

VOTE *Economic, Industry and Regional Development*

Economic, Industry and Regional Development

Overview

Annual appropriations for Vote Economic, Industry and Regional Development in 2006/07 total \$286.495 million. These are to be applied as outlined below.

Departmental Appropriations

Appropriations for departmental output expenses total \$13.279 million (4.7% of the Vote). These take the form of policy advice services from the Ministry of Economic Development (MED) including:

- \$11.633 million (4.1% of the Vote) will be used for policy advice on economic, industry and regional development policies and initiatives to promote sustainable economic development.
- \$1.646 million (0.6% of the Vote) will be used for policy advice on issues related to small and medium enterprises (SMEs).

Non-Departmental Appropriations

Appropriations for non-departmental output expenses total \$139.126 million (48.5% of the Vote). These take the form of NZTE services provided to firms, sectors and regions and relate to:

- \$40.192 million (14.0% of the Vote) for facilitating the development and implementation of sector and regional strategies.
- \$25.169 million (8.7% of the Vote) for promoting New Zealand's business and development of investment opportunities.
- \$8.220 million (2.9% of the Vote) for business information and advice services.
- \$11.784 million (4.1% of the Vote) for training and capability building services.
- \$3.949 million (1.4% of the Vote) for the administration, management and monitoring of business assistance grants.
- \$20.480 million (7.1% of the Vote) for customised information and advice services.
- \$27.442 million (9.6% of the Vote) for identifying and leveraging new business opportunities.
- \$1.890 million (0.7% of the Vote) for the operation of the Venture Investment and Seed Co-investment Funds.

Appropriations for non-departmental other expenses total \$99.220 million (34.6% of the Vote). These take the form of grants or awards to firms, sectors and regions and relate to:

- \$5.274 million (1.8% of the Vote) for assisting entrepreneurs and businesses to undertake advanced training, engage a business mentor or specific management advice and/ or undertake international market development activities.
- \$1.511 million (0.5% of the Vote) for encouraging a culture of enterprise and entrepreneurship through supporting enterprise education initiatives.
- \$578,000 (0.2% of the Vote) for the operation of an independent structure for Film New Zealand.

- \$1.014 million (0.4% of the Vote) for operation of GIF industry governed bodies.
- \$933,000 (0.3% of the Vote) for the GIF project sector funding.
- \$9.427 million (3.3% of the Vote) for growth services funding.
- \$4.000 million (1.4% of the Vote) for facilitating joint ventures between Australia and New Zealand companies in biotechnology development, manufacturing and marketing.
- \$35.556 million (12.3% of the Vote) for a large budget screen production fund.
- \$3.022 million (1.1% of the Vote) for support of major events.
- \$1.156 million (0.4% of the Vote) for the commissioning of research, stimulation of business interest and supply of management development services.
- \$25.907 million (9.0% of the Vote) for encouraging the integration of New Zealand businesses into global markets.
- \$1.867 million (0.7% of the Vote) to support regional and industry specific projects.
- \$2.756 million (1.0% of the Vote) for development of business incubators and regional clusters.
- \$6.219 million (2.2% of the Vote) for support of specific sector related initiatives, particularly in the areas of major events, pre-feasibility and feasibility studies.

Appropriations for net capital flows total \$34.870 million (12.2% of the Vote) relating to a capital contribution to New Zealand Trade and Enterprise for further investment in systems to assist in development of the business portal website (\$1.870 million); funding for the Seed Co-investment Fund (\$8 million); and funding for the Venture Investment Fund (\$25 million).

Appropriations for non-departmental other expenses, multi-year funding, total \$46.625 million for advice and grants to help regional partnerships to identify, develop and implement sustainable economic growth strategies.

Details of how the appropriations are to be applied appear in Parts B1, C, D and E of this Vote.

Terms and Definitions Used

BIZ	The Business Development programme established to enhance the management capability, business skills, and knowledge of small and medium enterprises
FDI	Foreign Direct Investment
GIAB	Growth and Innovation Advisory Board
GIF	Growth and Innovation Framework
ICT	Information Communications Technology
INZ	Industry New Zealand, a former Crown entity responsible for the delivery of industry and regional development programmes and activities
MED	Ministry of Economic Development
MYA	Multi-Year appropriation
NZTE	New Zealand Trade and Enterprise
OECD	Organisation for Economic Co-operation and Development
RMA	Resource Management Act 1991
SBAG	Small Business Advisory Group
SCIF	Seed Co-Investment Fund
SMEs	Small and Medium Enterprises
SPs	Strategic Priorities
TNZ	Trade New Zealand, a former Crown entity responsible for the New Zealand Trade Development Board
VIF	Venture Investment Fund

Footnotes

Note 1	This Multi-year Appropriation was made in the Appropriation (2004/05 Estimates) Act 2004. The appropriation is still in force and operates on a GST inclusive basis. The figures here include GST.
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Minister Portfolio Table

39	Minister for Industry and Regional Development
62	Minister for Small Business

Economic, Industry and Regional Development

VOTE MINISTER: Minister for Industry and Regional Development

ADMINISTERING DEPARTMENT: Ministry of Economic Development

The Minister for Economic Development is the Responsible Minister for the Ministry of Economic Development

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

A priority for the Government is working to progress New Zealand's economic transformation to a high income, knowledge based market economy, which is both innovative and creative, and provides a unique quality of life to all New Zealanders.

Within the economic transformation agenda there are the following sub-themes:

- Growing globally competitive firms.
- World class infrastructure.
- Innovative and productive workplaces, underpinned by high standards in education, skills and research.
- An internationally competitive city - Auckland.
- Environmental sustainability.

We need a strong economy to deliver the living standards, the services, and the quality of life which the citizens of our first world country expect, deserve, and are prepared to work for. A strong economy in turn needs healthy, well educated, highly motivated, and confident people to drive it to ever greater achievements.

The Government's specific economic objective is to return New Zealand's per capita income to the top half of the OECD rankings and to maintain that standing. The strategy for achieving this objective is embodied in the Economic Transformation Agenda.

Strategic Issues

Vote Economic, Industry and Regional Development plays an important role in responding to the economic transformation challenge. Globally competitive firms are the primary generators of economic wealth, this Vote provides advice through the Ministry of Economic Development on the key issues they face in lifting their productivity performance. It also develops programmes (largely delivered by New Zealand Trade and Enterprise) to address these issues.

The context for this advice and these programmes is the rapidly changing nature of international business, where globalisation and technological change are increasing the intensity of competition New Zealand businesses face. This competition requires firms to be more innovative and responsive to international customer needs if they are to gain competitive advantage and command the premium prices that will enable New Zealanders to enjoy higher standards of living over time. Competition involves a

process of change in which less productive firms are replaced by more productive firms, and resources flow to productive sectors and regions.

Key activities include:

- support to Ministers in the coordination and implementation of the Economic Transformation Agenda
- working at both the systemic and the individual business level to lift the capacity of firms to innovate
- building the connections of firms with international markets and customers through targeted support for developing international markets and attracting foreign investment
- ensuring a supportive regulatory environment and strong supporting infrastructure is available to firms
- a focus on key enablers of growth including general purpose technologies, enterprise culture and business and management capability
- improving business access to finance
- fostering partnerships between all economic agents to improve information flows, problem identification and policy, and
- monitoring and evaluating the performance of policies and programmes, including the overall performance of New Zealand Trade and Enterprise.

Appropriations Linkages to the Government's Outcomes

Departmental output expenses

The services to be purchased under Vote Economic, Industry and Regional Development will allow the Ministry of Economic Development and other agencies to deliver outputs that contribute to the Government's economic transformation agenda. Key to this is ensuring that New Zealand's business environment promotes a higher rate of sustainable income growth for New Zealanders.

Given the wide range of the Ministry of Economic Development's activities, one of the main challenges has been to identify areas of work that the Ministry can do within this Vote to make the biggest contribution to improving economic growth in New Zealand. The Ministry has identified five key priority areas aligned to key Government priorities that are considered to be the most important areas for the Ministry to focus on over the next three to five years. These are: leading a whole of government approach to economic development; improving the international linkages that allow firms to benefit from trade, knowledge transfer and investment; fostering entrepreneurship and innovation in New Zealand firms; strengthening the growth focus in the regulatory environment for business; and improving the quality and reliability of key infrastructure services.

In contributing to these areas under Vote Economic, Industry and Regional Development, the Ministry is tasked with providing policy advice that will encompass the development, evaluation and overview of economic, industry and regional development policies and initiatives.

The Ministry's strategic priorities describe the areas on which it will put emphasis in order to best promote economic growth. The particular contributions on these priorities within Vote Economic, Industry and Regional Development are summarised in the table below. However the Ministry's work goes beyond the priorities to include a large number of activities that also make a contribution to improving the business environment. The entirety of the Ministry's work, including work on the strategic priorities, is captured by the Ministry's Business Environment outcomes which are detailed in the Ministry's 2006-2009 Statement of Intent. The following table summarises the contribution that different outputs make to the Ministry's Business Environment outcomes.

Outcomes	Contribution of Appropriations to Outcomes
<p>Growing Business Capability</p> <p>Businesses are capable of being more internationally competitive.</p>	<p>Policy advice supporting the development and alignment of outputs across the public sector that contribute to economic growth. This includes ongoing development and implementation of the Government's Economic Transformation Agenda.</p> <p>Policy advice on building closer economic relations internationally through increased cooperation in the areas of:</p> <ul style="list-style-type: none"> • domestic industry and innovation policy • foreign direct investment • exporting • NZTE programmes and services to facilitate the sustained and profitable participation of New Zealand businesses in overseas markets. <p>Policy advice and NZTE programmes and services aimed at assisting firms to develop their management and business capability.</p> <p>Policy advice on the development of the framework for encouraging regional economic development.</p> <p>Establishment and implementation of sector engagement processes.</p> <p>Advice on NZTE programmes and services to develop and implement sectoral and regional strategies that support development of new business opportunities.</p> <p>Policy advice on improving the contribution of infrastructure to economic development, particularly in the transport and water sectors, and for infrastructure generally.</p>
<p>Promoting Dynamic and Trusted Capital Markets</p> <p>The business community has confidence in the integrity and effectiveness of New Zealand capital and financial markets.</p>	<p>Policy advice regarding the impact of regulations on small to medium enterprises and improving the regulatory and compliance environment to ensure certainty and flexibility that encourages and supports business growth.</p> <p>Policy advice, programmes and services aimed at encouraging entrepreneurship and assisting firms to gain access to finance.</p>

Non-Departmental output expenses

Appropriations are sought in this Vote to purchase outputs from the New Zealand Trade and Enterprise to engage in activities that build business capability, improve the environment for enterprise and growth and help build international connections for business.

These outputs contribute to the Government's goals by helping all New Zealanders attain a greater standard of living and improved participation in the global economy.

Outputs to be purchased include:

- developing and implementing sector and regional strategies to assist growth and international connections
- promoting New Zealand's products and services
- promoting a culture of entrepreneurship and business success
- promoting and facilitating investment
- assisting firms to access skills and expertise in areas such as the raising of capital, starting a business, management and exporting
- providing training to improve the management capabilities of small businesses, entrepreneurs, start-ups and new exporters

- assisting firms, and groups of firms, achieve their growth objectives by providing customised advice and information that identifies and addresses business opportunities and constraints
- managing business assistance grants, and
- providing policy support.

Part A2 - Trends in Vote

The allocation flows for Vote Economic, Industry and Regional Development are detailed in the trends table.

Classes of Outputs to be Supplied

Output trends from 2001/02 to 2006/07

The appropriations in the Vote have increased significantly since 2001/02 reflecting both Government priorities and a phased approach to the implementation of industry and regional development programmes.

The first of two significant changes occurred when INZ and the TNZ were merged to form a new Crown entity - NZTE from 1 July 2003.

There has been an increase in funding to support New Zealand businesses to build international relationships and exploit offshore opportunities including:

- Market development assistance scheme.
- Sector-focused International Market Development.
- Enhancing Investment Promotion and Attraction Capability.
- Expanding and Enhancing the Strategic Investment Fund (SIF).
- Building the Government's international market development capability.
- Promoting New Zealand business capability internationally.
- Major Events Development Fund.

Appropriation Changes from 2006/07

Non-departmental output expenses and other expenses

While overall non-departmental operating baselines in 2006/07 remain relatively fixed, significant change has occurred within the spread of funding. As part of the 2006 Budget and the recent evaluation of NZTE programmes, a substantial level of reprioritisation has occurred to redirect resources from less effective programmes towards those shown to be more effective in increasing the impact of business assistance programmes. This funding is part of the "Encouraging the Integration of NZ Business into Global Markets" initiative. This has seen an overall reduction in NZTE operational expenditure and a number of grant programmes, and a corresponding increase in areas such as the Market Development Assistance Fund.

The other change that impacts on the comparison between years is the additional funding provided for the Large Budget Screen Production Fund during 2005/06.

For further details of new initiatives agreed, refer to the "New Policy Initiatives by Appropriations" below.

Capital expenditure*New Zealand Trade and Enterprise*

The major change between 2005/06 and 2006/07 reflects additional capital expenditure for the development of the business (BIZ) portal website, \$1.870 million in 2006/07, \$720,000 in 2007/08 and \$525,000 in 2008/09.

New Zealand Venture Investment Fund

This fund was established in 2001 with a capital appropriation of \$100 million in Vote Research, Science and technology. The available fund of \$76.583 million was transferred to Vote Economic, Industry and Regional Development during 2005/06. The major change between 2005/06 and 2006/07 (a reduction of \$49.383 million) reflects a reprofiling of the capital appropriation to match the timing of contractual obligations of the fund with normal accounting practice. Additional funding of \$40 million has been provided for as part of the 2006 Budget (refer to the table below). This increases the total capital appropriation invested to \$140 million.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2005/06	2006/07	2007/08	2008/09	2009/10
Accelerate the Development of the Venture Capital Market in New Zealand	Non-Departmental Capital Expenditure - Venture Investment Fund	-	20,000	15,000	5,000	-
Establish a Co-investment Programme to Assist Development of the Market for Early Stage Equity Finance	Non-Departmental Capital Expenditure - Seed Co-investment Fund	2,000	8,000	8,000	8,000	8,000
	Non-Departmental Output Expense - Investment Fund Management	1,120	512	512	512	512
Encourage the Integration of New Zealand Businesses into Global Markets	Other Expenses to be Incurred by the Crown - Market Development Assistance Fund	-	19,800	14,800	14,800	14,800
Fund a Sponsorship Leveraging Programme for the America's Cup Regatta in Valencia, Spain	Non-Departmental Output Expense - Enabling Services - Facilitating the Development and Implementation of Sector and Regional Strategies	383	1,316	-	-	-
Hosting of the Rugby World Cup 2011 - Coordination of Public Sector Activity	Multi-class Output Expense - Policy Advice - Economic Development	-	190	190	190	190
New Zealand Screen Council Funding	Other Expenses to be Incurred by the Crown - GIF Industry Governed Bodies Fund	-	250	-	-	-
Total Initiatives		3,503	50,068	38,502	28,502	23,502

Part B - Statement of Appropriations

Summary of Financial Activity

	2001/02	2002/03	2003/04	2004/05	2005/06		2006/07 Appropriations to be Used				2007/08	2008/09	2009/10	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
Appropriations														
Output Expenses	50,502	63,326	131,123	152,475	155,660	155,660	13,279	-	139,126	-	152,405	152,908	150,970	150,633
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	22,848	35,436	38,503	50,285	130,903	128,423	-	-	99,220	-	99,220	112,058	111,048	111,048
Capital Expenditure	1,100	-	4,997	1,850	77,163	77,163	N/A	N/A	34,870	-	34,870	23,720	13,525	8,525
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	74,450	98,762	174,623	204,610	363,726	361,246	13,279	-	273,216	-	286,495	288,686	275,543	270,206
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B1 - Details of Appropriations

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General)							
Policy Advice - Economic Development MCOA							Basis: Both output classes are directed at the same set of defined outcomes.
Policy Advice - Small Business	-	-	-	-	1,646	-	- Policy advice on issues relating to lifting the capability and performance of Small to Medium Enterprises (SMEs), including development, coordination and implementation of policy advice concerning SMEs.
Policy Advice and Sector Leadership - Firm Capability, Sectoral and Regional Development	-	-	-	-	11,633	-	- Policy advice encompassing the development, evaluation and overview of economic, industry and regional development policies and initiatives to promote sustainable economic development. This includes implementation of the Economic Transformation Agenda, factors influencing the capability and performance of firms, sectors and regions, and the monitoring of New Zealand Trade and Enterprise.
Policy Advice - Economic Development (M39)	-	-	-	-	13,279	-	
Policy Advice - Economic, Industry and Regional Development (M39)	12,028	-	12,028	-	-	-	- Policy advice encompassing the development, evaluation and overview of economic, industry and regional development policies and initiatives to promote sustainable economic development. This includes implementation of GIF, factors influencing the capability and performance of firms, sectors and regions, and the monitoring of NZTE. Reason for Change: Transferred to Policy Advice - Economic Development MCOA from 2006/07.
Policy Advice - Small Business (M62)	1,930	-	1,930	-	-	-	- Policy advice on issues relating to lifting the capability and performance of Small to Medium Enterprises (SMEs), including development, coordination and implementation of policy advice concerning SMEs. Reason for Change: Transferred to Policy Advice - Economic Development MCOA from 2006/07.
Total Departmental Output Expenses (General)	13,958	-	13,958	-	13,279	-	
Non-Departmental Output Expenses							
Enabling Services - Facilitating the Development and Implementation of Sector and Regional Strategies (M39)	39,495	-	39,495	-	40,192	-	- Services to support collaboration, linkages and the development of strategies between and among sectors, regions and clusters of businesses and government aimed at exploiting opportunities for growth and overcoming constraints to growth.

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Enabling Services - Promotion of New Zealand Business and Development of Investment Opportunities (M39)	26,160	-	26,160	-	25,169	-	Promotion of New Zealand's products and services, a culture of entrepreneurship and business success, and the fostering of international trade and investment.
Foundation Services - Business Information and Advice (M39)	7,342	-	7,342	-	8,220	-	Provision of a range of business assistance services and oversight of a range of programmes that provide information and advice to business, with particular focus on small businesses, entrepreneurs, start-ups and new exporters.
Foundation Services - Training and Capability Building (M39)	11,962	-	11,962	-	11,784	-	Training to improve the management capabilities of small businesses, entrepreneurs, start-ups and new exporters.
Grant Administration and Management (M39)	4,345	-	4,345	-	3,949	-	Administration and monitoring of business assistance grants and provision of support to government policy development.
Growth Services - Customised Information and Advice (M39)	20,056	-	20,056	-	20,480	-	Provision of customised information and advice to enable New Zealand businesses which are committed to achieving medium to high growth, to identify and address opportunities and constraints in achieving their growth objectives.
Growth Services - Identifying and Leveraging New Business Opportunities (M39)	29,167	-	29,167	-	27,442	-	Support for New Zealand businesses with medium to high growth potential, to identify and pursue new international business opportunities.
Investment Fund Management (M39)	1,725	-	1,725	-	1,890	-	Operational costs of the Venture Investment and Seed Co-investment Funds.
New Zealand's Participation At Expo 2005 Aichi, Japan (M39)	1,450	-	1,450	-	-	-	Funding for New Zealand's participation at Expo 2005 in Aichi, Japan.
Total Non-Departmental Output Expenses	141,702	-	141,702	-	139,126	-	
Other Expenses to be Incurred by the Crown							
Enterprise Development Fund (M39)	5,274	-	5,274	-	5,274	-	Assistance for entrepreneurs and businesses to undertake advanced training, engage a business mentor or specific management advice and/ or undertake international market development activities.
Enterprise, Culture and Skills Activities Fund (M39)	1,511	-	1,511	-	1,511	-	Support of enterprise education initiatives to encourage a culture of enterprise and entrepreneurship.
Film New Zealand (M39)	578	-	578	-	578	-	Operation of an independent structure for Film NZ, development of a marketing plan for the film sector and coordination of regional film offices.
GIF Industry Governed Bodies Fund (M39)	1,244	-	1,244	-	1,014	-	Operation of GIF industry governed bodies to oversee the implementation of their individual sector growth strategies within the ICT, biotechnology, design and screen sectors.

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Other Expenses to be Incurred by the Crown - cont'd							
GIF Sector Project Fund (M39)	1,333	-	1,333	-	933	-	Implementation of specific projects arising out of industry issues as requested by the established GIF industry governed bodies within the ICT, biotechnology, design and screen sectors.
Growth Services Fund (M39)	9,427	-	9,427	-	9,427	-	Medium to high growth potential firms to purchase external advice and expertise and marketing intelligence and development services.
International Biotechnology Partnerships (M39)	2,222	-	2,222	-	4,000	-	Facilitation of joint ventures between Australia and New Zealand companies in biotechnology development, manufacturing and marketing.
Large Budget Screen Production Fund (M39)	75,971	-	75,971	-	35,556	-	Assistance to film and television productions that spend over \$15 million in New Zealand, if that expenditure equals or exceeds 70% of the production's total budget.
Major Events Development Fund (M39)	3,022	-	3,022	-	3,022	-	Support for major events that provide economic, social, cultural and international profiling benefits to New Zealand.
Management Development Fund (M39)	1,874	-	674	-	1,156	-	Assistance to address the management capability gap in New Zealand, through the commissioning of research, stimulation of business interest and supply of management development services.
Market Development Assistance Fund (M39)	6,107	-	6,107	-	25,907	-	Encouragement for the integration of more New Zealand businesses into global markets by facilitating the creation, development and expansion of overseas markets for New Zealand goods, services, intellectual property and know-how.
Regional and Industry Development Fund (M39)	-	-	-	-	1,867	-	Support of industry and regional specific projects that are likely to have the ability to contribute to government economic objectives and to unlock high growth potential, but are not eligible to be funded through other government assistance programmes.
Regional Initiatives Fund (M39)	2,441	-	1,161	-	-	-	Support of regional specific projects that are consistent with the Government's economic, social and environmental objectives, but cannot be funded through other government assistance programmes.
Regional Partnerships and Facilitation (M39)	3,505	-	3,505	-	2,756	-	Support of the development of business incubators and regional clusters.
Sector Initiatives Fund (M39)	2,894	-	2,894	-	-	-	Support of industry specific projects that are consistent with the Government's economic, social and environmental objectives, but cannot be funded through other government assistance programmes.
Sector Strategies and Facilitation (M39)	13,500	-	13,500	-	6,219	-	Assistance with the facilitation of specific sector initiatives, particularly in the areas of major events, pre-feasibility and feasibility studies and guarantees for significant projects to access funding through other government programmes and cash grants.
Total Other Expenses to be Incurred by the Crown	130,903	-	128,423	-	99,220	-	

	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations							
Capital Expenditure							
New Zealand Trade and Enterprise (M39)	780	-	780	-	1,870	-	- Investment for the development of the business (biz) portal website.
Seed Co-investment Fund (M39)	2,000	-	2,000	-	8,000	-	- Support the development of the market for early stage equity finance.
Venture Investment Fund (M39)	74,383	-	74,383	-	25,000	-	- Capital Investment to accelerate the development of the New Zealand Venture Capital Market. Public funds will be co-invested with the private sector to increase the rate of formation of new businesses based on high added value goods and services.
Total Capital Expenditure	77,163	-	77,163	-	34,870	-	
Total Appropriations	363,726	-	361,246	-	286,495	-	

Part B2 - Details of Multi-Year Appropriations

Appropriations	Current Appropriation \$000	Scope of Appropriations
Other Expenses to be Incurred by the Crown		
Regional Partnerships and Facilitation (M39)		Provision of advice and grants to assist regional partnerships to identify, develop and implement sustainable economic growth strategies.
Original Appropriation (See Note 1)	56,625	Reason for Change: A reduction of \$10 million (GST inclusive) was made as part of the 2006 Budget Initiatives Package to contribute to additional funding for the Market Development Assistance Scheme.
Commences	1 July 2004	
Expires	30 June 2007	
Adjustments 2005/06	(10,000)	
Appropriation	46,625	
Estimated Actual to 2005/06 Year End	27,000	
Estimated Actual to 2006/07 Year End	46,625	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy Advice and Sector Leadership - Firm Capability, Sectoral and Regional Development

This appropriation provides policy advice encompassing the development, evaluation and overview of economic, industry and regional development policies and initiatives to promote sustainable economic development.

This includes the ongoing development and implementation of the Government's Economic Transformation Agenda; the researching and analysis of factors influencing the capability and performance of firms, industry sectors, and regions; undertaking work on the overall management and adequacy of New Zealand's infrastructure; and the monitoring of New Zealand Trade and Enterprise (NZTE).

The following outputs are included in this appropriation for 2006/07:

- Regional Development Policy - which relates to economic initiatives in the regions of New Zealand, with a focus on policies and programmes to improve the business environment at the regional level, a key influence on individual firm performance.
- Economic Transformation - which relates to the ongoing development and implementation of the Government's cross-agency economic transformation agenda and promotion of associated activities undertaken in regions, sectors and firms.
- Growth and Innovation Advisory Board (GIAB) - which relates to providing support to GIAB and their focus of strengthening the role of innovation stakeholders in informing the development of the Economic Transformation strategy.
- Firm Capability - which relates to the issues that affect and influence management, business capability and overall performance at the firm level. It includes advice on the design, implementation and ongoing operation of industry programmes delivered through NZTE.
- Research, Evaluation and Monitoring - which relates to managing a research programme, which informs future policy development, the evaluation and monitoring of industry and regional development programmes and the performance of NZTE.
- Sector Policy Development - which relates to the factors that influence the level and quality of sustainable economic growth from an industry development perspective. The focus is on those factors that influence the growth of industry sectors and New Zealand's international connections, and includes the design, implementation and ongoing operation of programmes delivered through NZTE
- Major Events - which relates to secretariat support to the Major Events Development Fund as part of the Major Events Strategy and will ensure that expenditure on approved events is properly monitored and accounted for.
- Infrastructure advice - which relates to work on a range of infrastructure issues not covered under Votes Energy or Communications. The work is directed to improving the contribution of the transport and water sectors, and of infrastructure generally, to economic development. The Ministry also leads the development of national guidance for infrastructure under the Resource Management Act (RMA).

Policy Advice - Small Business

This appropriation provides policy advice on issues relating to lifting the capability and performance of Small to Medium Enterprises (SMEs), including development, coordination and implementation of policy advice concerning SMEs.

The following outputs are included in this appropriation for 2006/07:

- Small Business Advisory Group (SBAG) - which relates to facilitating the work of the SBAG in considering SME issues and providing advice to the Government.
- SME research - which relates to the undertaking or oversight of research and commentaries on issues related to the state and development of SMEs.
- Compliance Costs - which relates to advice, research and projects designed to identify, and assist in alleviating, unnecessary costs incurred by SMEs in complying with government regulations.

Communication with SMEs - which relates to building communication channels between government and SMEs, including through the SBAG, to promote the development and success of SMEs.

Part C2 - Non-Departmental Output Expenses

Enabling Services - Facilitating the Development and Implementation of Sector and Regional Strategies

This appropriation covers the cost of purchasing services that will support collaboration, linkages, and the development and implementation of strategies between and among sectors, regions and clusters of businesses and government aimed at exploiting opportunities for growth and overcoming constraints to growth. Facilitating the recognition, development and implementation of sector and regional strategies and linkages between firms and groups of firms will enhance New Zealand’s growth prospects both in the medium and long term.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Expectation
<p>Quantity</p> <p>Projects undertaken within the Food & Beverage, International Education, Specialised Manufacturing, Creative Industries, Wood, Building and Interiors, Information & Communication Technologies, Biotechnology & Agricultural Technology and Tourism sectors.</p> <p>GIF projects to be undertaken in 2006/07.</p>	<p>Projects will be negotiated with Ministers through the Output Agreement and delivered to scope, timeframes and budget</p> <ul style="list-style-type: none"> • Australia-New Zealand Biotechnology Partnership • Design Taskforce Implementation Plan ('Inform' and 'Enable' initiatives) • Future in Tech
<p>Quality and Timeliness</p> <p>Projects will be managed according to project management guidelines approved by NZTE Senior Management. Delivery of projects will be monitored by NZTE management.</p>	<p>100%</p>

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	39,495	40,192

Provider

New Zealand Trade and Enterprise.

Enabling Services - Promotion of New Zealand Business and Development of Investment Opportunities

This appropriation covers the cost of purchasing services for the promotion of New Zealand's products and services both on and offshore to attract and facilitate investment. The services are also aimed at building a supportive business environment in New Zealand, by fostering and supporting a culture of entrepreneurship and business success and by promoting the benefits and value of international engagement.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Expectation
Quantity	
<i>Promotion of New Zealand</i>	
Communications plans implemented around sector-related events	2 - 6
<i>Promotion and Facilitation of Investment</i>	
Businesses receiving funding through the Strategic Investment Fund	2 - 6
Quality and Timeliness	
<i>Promotion of New Zealand</i>	
Percentage of positive and/or balanced articles, in line with brand, placed in international media channels for identified priority events/activities.	70%
<i>Promotion and Facilitation of Investment</i>	
Operation of the Strategic Investment Fund in accordance with internal programme guidelines and Cabinet criteria.	100%

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	26,160	25,169

Provider

New Zealand Trade and Enterprise.

Foundation Services - Business Information and Advice

This appropriation covers the cost of purchasing services for the delivery of a range of business assistance services targeted at a wide business audience, but with a particular focus on smaller firms, entrepreneurs, start-ups and new exporters. The services are largely focused on building and supporting the development of management skills and capabilities such as raising capital, business management and exporting, through the provision of information and advice.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Expectation
Quantity	
Calls to NZTE hotline service.	15,000 - 25,000
Enquiries logged to the to biz service (calls, email, walk-in).	28,000 - 35,000
Quality	
All biz centres and staff receive a Quality Standards Manual that covers how services will be delivered, recruitment, response times, keeping up-to-date records, and database management. Performance will be monitored by the third party providers and reported back to NZTE.	100% compliance with adherence to Quality Standards Manual
Timeliness	
Online information available to businesses on international market development will be up-to-date.	100% compliance with Annual update cycle

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	7,342	8,220

Provider

New Zealand Trade and Enterprise.

Foundation Services - Training and Capability Building

This appropriation covers the cost of purchasing services for the delivery of training to build and enhance the management capabilities of small businesses, entrepreneurs, start-ups and new exporters.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Expectations
Quantity	
Businesses receiving Enterprise Training.	9,500 - 11,500
Quality	
Owners/Managers of businesses rate training as 'good' or 'very good'.	Mean rating greater than 4 on a scale of 0 - 5
Timeliness	
Complete the annual audit programme on selected training providers.	By 30 June 2007

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	11,962	11,784

Provider

New Zealand Trade and Enterprise.

Grant Administration and Management

NZTE will administer a number of grant schemes on behalf of the Crown. This appropriation covers the cost of purchasing services that will ensure the delivery of business assistance grants as consistent with agreed policy guidelines and criteria. In addition a range of services will be purchased which support government policy development particularly related to the development of “economic and regional development” and ongoing NZTE delivery.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Expectation
Quantity Grants programmes administered.	As specified in the Output Agreement.
Quality and Timeliness Grant applications assessed and awarded, and claims against awarded grants are paid, in accordance with Cabinet criteria and NZTE grants processing guidelines.	100%

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	4,345	3,949

Provider

New Zealand Trade and Enterprise.

Growth Services - Customised Information and Advice

This appropriation covers the cost of purchasing services for the development and delivery of customised information and advice to New Zealand businesses that are committed to achieving medium to high growth. The services are aimed at assisting companies to identify and respond to opportunities and address constraints to achieving their growth objectives.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Expectations
Quantity	
International market intelligence reports produced.	800 - 1,200
Quality	
Clients surveyed are satisfied that NZTE market selection and international intelligence services were delivered as agreed.	80% of clients rate service as "good" or "very good"

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	20,056	20,480

Provider

New Zealand Trade and Enterprise.

Growth Services - Identifying and Leveraging New Business Opportunities

This appropriation covers the cost of purchasing services relating to the identification, qualification and facilitation of international business opportunities. The services provided are customised to support and assist New Zealand businesses with medium to high growth potential. The services are largely focused on facilitating and leveraging international market opportunities.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Expectations
Quantity	
Subscriptions to Project Link	80 - 100
Online trade enquiries registered	1,300 - 1,500
Quality and Timeliness	
NZTE through its offshore network will work closely with MFAT posts in markets to provide relevant assistance to internationalising firms.	Performance agreed as satisfactory by Ministers

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	29,167	27,442

Provider

New Zealand Trade and Enterprise.

Investment Fund Management

This appropriation covers the management and governance of NZVIF. This includes administering the VIF and the SCIF programmes and monitoring the performance of these funds.

NZVIF is wholly owned by the Crown and has been established for the purpose of accelerating the development of the venture capital market in New Zealand. NZVIF will achieve this purpose by co-investing with the private sector through both VIF and SCIF Funds. The VIF programme provides for co-investment in venture capital funds managed by private sector fund managers. The SCIF programme provides for co-investment with private sector angel networks. The Crown has appropriated \$100 million of capital from Vote Research Science and Technology. The balance of the appropriation was transferred to Vote Economic, Industry and Regional Development (\$76.583 million) in November 2005.

This investment has the goals:

VIF

- To accelerate development of the New Zealand venture-capital industry by increasing the level of seed, start-up and early expansion investment activity in the New Zealand market.
- To develop a larger pool of people in New Zealand's venture capital market with skills and expertise in seed and start-up investment.
- To facilitate the commercialisation of innovations from Crown Research Institutes, universities and the private sector.
- To get more New Zealand businesses on paths to global success by increasing their access to international experts, networks and market knowledge.

SCIF

- To accelerate the development of greater professional capacity in the market for intermediating funds between investors and newer technology-based firms.
- To increase the scale and enhance developed networks for early stage investment.
- To increase the depth in the specialist skills needed to assess and manage early-stage technology-based investment.
- To catalyse investment that would not have occurred without the programme.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Expectations
Selection of seed fund managers	Due diligence to select investment grade fund managers. Investment charters and legal documentation in line with international venture capital industry "best practice".
Selection of angel networks and network managers	Due diligence to select investment grade fund managers. Investment charters and legal documentation in line with international venture capital industry "best practice".
Manage the Venture Investment Fund and the Seed Co-investment Fund	Fund management conforms to industry "best practice" for venture capital "fund or funds" and angel co-investment portfolio.
Monitor the performance and results achieved by the seed fund managers and the angel networks	Monitoring and governance processes that conform to industry "best practice".
Provision of annual "Progress and Achievement" report, which includes an assessment of the effectiveness of investment decisions and advice on future policy directions and initiatives	Acceptance of report confirms the Ministers satisfaction.
Provision of advice to the Minister as required	The advice will be delivered within 15 working days of the formal request, unless otherwise agreed, and will be of a standard acceptable to the Minister.

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	1,725	1,890

Provider

New Zealand VIF Limited.

Part D - Explanation of Appropriations for Other Operating Flows

Part D3 - Other Expenses

Enterprise, Culture and Skills Activities Fund

This fund provides support for projects that develop an enterprise culture across the community which will promote a business and enterprise culture and develop enterprising skills and attitudes among New Zealanders. The focus is on seed funding and piloting new and innovative approaches that will result in:

- a climate that recognises and reinforces business success amongst existing and potential businesses
- a social culture that positively supports entrepreneurial activity and business success
- a culture in education where business is seen as a positive contributor to society and a worthwhile career aspiration for students, and
- students developing enterprising attitudes and behaviours and business-relevant skills.

Enterprise Development Fund

This fund provides for assistance to entrepreneurs and businesses to:

- engage the services of a business mentor for a period of time
- undertake more advanced management and technology-based training
- purchase specific external advice and expertise in a management area (eg, feasibility studies, e-business, market research, enhancement and uptake of new technologies, human resources, intellectual property, strategic planning, environmental management, production management or for governance/advisory), and
- engage the services of advisory boards.

Film New Zealand

This fund provides for the implementation of the recommendations by the Screen Production Industry Taskforce. This includes the operation of an independent structure for Film NZ, development of a sector marketing plan, including determining market intelligence requirements of the industry (in conjunction with NZTE and the New Zealand Film Commission) and to undertake coordination with regional film offices.

GIF Industry Governed Bodies Fund

This fund provides for the operation of GIF industry governed bodies to oversee the implementation of their individual sector growth strategies within the ICT, biotechnology, design and screen sectors.

GIF Sector Project Fund

This fund provides for implementation of specific projects arising out of industry issues as requested by the established GIF industry governed bodies within the ICT, biotechnology, design and screen sectors.

Growth Services Fund

This fund provides for medium to high growth potential firms to purchase external advice and expertise and marketing intelligence and development services. Funding is available to both firms and groups of firms to facilitate access to the following enablers of business growth:

- new business opportunities
- skills and expertise
- innovation and new technologies, and
- finance.

International Biotechnology Partnerships

This fund provides for facilitation of joint ventures between Australia and New Zealand companies in biotechnology development, manufacturing and marketing.

Large Budget Screen Production Fund

This fund provides assistance to film and television productions that spend over \$15 million in New Zealand, if that expenditure equals or exceeds 70% of the production's total budget.

Major Events Development Fund

This fund provides support for major events that provide economic, social, cultural and international profiling benefits to New Zealand and is supported by the Major Events Strategy.

Management Development Fund

This fund provides assistance to address the management capability gap in New Zealand, through the commissioning of research, stimulation of business interest and supply of management development services. This is encompassed under the "Fit for the Future" initiative.

Market Development Assistance Fund

This fund encourages the integration of more New Zealand businesses into global markets by facilitating the creation, development and expansion of overseas markets for New Zealand goods, services, intellectual property and know-how. This fund covers up to 50 per cent of a SME's eligible market development expenditure that is related to developing new markets and improving current market positions offshore. The scheme supports a key deliverable in growing our export sector by increasing the numbers of SMEs engaged in sustainable exporting.

Regional and Industry Development Fund

This fund provides support for regional and industry specific projects that are consistent with the Government's economic, social and environmental objectives, but cannot be funded through other government assistance programmes. This fund is newly established from 2006/07 and combines the Regional Initiatives Fund and the Sector Initiatives Fund which were introduced in 2001/02 to fund projects that are identified as key contributors to the implementation of regional and industry development initiatives. Projects have been developed in partnership with regional stakeholders, through MED and/or NZTE.

Regional Partnerships and Facilitation

This fund provides assistance for the support and development of business incubators and regional clusters.

From 2004/05 the appropriation has been split into an annual component for incubator and cluster support; and a MYA providing for advice and assistance to regional partnerships to identify, develop and implement sustainable economic growth strategies. Details of the MYA are provided in Part B2.

Sector Strategies and Facilitation

This fund provides assistance for specific sector related initiatives, particularly in the areas of major events, pre-feasibility and feasibility studies and guarantees for significant projects to access funding through other government programmes and cash grants.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for Ministry of Economic Development	Estimated Actual 2005/06 \$000	Projected 2006/07 \$000	Explanation of Projected Movements in 2006/07
Opening Balance	14,578	19,952	
Capital Injections	14,035	9,522	Funding for capital expenditure projects (\$1.2 million), and deficits incurred on Departmental Output Expenses where memorandum accounts are in operation (\$8.322 million).
Capital Withdrawals	(2,819)	(3,081)	Provision of repayment of surplus for Departmental Output Expenses where surplus has been earned (\$2.498 million), and a capital withdrawal due to the transfer of the Electrical Workers Registration functions and net assets to the Department of Building and Housing from 1 September 2006 (\$583,000).
Surplus to be Retained (Deficit Incurred)	(5,842)	(5,824)	Deficit for the year. Comprised of surplus of \$2.498 million (\$2.819 million for 2005/06) for Departmental Output Expenses, and a deficit of \$8.322 million (\$8.661 million for 2005/06) for Departmental Output Expenses where memorandum accounts are in operation.
Other Movements	-	-	
Closing Balance	19,952	20,569	

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth 2006 \$000	Forecast Net Worth 2007 \$000
Crown Entities:			
New Zealand Trade and Enterprise	30 June	21,863	23,733
New Zealand Venture Investment Fund Limited	30 June	21,600	33,550

New Zealand Trade and Enterprise

The change in net worth reflects an opening balance in 2005/06 of \$21.863 million, which includes additional capital appropriation for the business (biz) portal website development (\$0.780 million). The forecast net worth in 2006/07 of \$23.733 million reflects the increased capital appropriation for the business (biz) portal website development (\$1.870 million).

New Zealand Venture Investment Fund Limited

The net worth of New Zealand Venture Investment Fund Limited will increase as capital funds are drawn from NZ VIF and SCIF to co-invest with the private sector in early stage ventures. Changes in net worth result from the net effects of profit (after tax), dividends paid and capital injections or withdrawals.

Part E3 - Explanation of Appropriations for Capital Expenditure

Venture Investment Fund

Cabinet agreed in 2000/01 to establish a Crown Seed Capital Fund. This has been renamed the New Zealand Venture Investment Fund (VIF). This fund has been designed so that the Crown and private sector investors co-invest in early stage ventures that show potential to create high value-added goods and services. The purpose of NZ VIF is to:

- accelerate development of the New Zealand venture-capital industry by increasing the level of seed, start-up and early expansion investment activity in the New Zealand market
- develop a larger pool of people in New Zealand's venture capital market with skills and expertise in seed and start-up investment
- facilitate the commercialisation of innovations from Crown Research Institutes, universities and the private sector, and
- get more New Zealand businesses on paths to global success by increasing their access to international experts, networks and market knowledge.

The Crown's overall contribution to the Fund is \$140 million. A greater contribution will be made by private sector partners.

Seed Co-investment Fund

Cabinet agreed in 2004/05 to establish a Seed Co-investment Fund (SCIF). This fund has been designed so that the Crown and private sector investors co-invest in the market for early stage equity finance. The purpose of SCIF is to:

- to accelerate the development of greater professional capacity in the market for intermediating funds between investors and newer technology-based firms
- to increase the scale and enhance developed networks for early stage investment
- to increase the depth in the specialist skills needed to assess and manage early-stage technology-based investment, and
- to catalyse investment that would not have occurred without the programme.

The Crown's overall contribution to the Fund is \$42 million. A greater contribution will be made by private sector partners.

Part G - Statement of Reconciliations

Part G1 - Changes in Appropriation Categories

2005/06 Cumulative Vote in Old (2005/06) Structure	\$000	Structure Changes	\$000	Cumulative Vote in New (2006/07) Structure	2005/06 \$000	2006/07 \$000
Other Expenses to be Incurred by the Crown						
Regional Initiatives Fund	2,441	Change of name and combined with Sector Initiatives Fund	(2,441)	Regional and Industry Development Fund	5,335	1,867
Sector Initiatives Fund	2,894	Change of name and combined with Regional Initiatives Fund	(2,894)			
Other Expenses to be Incurred by the Crown	101,398			Other Expenses to be Incurred by the Crown	101,398	97,353
Total Expenses to be Incurred by the Crown	106,733				106,733	99,220