

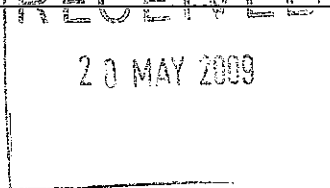
Cabinet

CAB Min (09) 17/11

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Minute of Decision

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Primary Growth Partnership

Portfolio: Agriculture

On 18 May 2009, following reference from the Cabinet Economic Growth and Infrastructure Committee, Cabinet:

Background

- 1 **noted** that the primary and food sectors are critical to New Zealand's economy, both in terms of exports and the number of people they employ, and that it is imperative that the economic and sustainable performance of these sectors is enhanced;
- 2 **noted** that Budget 2009 includes an initiative for a Primary Growth Partnership (PGP) at \$30 million for 2009/10, \$40 million for 2010/11, \$50 million for 2011/12 and \$70 million per annum for 2012/13 and outyears, to be appropriated to Vote Agriculture and Forestry;
- 3 **noted** that the PGP covers the whole of the value chain, including education and skills development, research and development, product development, commercialisation, market development, and technology transfer;
- 4 **noted** that the PGP intends to drive substantial gains in economic growth and sustainability in the primary and food sectors, including forestry, through investment in partnership between government and the primary and food industries in research and innovation, with industry matching the level of government investment in the initiative;

The Primary Growth Partnership

- 5 **agreed** that the following industries be included within the scope of the PGP:
 - 5.1 pastoral (including wool) and arable production;
 - 5.2 horticulture;
 - 5.3 seafood (including aquaculture);
 - 5.4 forestry and wood products;
 - 5.5 food processing (including, for example, nutraceuticals and bioactives);

- 6 **noted** that, in order to operate in a timely and pragmatic manner, the governance of the PGP will be relatively light, and will make the maximum use of existing mechanisms for delivering investment programmes;
- 7 **agreed** that the key elements of the PGP be:
- 7.1 the Investment Advisory Panel, which will make recommendations about the investment of government funds to the Director-General of the Ministry of Agriculture and Forestry (MAF), and recommend adjustment of existing expenditure to all investors;
 - 7.2 Programme Steering Groups, which will develop business plans for programmes of investment;
 - 7.3 the Director-General of MAF, who will approve government investment, and will provide the point of contact for relationships between private investors and the Crown;
- 8 **noted** the following intended process for how ideas will progress to investments through the PGP:
- 8.1 step 1: the Investment Advisory Panel will call for expressions of interest (EoIs) for investment programmes. Groups of potential co-investors with similar interests will develop EoIs, and the Investment Advisory Panel will determine which EoIs will be progressed (this process may include iterative discussions between the Investment Advisory Panel and groups of co-investors to further develop EoIs);
 - 8.2 step 2: co-investor groups with successful EoIs will become formal Programme Steering Groups. These Groups, which will include government officials, will develop business plans for the investment programme, and the business plans will be submitted to the Investment Advisory Panel for assessment;
 - 8.3 step 3: the Investment Advisory Panel will assess the quality and value proposition of programmes, and will make recommendations to the Director-General of MAF;
 - 8.4 step 4: the Director-General of MAF will approve government investment and subsequent contracting of the programmes;
 - 8.5 step 5: members of the Programme Steering Groups will arrange for contracts to be entered into, and will be responsible for oversight of the programme;
- 9 **agreed** that Crown investments be made using existing investment managers (for example, agencies such as the Foundation for Research, Science and Technology, the Tertiary Education Commission, or New Zealand Trade and Enterprise), with the possibility of other entities (including non-government entities) where best practice is demonstrated;
- 10 **agreed** that a MAF-employed secretariat assist the Investment Advisory Panel and have a key role in ensuring that processes and documentation are of the highest quality, which will support the Investment Advisory Panel in making recommendations to the Director-General of MAF with confidence;
- 11 **agreed** that there be an Annual General Meeting of investors, including key Ministers and key private sector investors, which would meet with the Investment Advisory Panel and discuss overall progress of the PGP in achieving its objectives;

- 12 **noted** that after the PGP has been in place for two years, MAF will review the progress of the PGP;

Investment programmes

- 13 **agreed** that industry and government investment be aligned with, but be additional to, existing initiatives and work programmes (that is, beyond business-as-usual);
- 14 **agreed** that investment programmes consist of a suite of complementary and mutually supporting projects, targeted at a range of points along the value chain;
- 15 **agreed** that:
- 15.1 there be overall matched investment from industry and the government at the programme level;
 - 15.2 because all of the activities within a programme may not happen all at once, partners will come to a binding agreement about securing government and private investment over the span of the programme;
- 16 **agreed** that programme business plans must clearly demonstrate:
- 16.1 how the activity will result in economic growth and increased sustainability (for example, more productive and sustainable use of New Zealand's resources, identification of new valuable ingredients and products, significant productivity gains above business-as-usual, new markets etc);
 - 16.2 how the proposal fits in with the overall strategic direction of the sector and the existing activities already occurring;
 - 16.3 the new activities that must occur for this to be achieved across the value chain, from the research through to commercialisation;
 - 16.4 key performance indicators that can be used to measure the outcomes;
 - 16.5 the likely beneficiaries and their contribution (both financially and how they will implement and adapt outcomes to maximise the gains);
 - 16.6 why the Crown needs to invest in this activity or aligned activities (that is, the public good aspects of the proposal);
- 17 **agreed** that, in determining "additionality" of investment, acceptance of in-kind contributions be at the discretion of the Investment Advisory Panel;
- 18 **noted** that all programme proposals will be assessed by the Investment Advisory Panel against criteria including those outlined in paragraph 16 above, and that the Investment Advisory Panel will recommend funding only for programmes of sufficient quality;
- 19 **agreed** that:
- 19.1 to encourage investment to begin flowing, initial allocations of \$2 million for each of the five sectors referred to in paragraph 5 above be set aside within the PGP appropriation for each of the first two years;

- 19.2 the remainder of the PGP appropriation (excluding funding set aside for the Centre for Agricultural Greenhouse Gas Research, see paragraph 25 below) be fully contestable between all sectors and programmes;
- 20 **agreed** that, because an investment programme may span more than one sector (for example, pastoral and food) or there may be more than one programme per sector, the Investment Advisory Panel will determine which programme(s) each sector allocation is used for;

Centre for Agricultural Greenhouse Gas Research

- 21 **agreed** that a Centre for Agricultural Greenhouse Gas Research be funded from within the PGP;
- 22 22.1 **agreed** that the key objectives of the Centre for Agricultural Greenhouse Gas Research be to:
- 22.1.1 develop mitigation options focused on New Zealand's agricultural greenhouse gas emissions;
 - 22.1.2 improve co-ordination of domestic agricultural greenhouse gas emissions research;
 - 22.1.3 exploit environmental and productivity co-benefits from greenhouse gas emissions research;
 - 22.1.4 maximise the potential to deliver practical greenhouse gas mitigation/abatement solutions on-farm to the agricultural sector;
- 22.2 **noted** that an option for a world research centre on climate change is currently under development, and that the Centre for Agricultural Greenhouse Gas Research funded under the PGP may form the base for a world research centre;
- 23 **noted** that officials will discuss the proposed model for the Centre for Agricultural Greenhouse Gas Research with other potential PGP co-investors, the Sustainable Land Management and Climate Change Peak Group, the Pastoral Greenhouse Gas Research Consortium, and other departments, and will report back to the Minister of Agriculture and the Minister of Research, Science and Technology following those discussions;
- 24 **agreed** that, although the Centre for Agricultural Greenhouse Gas Research will have different governance arrangements from other programmes under the PGP (which will enhance the timeliness and limit the cost of its establishment), once its business plan, goals and strategic direction are agreed, these (as well as the Centre's future performance) be reviewed by the Investment Advisory Panel, the Director-General of MAF, the Chief Executive of the Ministry of Research, Science and Technology, and the Secretary of Foreign Affairs and Trade;
- 25 **agreed** that the Centre for Agricultural Greenhouse Gas Research have access to two types of funding through the PGP:
- 25.1 stable funding allocated through the PGP of \$5 million per annum of ongoing baseline funding from the Crown, identified by the Centre in a 10-year business plan (the baseline funding would be regularly reviewed);

- 25.2 the ability to contest for the remaining PGP funds, subject to the same criteria and rules of use as other programme proposals under the PGP;
- 26 **noted** that funding awarded to the Centre for Agricultural Greenhouse Gas Research under the PGP could be administered using the Foundation for Research, Science and Technology (FRST), based on a memorandum of understanding;
- 27 **noted** that the Pastoral Greenhouse Gas Research Consortium could be the key route through which the Centre for Agricultural Greenhouse Gas Research's technologies and management practices are commercialised and adopted by farmers;

Membership of the Investment Advisory Panel

- 28 **noted** that:
- 28.1 the Investment Advisory Panel will consist of a Chair plus five additional members;
- 28.2 the Minister of Agriculture intends to appoint Bill Falconer as the inaugural Chair;
- 28.3 the Minister of Agriculture intends to appoint the remaining members of the Investment Advisory Panel in consultation with the Chair, the Director-General of MAF, the major co-investors, the Prime Minister, the Minister of Finance, the Minister of Research, Science and Technology, and the Minister of Maori Affairs;
- 28.4 the Minister of Agriculture will submit the relevant curriculum vitae forms and other appointment information to the Cabinet Appointments and Honours Committee in due course;

General

- 29 **noted** that proposals under the PGP need to be considered in the context of international trade rules regarding the provision of subsidies, and that the Ministry of Foreign Affairs and Trade (and other agencies as appropriate) will be consulted to ensure that programmes proposed for funding are consistent with New Zealand's international obligations and trade policy settings;
- 30 **noted** that the PGP is a large initiative, and that achieving the desired outcomes will require appropriate administrative resourcing;
- 31 **agreed** that the following matters be funded from the PGP appropriation:
- 31.1 initial set-up costs and remuneration, fees and expenses of the Investment Advisory Panel;
- 31.2 contracting of specialist advice by the Investment Advisory Panel;
- 31.3 set-up, remuneration and administrative expenses of the MAF-employed secretariat;
- 31.4 costs of contracting processes (administration, initial evaluation, and reporting on contracts);
- 32 **noted** that the proposed funding for the Investment Advisory Panel, the secretariat, and contracting processes will need to be transferred from non-departmental to a departmental output class, which can only occur post-Budget;

- 33 **authorised** the Minister of Finance and the Minister of Agriculture to approve the changes in appropriations needed to carry out the transfer referred to in paragraph 32 at the appropriate time.

Reference: CAB (09) 266; EGI Min (09) 9/2; EGI (09) 66

Secretary's note: This minute replaces EGI Min (09) 9/2.
