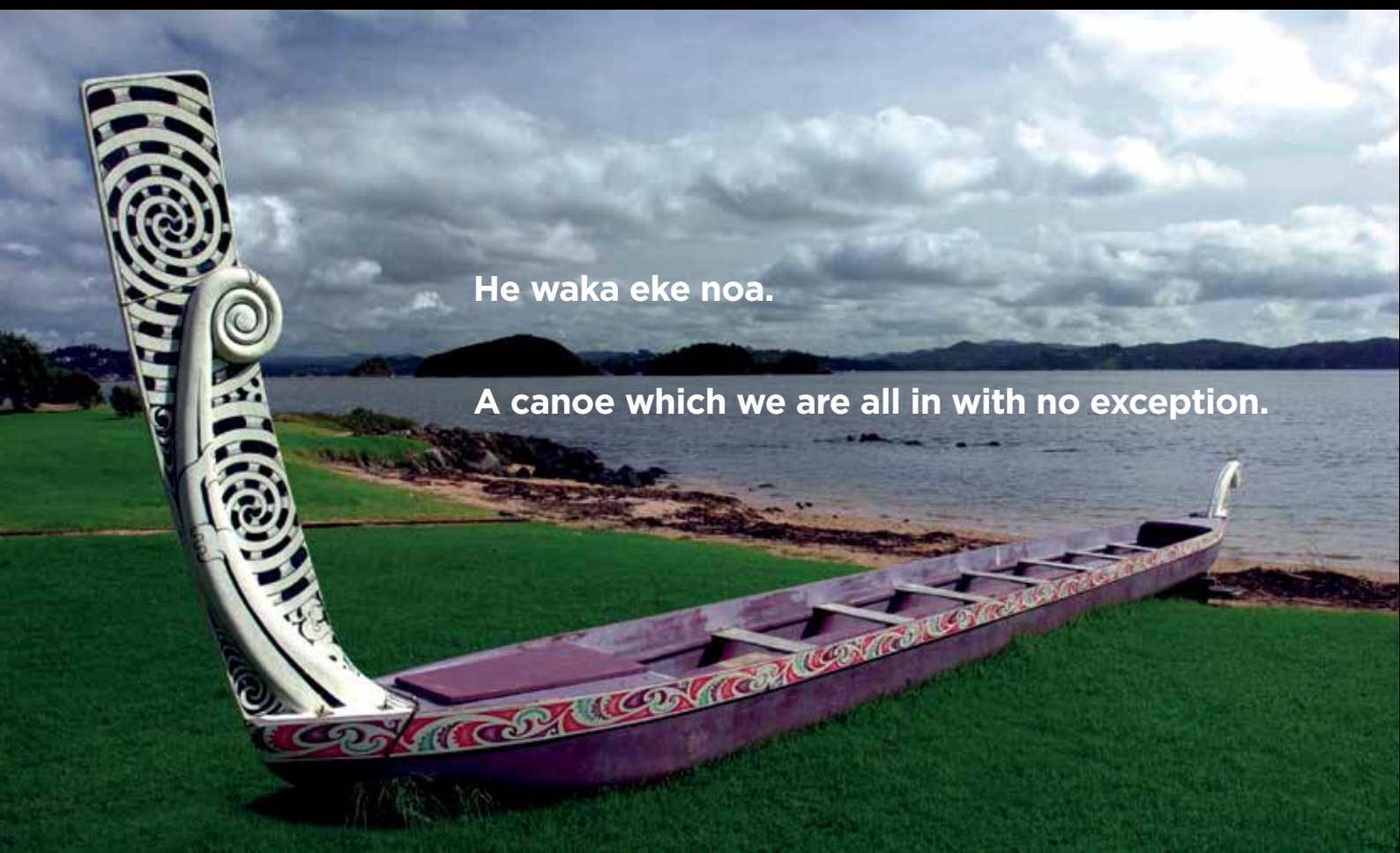
THIS GUIDE



This guide outlines information about the types of projects and the considerations for preparing and submitting a strong application to the PGF.

We welcome variety and ambition, and encourage all aspiring applicants to submit their proposals if they meet the PGF's criteria.

More information on the PGF including how to apply can be found here: **www.growregions.govt.nz**



He waka eke noa.

A canoe which we are all in with no exception.

THE PGF OBJECTIVES



The purpose of the PGF is to accelerate regional development, increase regional productivity, and contribute to more, better-paying jobs. This purpose is supported by the following objectives:

- Creating jobs, leading to sustainable economic growth
- Increasing social inclusion and participation
- Enabling Māori to realise aspirations in all aspects of the economy
- Encouraging environmental sustainability and helping New Zealand meet climate change commitments alongside productive use of land, water and other resources
- Improving resilience, particularly of critical infrastructure, and by diversifying our economy

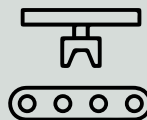
STRUCTURE OF THE PGF

The PGF has three investment tiers:



Regional

Support of economic development projects, feasibility studies and capability building identified within regions.



Sectors

Initiatives targeted at priority and/or high value sector opportunities. This includes the One Billion Trees Programme.



Infrastructure

Regional Infrastructure projects that enable regions to be well connected from an economic and social perspective, including rail, road and communications.

Applications can be made to any of these tiers, or to two or more tiers where they are inter-connected. For example, development of a new tourism attraction may be accompanied by investment in the local road network to improve visitor access, and investment in building local skills in tourism and hospitality.

Where applications touch on areas that receive government funding from elsewhere, for example, land transport infrastructure – assessment will consider the purpose and priorities of that funding. We will work to ensure that funding comes from the most appropriate source.

Fund exclusions

The following are not eligible for PGF as they are funded by other means:

- Housing (unless it is a core part of a broader project and would not otherwise be required)
- Water and large-scale irrigation
- Social infrastructure (such as hospitals and schools)

He aha te mea
nui o te ao?
He tangata, he
tangata, he tangata

What is the most
important thing
in the world?
It is people, it is
people, it is people.



KEY CRITERIA

Proposed PGF projects will be assessed against the following key criteria:



Does the project
lift the productivity
potential of a
region or regions?
Does it contribute
to the PGF
objectives?



Does the project
create additional
value and avoid
duplicating existing
efforts?



Is there a link to the
regional priorities,
and are key local
stakeholders
supportive?



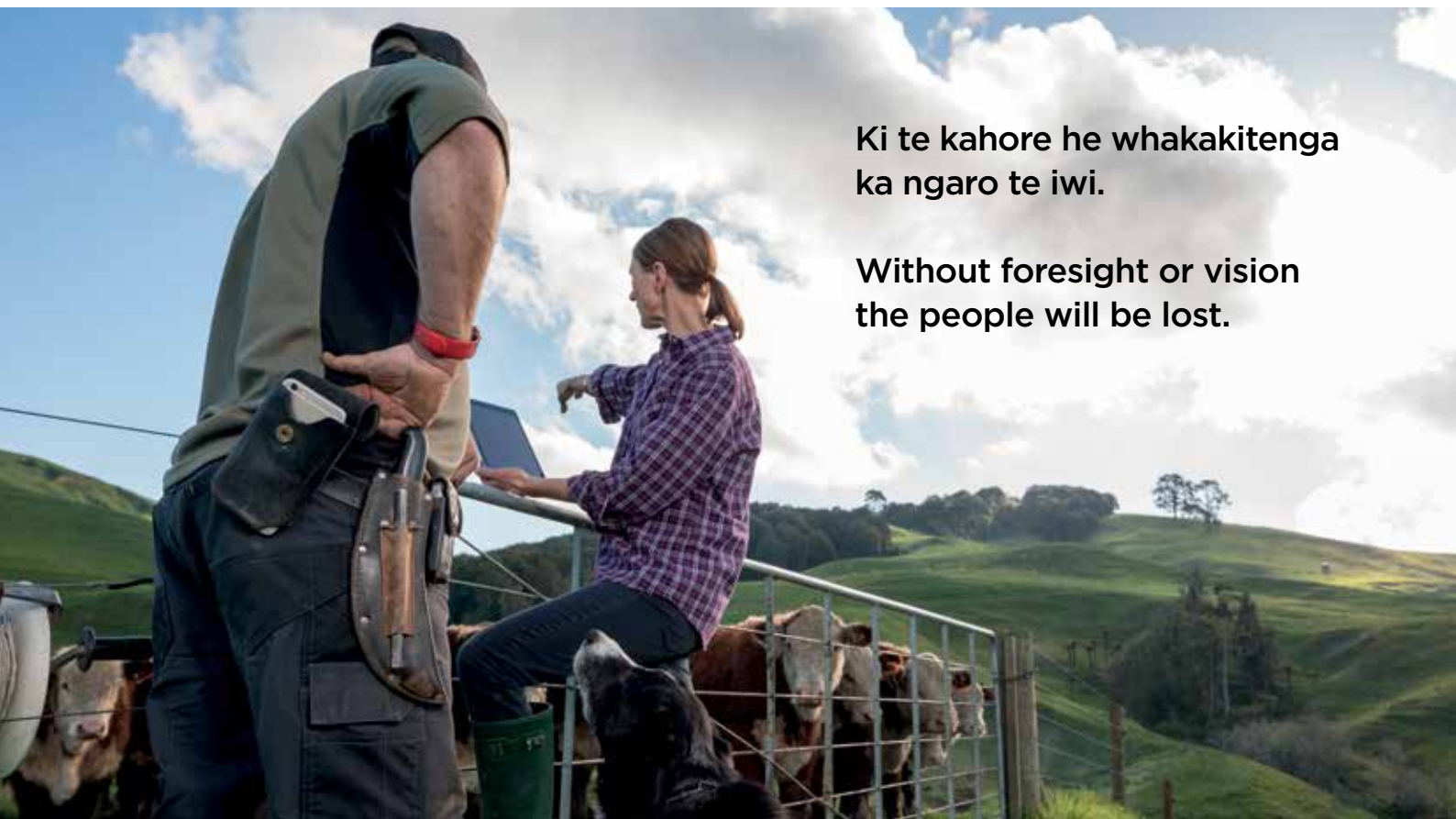
Will the project be
well managed, well
governed and have
an appropriate risk/
reward trade-off?

GEOGRAPHIC FOCUS

All regions of New Zealand are eligible for funding under the PGF, excluding the metropolitan areas of Auckland, Wellington and Christchurch. Six “surge” regions have been prioritised for the PGF:

- Tai Tokerau/Northland
- Bay of Plenty
- Tairāwhiti/East Coast
- Hawke’s Bay
- Manawatū-Whanganui
- West Coast

Projects which are multi-regional in scope will also be given priority.



Ki te kahore he whakakitenga
ka ngaro te iwi.

Without foresight or vision
the people will be lost.

SUPPORTING MĀORI DEVELOPMENT

The PGF aims to support Māori development and prosperity. The Māori economy is a key contributor to economic development and the PGF provides an opportunity for investment in Māori-led initiatives across regional Aotearoa New Zealand to help them reach full potential.

Māori have large asset holdings and are governors and managers of natural resources, many of which are located in the regions. Māori have a regional presence and significant economic interests in food and beverage, forestry and

tourism sectors. The scale and objectives of the PGF provide a significant opportunity for Māori to unlock and realise the potential of their resources. There is also an opportunity to support more Māori into

employment, education and training, and the PGF can support such initiatives, including through schemes like He Poutama Rangatahi (Youth Employment Pathways).



PGF INVESTMENT TIER 1

REGIONAL

PROJECTS, CAPABILITY
BUILDING AND
FEASIBILITY STUDIES



DEVELOPING REGIONAL SKILLS AND CAPABILITY

As well as investing in jobs growth, the PGF represents an opportunity to grow the skills and capability of locals in the regions to equip them for sustained work and pathways to higher incomes, by matching them with the jobs in their regions. The PGF opens up significant opportunities to invest in a more tailored and location-specific way to support local labour force and employers to come together. The outcomes that the PGF seeks to contribute to include: increased local employment and earnings, and lower rates of young people

not in employment, education or training. This includes investing beyond just getting people work-ready; it's also about investing in building the skills and capability of people in the regions to be able to manage and govern PGF and future projects effectively, so that a transformative legacy can result.

The PGF welcomes proposals that can demonstrate how they will lead to an increase in sustained local employment outcomes, both within the PGF's

investment timeframe and beyond, and that include a clear outline of what support will be provided to both employers and to the potential local labour force to get them ready to seize this opportunity. Active employer participation and ongoing support to upskill people is encouraged. Proposals should demonstrate how they complement, rather than replicate or substitute, existing programmes and government support, and how they are linked to regional priorities.

REGIONAL PRIORITIES AND ACTION PLANS

Most regions have economic action plans. These typically outline the region's ambitions, and are used to identify priorities for investment, including government funding.

The PGF should be seen by regions as an opportunity to upscale their planning, and further highlight their comparative advantages, such as specialisation in specific

sectors, or natural and cultural features. Regional action plans are good mechanisms for ensuring that projects are aligned with regional priorities.

Transport infrastructure projects or proposed investments with transport components should be included in Regional Land Transport Plans, so that they are integrated into regional transport planning and viewed in the

context of the wider regional and national transport networks. In addition, applications should have been shared with key regional stakeholders, so they are informed and have the opportunity to give input and show support. These regional stakeholders include local government, mana whenua, and major business and community stakeholders where appropriate.

Projects funded from the PGF will be considered as part of an overall portfolio of the Government's support for the region, rather than as stand-alone initiatives. Each individual project should fit well into an overall plan for enhanced economic development for its region.



PGF INVESTMENT TIER 2

SECTORS

SECTOR PRIORITIES

All sectors are eligible to apply to the PGF. Regional action plans generally highlight areas of focus for regions, including comparative advantages in certain sectors. Consideration will be given to the markets that each sector supplies, and in particular to their export potential, so that we are maximising the return for New Zealand.

The PGF can help strengthen our economy and accelerate the transition from a volume-based export economy (commodities), to a value-based economy. Sector projects should take into account environmental impact and the region's resilience, as per the PGF's objectives.

In line with our goals for resilience and sustainability, the PGF

aims to support projects that increase local skills, and reduce environmental impacts while at the same time enhancing the productivity of the sector, such as through the uptake of digital technology.

We expect to see projects from the food and beverage, tourism and forestry sectors being funded as these align with international demand, and are strong sectors in the surge regions.



Food and Beverage

The PGF welcomes proposals for projects that increase the capability and employment of local workers (thereby reducing reliance on migrant workers), and use land in ways which are economically and environmentally sustainable. There may also be projects that deploy technology to enhance productivity, reduce environmental impacts, or add value to the end product (for example, use of robotics, or sensors on the farm).



Tourism

In the tourism sector, the PGF will prioritise investment into regional infrastructure to support growth

of high-value tourism. Priorities for the tourism sector, such as encouraging visitation across the year and across more regions, will also be supported through the PGF. We also expect to see initiatives that further develop Māori culture as an asset for New Zealand tourism.



Forestry

The PGF supports the Government's One Billion Trees Programme to plant one billion trees across the country over ten years.

Forestry has a range of benefits which include encouraging regional economic growth, creating sustainable employment opportunities and lifting social wellbeing. Projects that are environmentally – as well as economically – beneficial will be favoured.

Tree planting helps meet climate change targets, reduces soil erosion, supports more sustainable use of land, water and other natural resources, and provides opportunities for Māori to develop their land.

The One Billion Trees Programme aims to ensure that the right trees are planted in the right landscape. This means planting a mix of exotic and native tree species in private, public and Māori owned land and a mix of permanent trees and commercial forests that can be harvested in the future.

Commercial forestry initiatives need to align with regional transport plans and support regional wood processing aspirations, research and development, skills training and new technologies, and eco-recreational initiatives.

TŌTARA INDUSTRY PILOT

The PGF provided \$450,000 towards a two-year pilot to test the validity of establishing a sustainable indigenous tōtara wood products industry in Northland.

Tōtara could provide an opportunity for New Zealand to develop a new niche industry producing high value native wood products.

Tōtara is an underused resource within the wood products industry but, despite its economic potential and the abundant supply of it in Northland, the industry has faced a number of barriers preventing

its establishment as a market.

The pilot will investigate whether these barriers are surmountable and, if they are, will facilitate the development of a new sustainable industry with multi-million dollar potential. It could also help diversify Northland's economy and sustainably grow jobs in the region.

Research indicates that the industry has the potential to produce \$7.5 million from tōtara timber per year within three years – that equates to 20 direct jobs and almost 80 indirect jobs. The potential for tōtara to be

processed into higher value wood products could increase the value derived by up to \$60 million with a further 200 direct jobs and 1,750 indirect jobs created.

The project will be led by the Tōtara Industry Steering Group, which is made up of Scion, the Ministry for Primary Industries, Northland Tōtara Working Group, Tai Tokerau Māori Forests Inc., Northland Inc., an industry representative and an independent chair.

The \$1 million pilot has also secured funding from Scion and Northland Inc.



Through the One Billion Trees Programme the Government has signalled its intention to use forestry as a platform for building a sustainable and economically vibrant future for our provinces. It will support this by providing opportunities to create employment, optimise land use, mitigate climate change, protect the environment and ensure sustainable fibre has a key role in the future low carbon economy.

**PGF
INVESTMENT
TIER 3**

INFRASTRUCTURE

The PGF prioritises two categories of infrastructure investment that are central to regional economic development: transport and digital enablement (including connectivity).



Transport

Transport networks that are fit-for-purpose for the safe and timely movement of people and freight are essential for businesses and communities, both regionally and nationally.

Transport investment in New Zealand is well-orchestrated through the National Land Transport Programme (NLTP) and Regional Land Transport Plans (RLTPs). These remain the key mechanisms for transport planning, and the National Land Transport Fund (NLTF) continues to be the primary funding source for land transport initiatives.

The PGF provides scope for transport investment that generates additional benefits for regions and accelerates their development.

To support this intention for additionality, the PGF will be used to:

- provide a source of funding for local authorities that face significant difficulty in meeting local share requirements
- bring projects forward where they may not be prioritised under the NLTP but are strategically important to a region's productivity potential
- provide a source of funding for projects that do not secure funding through the NLTF

but which otherwise meet the government's criteria and objectives for the PGF.

To receive funding for any of these purposes, proposed projects would need to align strongly with the specific objectives of the PGF, above and beyond the priorities of current programmes of land transport investment.

Projects should also be included in RLTPs and other regional strategic planning documents. This will ensure that integrated regional transport planning continues, proposed projects fit with regional transport priorities, the process for regions to access PGF funding is streamlined, and funding for projects comes from the most appropriate source.

Investment proposals relating to rail, ports, wharves and airports and other non-land transport infrastructure should demonstrate a clear link to PGF objectives and criteria, and how they will fit with a region's transport network. As the rail system is a national network, decision-making will take account of key policy work programmes underway – in particular the Future of Rail.

A number of smaller provincial airports support tourism while others have a role as providing service essentials in remote communities, such as access to

emergency services. Regional ports and airports need to be seen in a wider national context. For example, investments in ports may require complementary investments in roading and in rail, and the potential impacts on other regions need to be taken into account. The Government will work with regions to build a shared understanding of wider issues and interdependencies, which will inform advice on port and airport-related investments and bring a national perspective.

Clarity about ownership and management of whole-of-life costs will be important considerations for all long-lived asset classes.

Digital Enablement

Digital technologies offer great potential for lifting productivity, and provide opportunities to develop new skills in our regions. The PGF will invest in digital enablement projects to capture employment and business opportunities in the regions. This can involve investing in network infrastructure to improve the reach, reliability and quality of digital connectivity. It can also include investments to ensure people are able to make use of the digital connectivity available to them, and ensuring people living in remote communities can take advantage of digital technologies.

RUAPEHU ALPINE LIFTS

The PGF was set up to provide financial assistance in a variety of ways – from traditional grants, to a variety of debt or equity investments. Funding provided depends on particular projects, the applicants' circumstances and the PGF's criteria.

The construction of a high speed gondola on the Whakapapa ski field by Ruapehu Alpine Lifts was identified as being transformative for central North Island as it provides a year-round destination for tourists. The total cost of the project is \$25 million, with funding coming from local government, investors, Ruapehu Alpine Lifts,

as well as a \$10 million loan from the PGF.

Ruapehu Alpine Lifts is a public benefit entity – it's a not-for-profit that is restricted from providing a return to shareholders – and operates in an abnormal risk environment. Therefore it is difficult to raise capital through conventional means. The PGF is lending the money to Ruapehu Alpine Lifts as while it's a not-for-profit, it's a commercial entity and the money will be repaid if the project is successful.

The gondola has the potential to be a key investment in the region, creating the 'must do' attraction around which other investments

can take place. It is projected to generate 150 jobs for building and operating the gondola, and potentially a further 400 through associated activities.

2,400 passengers can be transported per hour in 10 person cabins – a journey that will take five minutes. It is forecast to generate 500,000 additional visitor days by 2025.

For a district experiencing population decline through the waning of other sectors, this project meets the PGF's investment criteria – it supports job growth and has an impact on the region as a whole.



KEY CONSIDERATIONS FOR DECISIONS

INVESTMENT TYPES

RISK AND REWARD

CAPACITY TO DELIVER

CO-CONTRIBUTION

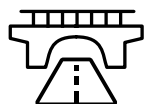
INVESTMENT ATTRACTION

FUNDING TYPES

KEY CONSIDERATIONS FOR INVESTMENT DECISIONS

Investment types

It is likely there will be a number of differing types of investments made under the PGF:



Non-commercial

An investment delivers a public benefit but has no revenue stream e.g. investment in capability development or in a road improvement.



Quasi-commercial

An investment generates a revenue stream, but this is insufficient to be funded by the private sector.



Commercial

An investment may be viable for the private sector, but PGF invests to realise a public benefit that would not otherwise occur.

Risk and reward

All PGF projects must provide clear benefits which can be linked to its goal of lifting the productivity of the regions of Aotearoa New Zealand. We expect projects to provide a net benefit, that is, value created by the PGF's investment exceeds its cost, although this may be considered across a portfolio of projects, where each adds to a beneficial sum of parts. We encourage applicants to look

at both the direct and indirect benefits from their project proposals, and demonstrate the overall value created in both economic and non-economic terms. This can include social, cultural, environmental and community benefits. Each project proposal should include its whole-of-life costs, bearing in mind that ongoing operational costs will not typically be funded through the PGF. The risks for each project must be

clearly outlined in its proposal, including the risk of not achieving expected benefits. Suitable mitigations or contingencies to manage these risks should be highlighted. Funding decisions will weigh up the reward and value created against the risks of projects. The PGF may also consider whether projects might be better funded through other government programmes and sources, and work with applicants to identify those where relevant.

PGF investments will not crowd out private or other public investments.

CAPACITY TO DELIVER

Projects and initiatives need to have the right skills and resources to deliver intended benefits and ensure success. When evaluating projects the

PGF will look for demonstrated capability within the team, a track record of success, and / or partnering with others to deliver. Applications should

make clear how projects will be delivered on time and budget, with benefits realised and risks managed.

CO-CONTRIBUTION

The PGF will look for contributions to come from applicants, or related parties. Exceptions may be considered where the benefits to the region or to New Zealand overall are high (e.g. for projects supporting those not in employment, education or training into employment).

The PGF is looking to leverage investment from private enterprise, iwi and philanthropy. Projects that are deemed commercial or quasi-commercial will require a 50% contribution from the applicant, or a related third party. Grants provided to commercial projects will generally require a 60% contribution from the

applicant or related third party (in line with other government programmes).

Co-contribution can be in-kind rather than financial where appropriate for the project.

Co-investment with individual firms may occur if they generate opportunity and value that would not otherwise occur, where

benefits are shared beyond the specific firm sponsoring the project, and where government contribution creates additional value – for example, increased employment opportunities, increased research capability, or a contribution to regional infrastructure for multiple beneficiaries.

Examples of co-investment with private industry might be for a business that is proposing to invest in a new factory / processing facility:

- If the location has above-average rates of people not in education, employment or training, the PGF might partner with the business to fund

a range of apprenticeships for local people, with supporting pastoral care.

- The PGF might co-fund a research facility attached to the plant, if the research is of value to the regional economy (e.g. research into monetising a local natural resource)
- The PGF could co-fund more extensive enhancements

to the local transport and logistics network than would otherwise occur, where they would deliver more benefits to a community or region.

Please check www.growregions.govt.nz or contact us for more commercial investor and investment attraction information.



H2 TARANAKI

Taking a co-investment approach has allowed for the establishment of H2 Taranaki. It is envisaged that H2 Taranaki will stimulate the growth of innovative hydrogen projects and advance the take-up of hydrogen technologies in Taranaki, helping position the region on the world stage as technically advanced, sustainable, clean and green innovators.

A feasibility study and roadmap development is required to discover and plan activities for H2 Taranaki. These activities cost \$190,000 with \$140,000 funded from New Plymouth District Council, Hiringa Energy and Venture Taranaki. The balance has been secured from the PGF.

A further \$950,000 PGF funding has been allocated for Hiringa Energy to develop hydrogen infrastructure in Taranaki.


This co-investment model across local government and private enterprise aims to establish a place for Taranaki in an emerging hydrogen industry with a particular focus on zero emissions and heavy and long distance transport.

Co-investment brings together the hydrogen supply infrastructure expertise from Hiringa Energy with the purpose of Venture Taranaki – to drive and facilitate sustainable, diverse economic growth in the region.

This work neatly aligns with Tapuae Roa, Taranaki's Regional

Economic Development Strategy which was launched in April 2018. It extends the capability and capacity honed in the region's energy sector over decades of successful operation, during which time Taranaki has established world class industrial and technical abilities. This rich history means the region has all the hydrogen market application for demonstration projects in one geographic area.

H2 Taranaki has the potential to generate new hydrogen projects, create jobs and attract technology investments, working with public, private and not for profit sector partners to make a sustainable difference to the region.

A photograph of a man and a woman on a beach, both smiling and holding a large, silvery fish. The man is on the left, wearing a dark sweater, and the woman is on the right, wearing a plaid shirt. They are standing on a sandy beach with the ocean and a clear sky in the background.

**Naku te rourou,
nau te rourou,
ka ora ai te iwi.**

**With your basket
and my basket
the people will live.**

FUNDING TYPES

The PGF will work with applicants to decide suitability of funding type for each project, from the following available options:

Grants

Non-commercial projects will in general be funded through grants (taking into account the required co-contributions outlined earlier). In addition, feasibility studies – projects that will help define and scope future, larger projects – are likely to be funded via grants.

For quasi-commercial and commercial projects, PGF will select primarily from debt, underwrite or equity:

- **Debt**

Debt is the preferred mechanism for PGF funding of quasi-commercial and

commercial projects (noting there may be some extra caveats for transport projects). Loans will be made available to projects on suitable and agreed terms. The PGF will look for debt collateral that is as strong as possible.

- **Underwrite**

The PGF may offer to 'underwrite' the risk of a project; this is likely to take the form of guaranteeing a certain outcome for a project, lowering the risk for other potential investors. The PGF is more likely to underwrite projects in order to accelerate them by making their parameters more certain, rather than in solely financial terms. For example, if a project estimates a certain volume of visitors to generate

a certain level of revenue for a project, the PGF may decide to underwrite that revenue risk to guarantee a certain revenue stream.

- **Equity**

In some circumstances, the PGF may take an equity position (part-ownership) in a project. Typically, this will be where the project cannot support further debt, or where there is sufficient extra return from the project which the Government should benefit from.

Attracting third party investors

The PGF may facilitate matching proposed projects with potential investors where this may help remove barriers to their commitment.



The PGF represents a major opportunity to unlock barriers to growth, accelerate existing programmes, and kick start new opportunities – including support for sustainability and Māori economic development.

Applicants are encouraged to set aspirations and ambitions high, so we can create a step-change in regional prosperity for our future.

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MORE ABOUT THE PROVINCIAL GROWTH FUND

The PGF is managed by the Provincial Development Unit which works in partnership with regions and across government to support its delivery.

More information, including Expression of Interest and Application forms are available at www.growregions.govt.nz

Expression of Interest (EOI)

If you are unsure whether your project is eligible for the PGF, you could submit an **Expression of Interest** to help us understand your proposal and eligibility.

Submitting an application

If you are confident your project is eligible, please **submit an application form**.

The information you provide will help us to assess and evaluate eligible projects and investment opportunities.

One of our regional advisors will contact you to discuss your application, and any additional information needed. They can provide you with advice and support where necessary, including advice to help coordinate central government support.

WWW.GROWREGIONS.GOV.T.NZ

New Zealand Government

