

VOTE *Economic,
Industry and
Regional
Development*

Economic, Industry and Regional Development

Overview

Appropriations sought for Vote Economic, Industry and Regional Development in 2002/03 total \$112.385 million. These are to be applied as follows:

\$8.155 million (7.3% of the Vote) for policy advice provided through the Ministry of Economic Development, 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 Government's growth and innovation framework, research and advice on the factors influencing the capability and performance of firms, sectors and regions, and the monitoring of Industry New Zealand.

Appropriations sought for non-departmental outputs total \$60.370 million (53.7% of the Vote). These primarily take the form of services provided by Industry New Zealand to firms, sectors and regions, and relate to:

- \$2.649 million (2.4% of the Vote) providing administration services and monitoring of payments for business and regional development
- \$16.256 million (14.5% of the Vote) providing a range of advisory and information services; and oversight of a range of programmes that provide advice and information to business
- \$4.421 million (3.9% of the Vote) providing advice and support for regions and regional development
- \$1.125 million (1.0% of the Vote) to support commercialisation of ideas and intellectual property initiatives
- \$13.048 million (11.6% of the Vote) for the co-ordination and facilitation of sector strategies
- \$12.673 million (11.3% of the Vote) to purchase BIZ services through contracted providers
- \$8.248 million (7.3% of the Vote) providing a range of services to promote and support enterprise education, major events, business success and outreach, and
- \$1.950 million (1.7% of the Vote) to support promising individuals through education initiatives.

Appropriations sought for non-departmental other expenses total \$42.783 million (38.0% of the Vote). These take the form of grants or awards to firms, sectors and regions, and relate to:

- \$1.125 million (1.0% of the Vote) to support major events to leverage associated economic development opportunities
- \$800,000 (0.7% of the Vote) to develop business enterprise skills and leadership capacities and contribute to the economic growth of New Zealand through partnerships with the wider New Zealand international community

- \$1.500 million (1.3% of the Vote) to support the development of business incubators
- \$2.813 million (2.5% of the Vote) to assist innovative firms and entrepreneurs to build capability to test and develop early-stage business concepts and projects
- \$14.943 million (13.3% of the Vote) to make specialist expertise, information, and resources available to business in order to improve management capability and lift potential
- \$16.875 million (15.0% of the Vote) to support and lift the capacity of regions in developing and delivering economic development programmes and initiatives
- \$2.327 million (2.1% of the Vote) to allocate towards specific regional development initiatives, and
- \$2.400 million (2.1% of the Vote) to allocate towards specific sectoral initiatives.

Appropriations sought for capital flows total \$1.077 million (1.0% of the Vote) for the Ministry of Economic Development. This relates to a forecast capital contribution to fund forecast deficits in Vote Commerce resulting from the implementation of a long-term fee strategy to reduce surpluses in the memorandum account for business registry fees.

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 sized enterprises
GETS	Government Electronic Tenders Service
ICT	Information Communications Technology
ISO	Industrial Supplies Office
INZ	Industry New Zealand, a Crown entity responsible for the delivery of industry and regional development programmes and activities
MED	Ministry of Economic Development
SMEs	Small and Medium Enterprises

Footnote

Note 1	These enablers are broadly consistent with the areas of proactive policy and foundational elements outlined in the growth and innovation framework.
Note 2	This is a 7-point scale ranging from “very good” to “very poor”.

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 Economic, Industry and Regional Development

Related Government Outcomes

The primary purpose of the Vote is to develop and implement a set of policies and programmes that contribute to the Government's key goal of growing an inclusive, innovative economy for the benefit of all. Central to achieving this goal is the Government's objective of returning New Zealand's per capita income to the top half of OECD rankings and maintaining that standing (*Growing An Innovative New Zealand*, The Office of the Prime Minister, February 2002).

Consistent with the above outcome, efforts will be focussed on policies and programmes that promote private sector investment, increase productive employment, and generate higher revenues and incomes. To achieve this, there will continue to be significant emphasis within the Vote on:

- supporting high-growth sectors, such as ICT, bio-technology and the creative industries
- supporting high-growth business opportunities
- building partnerships between central government, local and regional stakeholders, and businesses, and
- promoting and reinforcing enterprise and business success.

This emphasis on supporting high-growth, building partnerships and promoting success will strengthen a range of key economic growth 'enablers' (see Note 1) that will deliver sustained business, sector and regional development. These 'enablers' are:

- improved access to infrastructure and resources
- an improved regulatory and business environment
- facilitation of new business opportunities
- promotion of enterprise culture
- improved access to finance
- improved access to skills and expertise
- improved access to innovation and new technologies, and

- increased collaboration and linkages between firms within clusters and sectors, and between businesses, regions and central government.

Output Classes and Government Outcomes

These 'enablers' will be strengthened by the delivery of the outputs within the output classes for which appropriations have been sought in Vote Economic, Industry and Regional Development. In turn, improvements in the environment for business, sector and regional development will enable the outcomes outlined above to be achieved, over time. At an output class level, the services will contribute to the Government's outcomes, through strengthening the enablers, as outlined below:

Output Class	Linkage to Outcomes
D1 Policy Advice – Economic, Industry and Regional Development (\$8.155m)	Policy advice informs decisions on industry and regional development policies. That policy advice will be based, in part, on evaluation of and research on the effectiveness of industry and regional development policy implemented in New Zealand and internationally. To achieve its intended outcomes, policy also needs to be implemented effectively. Monitoring of policy implementation in Vote Economic, Industry and Regional Development makes an important contribution to the achievement of the Government's outcomes. A particular focus will be advice on the implementation and co-ordination of the Government's growth and innovation framework including contributing to the design of policies to give effect to the outcomes articulated in the framework.
O1 Administration and Monitoring of Payments for Business and Regional Development Services (\$2.649m)	Grants and awards to businesses and the regions are an important aspect of the Government's industry and regional development policy. Payment of those grants and awards, as agreed with recipients, assists in the achievement of the Government's objectives of facilitating business and regional development and recognising success. The administration output class is also important for ensuring that prudent public sector financial management practice is followed.
O2 Advice and Information for Business (\$16.256m)	Start-up and established businesses are often challenged when they seek to expand and grow. In some cases they are reluctant to take on this challenge. Insufficient management expertise, day-to-day management pressures, lack of confidence and undervaluing external business advice all contribute to these difficulties. These businesses also face potential difficulties in accessing information vital for making new, potentially large, investments, and information about the regulatory environment, market opportunities and innovative ideas. The appraisal and diagnosis of business proposals, advice training and support, and access to the Government procurement database (through the Industrial Supplies Office) assist firms in addressing these issues; in some cases this assistance is supplemented by grants from the Business Growth Fund and Major Investment Fund.

<p>O3 Advice and Support for Regions (\$4.421m)</p>	<p>Improved economic performance in New Zealand’s regions contributes to overall improved growth. The advice and support provided to regions will seek to make the most of what each region has, assist local communities to develop local strategies that respond to local opportunities, and use a “whole of government” approach. This will be achieved through advice and support that assist to build regional capability and institutions.</p>
<p>O4 Commercialisation of Intellectual Property (\$1.125m)</p>	<p>Businesses face significant difficulties accessing new ideas and innovation. Even where they do not face these difficulties, they may fail to generate the maximum possible value from them. By assisting the movement of researchers or technologists into enterprises, this output class builds the linkages and networks needed to ensure that there is a flow of ideas from researchers to businesses and that those undertaking research are more able to respond to business demands.</p>
<p>O5 Coordination and Facilitation of Sector Strategies (\$13.048m)</p>	<p>At a level above that of the firm level, sectors have potential growth opportunities that can be realised by sharing ideas and addressing constraints to growth. Some of these constraints relate to the specific sector (e.g. access to specific infrastructure or certain types of finance) and others are more broadly based (e.g. business compliance costs). The growth and innovation framework proposes that these issues be addressed through taskforces in specific sectors (biotechnology, ICT and the creative industries). This will complement other sector engagements between the Government and business.</p>
<p>O6 Delivery of Business Development Programmes (\$12.673m)</p>	<p>Small and start-up firms face difficulties in raising capital for innovative projects and for the development of products and services. Generally this reflects the pressures they face, a lack of managerial capability, and difficulties in linking up with appropriate advisers. The services provided by this output class will assist in building small businesses’ management capability through training and the provision of information, which is supplemented by assessments and granting of Enterprise Awards where appropriate.</p>
<p>O7 Delivery of Business Success and Outreach Programmes (\$8.428m)</p>	<p>Businesses need to work within a supportive environment to be successful. Ensuring that New Zealanders celebrate entrepreneurial success and innovation (both in New Zealand and overseas) and have a growing level of business understanding and a desire to be commercially successful are particularly critical to the development of a business and enterprise culture. The promotion and support of enterprise education, linkages with World Class New Zealanders, development of Brand New Zealand and promotion of business success all contribute to a more vibrant and entrepreneurial business environment.</p>
<p>O8 Support for Promising Individuals (\$1.950m)</p>	<p>By supporting promising individuals in the New Zealand innovation system, these services promote innovation and increase the skills and expertise of post-doctoral researchers, teachers and Māori researchers. In turn, the promising individuals are able to make an increased contribution to the development of innovative ideas and the commercial use of those ideas.</p>

These output classes are delivered by the MED, INZ, third party providers and the Foundation for Research Science and Technology.

Part A2 - Trends in Vote Economic, Industry and Regional Development

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

The establishment phase of implementing the Government's approach to industry and regional development will be substantially complete during the 2002/03 financial year. This has been part of a concerted three-year effort by the Government to identify constraints to business and regional growth and development and to use Government support and assistance to improve performance where this can be effective.

The Government's support for business growth and regional development, and building an innovative, enterprising New Zealand will increase significantly in 2002/03 with appropriations of \$111.308 million (excluding capital appropriations). This is a significant increase from appropriations of \$48.832 million in 2000/01.

Economic, Industry and Regional Development Policy Advice

Sound policy advice is critical for the effective design, implementation and evaluation of the Government's industry and regional development programmes. Initially a small unit in the new MED provided policy advice on industry and regional development policy design. Since 2000 the range of policy advice has been extended to include monitoring of programme delivery and evaluation of the results. This has seen an increase in the size of the policy advice functions and, therefore, an increase in costs. From 2002/03, it is intended that the appropriations for policy advice will remain the same, reflecting the completion of initial industry and regional development policy design and implementation.

Specific policies that Promote and Support Business Growth and Regional Development

Specific Government policy that promotes and supports business growth and regional development includes:

- services provided directly by INZ, and in some cases, by the Foundation for Research Science and Technology, and
- grants and awards that are funded by the Government, with significant contributions from each region, firm, and cluster receiving the assistance.

Non-departmental output classes

From the small base of the BIZ Programme and the Industrial Supplies Office, the range of support and assistance for businesses, sectors and regions has grown significantly. The approach has been gradual. Early on it was recognised that there was a need to build capability in INZ and to raise awareness of the services being offered to businesses and the regions. This has occurred and has resulted in a progressive increase in the level of assistance being sought and provided, consistent with the resources available to INZ.

Regions, through the development of regional strategies, are increasingly recognising areas where capability needs to be built. The Government continues these efforts through increasing levels of assistance provided through the output class Advice and Support for Regions.

Advice, information and other support for start-up businesses and entrepreneurs, and for established businesses seeking to grow and attract major investors, have also grown significantly. After the initial growth phase, from 2002/03 onwards greater effort will be put into refining the delivery of these services. For 2002/03 onwards, this includes additional resources for a new Fast Forward New Zealand programme (focusing on supporting a limited number of high growth companies) and additional support for cluster development.

Work with sectors has also grown over the past few years. The Government's growth and innovation framework places strong emphasis on the role of target sectors in assisting economic growth. Following from the success with the wood processing sector strategy, sector engagement efforts are being broadened to include biotechnology, ICT and the creative industries in the next few years, although sufficient resources are provided to ensure ongoing engagement with emerging high growth and other sectors.

Finally, the Government has also sought to focus increasingly on promoting an enterprise and business culture in New Zealand. Services such as attracting and supporting major events, enterprise education, and the development of Brand New Zealand are making a small, but growing, contribution to an improved and more globally connected business environment.

Non-departmental other expenses

The Government's approach to industry and regional development policy recognises the benefit of working with firms and regions and assisting them to acquire expert assistance that supports capability building. As the Government has gradually built its capability to work in partnership with businesses and regions, it has also increased the resources available for them to secure external assistance and advice. In the regions, these resources are also assisting the development and implementation of major initiatives that will spur regional growth, which will be underpinned by enhanced regional capability.

The progressive increases in these appropriations also recognise the time needed for businesses and the regions to respond to the more proactive approach taken by the Government. Full implementation of the industry and regional development programmes from 2002/03 will see many more businesses receive assistance to meet the growth challenges they face (particularly those related to innovation, developing talent and skills and being better connected internationally) and for regions to make real headway with major regional initiatives.

Trends in Vote Economic, Industry and Regional Development - Summary of Appropriations and Crown Revenue

Types of Appropriation	1997/98	1998/99	1999/2000	2000/01	2001/02		2002/03 Appropriations to be Used				2003/04	2004/05	2005/06
	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	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000			
Operating Flows													
Classes of Outputs to be Supplied	-	-	-	39,345	58,015	56,170	8,155	-	60,370	-	68,525	68,378	70,234
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-
Other Expenses	-	-	-	4,307	32,573	18,281	-	-	42,783	-	42,783	42,056	42,056
Capital Flows													
Capital Contributions	-	-	-	5,180	2,403	1,727	1,077	-	-	-	1,077	3,471	3,404
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-
Total Appropriations	-	-	-	48,832	92,991	76,178	9,232	-	103,153	-	112,385	113,109	115,694
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-

Part B - Statement of Appropriations

Part B1 - Details of Appropriations

	2001/02			2002/03		
	Vote		Estimated Actual	Vote		Description of 2002/03 Appropriations
	Annual \$000	Other \$000		Annual \$000	Other \$000	
Appropriations						
Departmental Output Classes (Mode B Gross)						
D1 Policy Advice - Economic, Industry and Regional Development	3,488	-	3,488	8,155	-	This output class 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 implementation of the Government's growth and innovation framework, and factors influencing the capability and performance of firms, sectors and regions, and the monitoring of INZ.
Policy Advice - Industry and Regional Development	5,089	-	5,089	-	-	No appropriation is sought for 2002/03.
Total Appropriations for Departmental Output Classes (Mode B Gross)	8,577	-	8,577	8,155	-	
Non-Departmental Output Classes						
O1 Administration and Monitoring of Payments for Business and Regional Development Services	2,649	-	2,649	2,649	-	Providing administration and monitoring of payments for business and regional development services delivered by third parties.

Part B1 - Details of Appropriations (continued)

	2001/02			2002/03		
	Vote		Estimated Actual	Vote		Other \$000
	Annual \$000	Other \$000		Annual \$000	Other \$000	
Appropriations						Description of 2002/03 Appropriations
Non-Departmental Output Classes – cont'd						
O2 Advice and Information for Business	14,360	-	14,360	16,256	-	Provision of a range of services and the oversight of a range of programmes that provide advice and information for business, which includes business appraisal, analysis and diagnosis, access to information, resources, training and skills development for business (including monitoring and reporting on the effectiveness and implementation of these services); and the provision of databases for potential investors and business investment opportunities and for the operation of the ISO.
O3 Advice and Support for Regions	4,149	-	4,149	4,421	-	Providing advice and support for regions on regional development; advice on the preparation of applications for regional development assistance; advice (including facilitation) of regional development planning; and monitoring and reporting on the effectiveness and implementation of these services.
O4 Commercialisation of Intellectual Property	1,125	-	1,125	1,125	-	Providing support for the commercialisation of ideas and intellectual property.
O5 Coordination and Facilitation of Sector Strategies	5,294	-	5,294	13,048	-	Co-ordination and facilitation of efforts, expert advice, project management and associated support services needed to develop sector strategies.
O6 Delivery of Business Development Programmes	12,601	-	12,601	12,673	-	Purchase of BIZ services through contracted providers.
O7 Delivery of Business Success and Outreach Programmes	7,310	-	5,465	8,248	-	Providing a range of services to promote and support enterprise education, major events, business success and outreach.
O8 Support for Promising Individuals	1,950	-	1,950	1,950	-	Supporting promising individuals through education initiatives.

Total Appropriations for Non-Departmental Output Classes	49,438	-	47,593	-	60,370	-
Other Expenses to be Incurred by the Crown						
Incubator Awards	1,500	-	310	-	1,500	To support the development of business incubators.
Industry New Zealand Enterprise Awards Scheme	3,289	-	2,409	-	2,813	To assist innovative firms and entrepreneurs to build capability to test and develop early-stage business concepts and projects.
Industry Specialist and Feasibility Grants	10,459	-	5,859	-	14,943	To make specialist expertise and information and resources available to businesses in order to improve their management capability and lift potential; and to provide a scheme to help businesses implement strategies for business growth and grants for feasibility studies relating to strategic investment proposals.
Regional Development Programme	10,409	-	3,133	-	16,875	To support and lift the capacity of regions in delivering economic development programmes and initiatives.
Regional Initiatives Fund	1,837	-	1,837	-	2,327	To provide a fund to allocate towards specific regional development initiatives.
Sector Initiatives Fund	3,674	-	3,674	-	2,400	To provide a fund to allocate towards specific sectoral initiatives.
Major Events Support Fund	1,125	-	1,019	-	1,125	To provide a fund to support major events.
World Class New Zealanders Fund	280	-	40	-	800	
Total Appropriations for Other Expenses to be Incurred by the Crown	32,573	-	18,281	-	42,783	
Capital Contributions to the Department						
Capital Investment	1,303	-	627	-	1,077	Capital contribution for the Personal Property Securities Register (PPSR), which is a single registration system for all security interests over personal property.
Total Appropriations for Capital Contributions to the Department	1,303	-	627	-	1,077	

Part B1 - Details of Appropriations (continued)

	2001/02			2002/03		
	Vote		Estimated Actual	Vote		Description of 2002/03 Appropriations
	Annual \$000	Other \$000		Annual \$000	Other \$000	
Appropriations						
Capital Contributions to Other Persons or Organisations						
Establishment of Industry New Zealand	1,100	-	1,100	-	-	No appropriation is sought in 2002/03.
Total Appropriations for Capital Contributions to Other Persons or Organisations	1,100	-	1,100	-	-	
Total Appropriations	92,991	-	76,178	-	112,385	

Part C – Explanation of Appropriations for Output Classes

Part C1 – Departmental Output Classes

Output Class D1 – Policy Advice - Economic, Industry and Regional Development

The Minister for Economic Development and the Minister for Industry and Regional Development will purchase policy advice on issues related to industry and regional development policies and programmes, including factors influencing the capability and performance of SMEs.

This output class 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 implementation of the Government's growth and innovation framework, and factors influencing the capability and performance of firms, sectors and regions, and the monitoring of INZ. Specific activities include:

- policy advice on the implementation of the Government's growth and innovation framework, particularly in the focal areas of biotechnology, ICT and the creative industries and the development and implementation of other sector strategies in industries with high growth potential
- advice and assistance to Ministers in determining the application of the Government's sustainable development strategy to industry and regional development
- policy advice, research and the dissemination of best practice information on environments that encourage the development of innovation and enterprise
- in conjunction with INZ, facilitation of the development of public-private partnerships, good governance frameworks, and leadership capability in support of industry and regional development
- advice on policies that promote the development of ideas, innovation and entrepreneurship, including the active support of national and regional events
- the development of economic, industry and regional development policy frameworks and advising on the design, development, coordination, implementation and review of industry and regional development programmes
- building of networks and linkages with regional, sectoral and cultural groups to ensure the processes used in the development of economic, industry and regional development policy advice include broader community and sectoral perspectives, and
- provision of second opinion policy advice from an economic, industry and regional development perspective.

Part C2 - Non-departmental Output Classes

Output Class O1 – Administration and Monitoring of Payments for Business and Regional Development Services

The Minister for Industry and Regional Development will purchase from INZ the administration and monitoring of payments for business and regional development services that are delivered by third parties.

Quantity, quality, timeliness and cost

Performance Measures	2002/03 Performance Standards
<u>Quantity</u>	
Number of contract payments made	As specified in the 2002/03 INZ Output Agreement
Total dollar value of contract payments made	\$38.056 million (GST inclusive)
<u>Quality</u>	
All terms and conditions met for INZ contracts	100%
Provision of progress reports to the Minister summarising delivery against expectations specified in the INZ Output Agreement	Feedback from Minister confirms satisfaction with reporting quality
<u>Timeliness</u>	
Contract payments are processed within 10 working days of completed and valid claim documentation	100%

Cost

2002/03	Total output class to be provided within (GST inclusive)	\$2,649,000
2001/02	Total output class to be provided within (GST inclusive)	\$2,649,000

Output Class O2 – Advice and Information for Business

The Minister for Industry and Regional Development will purchase from INZ a range of services and oversight of programmes to provide advice and information for business. This will include business appraisals and diagnosis, access to information and resources, and training and skills development for business. Advice and information for business are provided through the Business Growth Service, Fast Forward New Zealand programme, Major Investment Service, Investment Ready Scheme, Incubators Programme, Business Clusters programme and the ISO.

Quantity, quality, timeliness and cost2.1 Business Appraisals and Diagnosis

Investigating and diagnosing problems and issues faced by businesses that constrain business growth.

Performance Measures	2002/03 Performance Standards
<u>Quantity</u>	
Number of businesses:	
Receiving initial appraisals	450
Receiving diagnosis	470
<u>Quality</u>	
Client satisfaction with services provided based on parameters specified in the Output Agreement	At least 70% of business clients rate INZ services at least good (see Note 2)
Ministerial correspondence, parliamentary questions, Cabinet agendas and Official Information Act requests will be responded to within agreed and/or statutory timeframes	100%
Services provided by personnel with appropriate expertise and experience	100%
<u>Timeliness</u>	
Timeliness standards for programme service delivery are met	100%

2.2 Advice, Access to Information, Training and other Support

Advice and other support assisting businesses to address constraints to business growth.

Performance Measures	2002/03 Performance Standards
<u>Quantity</u>	
Number of clients that receive advice and/or access to information	441
Number of clients receiving training	1,050
<u>Quality</u>	
Client satisfaction with services provided based on parameters specified in the Output Agreement	At least 70% of business clients rate INZ services at least good (see Note 2)
Ministerial correspondence, parliamentary questions, Cabinet agendas and Official Information Act requests will be responded to within agreed and/or statutory timeframes	100%
Services provided by personnel with appropriate expertise and experience	100%

Performance Measures	2002/03 Performance Standards
<u>Timeliness</u>	
Timeliness standards for programme service delivery are met	100%

2.3 Access to tendering information

Access to tendering information made available through the GETS database.

Performance Measures	2002/03 Performance Standards
<u>Quantity</u>	
Number of purchase opportunities matched with New Zealand suppliers	300
<u>Quality</u>	
GETS system contains relevant, comprehensive and accurate data	100%
<u>Timeliness</u>	
GETS database accessible 24 hours per day, 7 days per week	99%
Tender information entered onto the database within 3 days of receipt	100%

Cost

2002/03	Total output class to be provided within (GST inclusive)	\$16,256,000
2001/02	Total output class to be provided within (GST inclusive)	\$14,360,000

Output Class O3 – Advice and Support for Regions

The Minister for Industry and Regional Development will purchase from INZ advice and support for regions that assist to build regional capability, including advice on the preparation of applications for regional development assistance, and advice and facilitation of regional development planning.

Quantity, quality, timeliness and cost

Performance Measures	2002/03 Performance Standards
<u>Quantity</u>	
Number of regions receiving advice	26
Number of regional capability proposals facilitated and approved	18
Number of major regional initiatives facilitated and approved	7

<u>Quality</u>	
Regional partners' satisfaction with services developed based on parameters in the INZ Output Agreement	70% of key regional partners rate INZ services as at least good (see Note 2)
Services provided by personnel with appropriate expertise and experience	100%
Ministerial correspondence, parliamentary questions, Cabinet agendas and Official Information Act requests will be responded to within agreed and/or statutory timeframes	100%
<u>Timeliness</u>	
Services provided within period agreed with regional partners	100%

Cost

2002/03	Total output class to be provided within (GST inclusive)	\$4,421,000
2001/02	Total output class to be provided within (GST inclusive)	\$4,149,000

Output Class O4 – Commercialisation of Intellectual Property

Through a Memorandum of Understanding with the Minister of Research, Science and Technology, the Minister for Industry and Regional Development will purchase support for the commercialisation of ideas and intellectual property through Technology Industry Fellowships. The fellowships support the placement of researchers or technologists in enterprises or research organisations to build linkages and enhance understanding of technology innovation.

Quantity, quality, timeliness and cost

Performance Measures	2002/03 Performance Standards
<u>Quantity</u> Estimated number of contracts awarded	Up to 15 fellowships
<u>Quality</u> Contracts meet the criteria set out in the relevant Ministerial Notice and Output Agreement The purchase agent (the Foundation for Research, Science and Technology) provides a quality service to participants in the Technology New Zealand schemes The purchase agent attracts new participants to the Technology New Zealand Schemes	The process and criteria used to select contracts are consistent with the relevant Ministerial Notice and Output Agreement 85% of participants indicate satisfaction with the standard of delivery 10% of participants have not previously had assistance from either Technology New Zealand or Grants for Private Sector Research and Development

Performance Measures	2002/03 Performance Standards
<p><u>Quality – cont'd</u></p> <p>Annual monitoring and accountability reports show extent of progress towards objectives, consistent with the relevant Ministerial Notice and Output Agreement</p> <p>Contracts are awarded based on the participants' potential to contribute to building an enhanced level of scientific and technology-based human capital in commercial research and development environments</p>	<p>95% of contracts</p> <p>100% of contracts</p>
<p><u>Timeliness</u></p> <p>Delivery of outputs that the purchase agent has direct control over in accordance with timelines specified in agreements entered into with the fellowship recipients and enterprises or research organisations</p>	<p>95% of contracts</p>

Cost

2002/03	Total output class to be provided within (GST inclusive)	\$1,125,000
2001/02	Total output class to be provided within (GST inclusive)	\$1,125,000

Output Class O5 – Coordination and Facilitation of Sector Strategies

The Minister for Industry and Regional Development will purchase from INZ the coordination and facilitation of industry strategies at a sectoral level, particularly the strategies for the biotechnology, ICT and the creative industry sectors that are the focus of the Government's growth and innovation framework. Services will include research on and analysis of sectors, partnership building between government and sectors, and interventions to help selected sectors overcome constraints to growth.

Quantity, quality, timeliness and cost

Performance Measures	2002/03 Performance Standards
<p><u>Quantity</u></p> <p>Number of sector strategies facilitated</p>	<p>Up to 6 sector strategies including the biotechnology, ICT and creative industry sectors under the growth and innovation framework</p>
<p><u>Quality</u></p> <p>Service provided by personnel with appropriate expertise and experience</p> <p>Compliance with Government objectives for sector strategy programmes, particularly the objectives of the growth and innovation framework</p>	<p>100%</p> <p>100%</p>

<u>Timeliness</u>	
Services provided within period agreed with stakeholders and Government	100%

Cost

2002/03	Total output class to be provided within (GST inclusive)	\$13,048,000
2001/02	Total output class to be provided within (GST inclusive)	\$5,294,000

Output Class O6 – Delivery of Business Development Programmes

The Minister for Industry and Regional Development will purchase the provision of business development programme services (BIZ) designed to improve the management capability of small and medium sized enterprises and provide a national business information and referral service. This includes the addition in 2002/03 and 2003/04 of a one-stop portal for businesses seeking information on regulatory and other business related requirements. INZ will contract for these services on a competitive tender basis.

Quantity, quality, timeliness and cost

Performance Measures	2002/03 Performance Standards
<u>Quantity</u>	
Number of clients receiving diagnoses	12,000
Number of training sessions provided	36,000
<u>Quality</u>	
Client satisfaction with services provided based on survey parameters specified in the Output Agreement.	At least 70% of business clients rate services at least good (see Note 2)
INZ contracts with BIZ providers reflect Government objectives and criteria	All contracts
<u>Timeliness</u>	
Services provided within period agreed with lead provider	100%

Cost

2002/03	Total output class to be provided within (GST inclusive)	\$12,673,000
2001/02	Total output class to be provided within (GST inclusive)	\$12,601,000

Output Class O7 – Delivery of Business Success and Outreach Programmes

The Minister for Industry and Regional Development will purchase from INZ a range of services to promote and support major events providing significant publicity in support of the development of key sectors (Major Events); improve international management capability and global linkages in New Zealand businesses (World Class New Zealanders); and improve positive attitudes towards business activities and success (Promotion of Enterprise Culture and Innovation).

Quantity, quality, timeliness and cost

Performance Measures	2002/03 Performance Standards
<u>Quantity</u>	
<u>Major Events:</u>	
Number of major events identified and assessed	50
Number of major events actively facilitated	8
<u>World Class New Zealanders:</u>	
Number of internships and business exchanges facilitated	50
Number of inbound missions of firms, cluster, sector or industry groups facilitated	4
Number of outbound missions of firms, cluster, sector or industry groups facilitated	4
Communications activities implemented	As specified in the 2002/03 INZ Output Agreement
<u>Promoting a Business and Enterprise Culture:</u>	
Communications campaign, advertising campaign and promotion projects	As specified in the 2002/03 INZ Output Agreement
Industry sector awards awarded	15
Television initiatives promoting business success and entrepreneurship produced	2
<u>Quality</u>	
Compliance with Government objectives, including the 2002/03 INZ Output Agreement	100%
<u>Timeliness</u>	
Services provided within period agreed with client	100%

Cost

2002/03	Total output class to be provided within (GST inclusive)	\$8,248,000
2001/02	Total output class to be provided within (GST inclusive)	\$7,310,000

Output Class O8 – Support for Promising Individuals

Through a Memorandum of Understanding with the Minister of Research, Science and Technology, the Minister for Industry and Regional Development will support promising individuals in the New Zealand innovation system. The recipients will be post-doctoral researchers, teachers and Maori researchers.

Quantity, quality, timeliness and cost

Performance Measures	2002/03 Performance Standards
<u>Quantity</u>	
Estimated number of contracts:	
Tuapapa Putaiao Māori Science and Technology Fellowships awarded	Up to 4 fellowships
NZ Science and Technology Post Doctoral Fellowships awarded	Up to 5 fellowships
Science, Maths and Technology Teacher Fellowships awarded	Up to 10 fellowships
<u>Quality</u>	
Contracts meet the criteria set out in the relevant Ministerial Notice and Output Agreement	The process and criteria used to select contracts are consistent with the relevant Ministerial Terms of Reference and Output Agreement
Science, Mathematics and Technology Teacher Fellowships	
Fellowships are awarded on the basis of excellence of the proposed project and candidate	100% of fellowships
Final reports against completed fellowships demonstrate the extent to which:	95% of fellowships
<ul style="list-style-type: none"> Participating teachers' understanding of science, mathematics and technology and their applications is enhanced. Teacher fellows share their enhanced knowledge of science, mathematics and technology with colleagues, students and others in the general community. 	
<u>Timeliness</u>	
Delivery of outputs in accordance with timelines specified in contracts between purchase agents and fellows	95% of contracts

Cost

2002/03	Total output class to be provided within (GST inclusive)	\$1,950,000
2001/02	Total output class to be provided within (GST inclusive)	\$1,950,000

Part D - Explanation of Appropriations for Other Operating Flows

Part D3 - Other Expenses

Other Expense – Major Events Support Fund

This provides a platform for targeted industry sectors to market, raise public awareness, and network with customers and other sectors, in support of the Government's interests in economic, regional and industry development.

The Major Events Support Fund was established in 2001/02 to lever economic development opportunities that are associated with major events.

Cost

2002/03	Total other expense to be provided within (GST n/a)	\$1,125,000
2001/02	Total other expense to be provided within (GST n/a)	\$1,125,000

Other Expense – World Class New Zealanders

This covers assistance for measures to improve international management capability in, and global linkages of, NZ entrepreneurs and businesses.

Funding was made available in 2001/02 to contribute to the costs of exchange and mission participants, and awards for emerging entrepreneurs.

Cost

2002/03	Total other expense to be provided within (GST n/a)	\$800,000
2001/02	Total other expense to be provided within (GST n/a)	\$280,000

Other Expense – Incubator Awards

This covers assistance for measures to enable the development and growth of successful business incubators. The programme was introduced in 2000/2001 to improve the capability of incubators.

The main form of assistance are awards for business incubators to develop best practice programmes and processes, which are robust and sustainable. The number and value of Awards are flexible and depend on the quality of the applicants.

Cost

2002/03	Total other expense to be provided within (GST n/a)	\$1,500,000
2001/02	Total other expense to be provided within (GST n/a)	\$1,500,000

Other Expense – Industry New Zealand Enterprise Awards Scheme

This covers funding to assist innovative firms and entrepreneurs to build capability to test and develop early-stage business concepts and projects.

Funding assistance of up to \$20,000, on a dollar-for-dollar basis, is available for businesses and entrepreneurs to purchase expertise and advice.

Cost

2002/03	Total other expense to be provided within (GST n/a)	\$2,813,000
2001/02	Total other expense to be provided within (GST n/a)	\$3,289,000

Other Expense – Industry Specialist and Feasibility Grants

This covers funding assistance through the Business Growth Fund, Strategic Investment Fund and the Clusters programme.

The Business Growth Fund makes specialist expertise and information available to firms in order to improve their management capability and lift their potential. Funding is available for 50% of total costs of qualifying projects to a maximum of \$100,000 (GST inclusive) over any three-year period for any one business.

The Strategic Investment Fund (formerly Major Investment Fund) provides funding to encourage firms to make significant investment in new added value projects. Funding is available for 50% of total costs up to a maximum of \$100,000 (GST inclusive) for pre-feasibility and feasibility studies for potential investors. Guarantees of funding are available for significant projects to access funding through other government programmes. Cash grants are also available. The support for potential investment will be available to those that:

- demonstrate significant benefits to New Zealand in terms of sustainable development (in economic as well as environmental and social sustainability) through a substantial investment involving:
 - new direct investment in New Zealand of indicatively \$50 million over five years, and/or
 - the creation of 200 new jobs in New Zealand over five years.
- would not be likely to occur in New Zealand without the support
- complement New Zealand's areas of competitive advantage
- have no significant negative competitive consequences domestically, and
- involve a high level of clear spillover benefits.

The Clusters programme funds assistance for cluster development and facilitation. Funding is available for approximately a third of the costs of the employment of a cluster facilitator.

Cost

2002/03	Total other expense to be provided within (GST n/a)	\$14,943,000
2001/02	Total other expense to be provided within (GST n/a)	\$10,459,000

Other Expense – Regional Development Programme

This covers funding assistance to facilitate and promote sustainable regional development to help regions respond to local opportunities.

The programme was introduced in 2000 to enable access to advice or expertise to assist in strategic planning for sustainable regional development, to assist local agencies build the capacity to deliver sustainable regional development projects, and to provide funding for specific initiatives. The main forms of assistance are:

- up to \$100,000 for strategic planning
- up to \$100,000 for capability building, and
- up to \$2 million for major regional initiatives.

Cost

2002/03	Total other expense to be provided within (GST n/a)	\$16,875,000
2001/02	Total other expense to be provided within (GST n/a)	\$10,409,000

Other Expense – Regional Initiatives Fund

This provides funding support for regional projects that are consistent with the Government's economic, social and environmental objectives but cannot be funded through other Government assistance programmes.

The programme was introduced in 2001/02 to fund projects that are identified as key contributors to the implementation of regional development initiatives. Projects are developed in partnership with regional stakeholders, through INZ and/or MED.

Cost

2002/03	Total other expense to be provided within (GST n/a)	\$2,327,000
2001/02	Total other expense to be provided within (GST n/a)	\$1,837,000

Other Expense – Sector Initiatives Fund

This provides funding support for industry projects that are consistent with the Government's economic, social and environmental objectives but cannot be funded through other Government assistance programmes.

The programme was introduced in 2001/02 to support projects that have been identified as key contributors to the implementation of sector strategies and other industry engagement.

Cost

2002/03	Total other expense to be provided within (GST n/a)	\$2,400,000
2001/02	Total other expense to be provided within (GST n/a)	\$3,674,000

Part E - Explanation of Appropriations for Capital Flows

Net Worth of Entities Owned

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 2002 \$ million	Forecast Net Worth 2003 \$ million
Ministry of Economic Development	30 June	2.869	2.869
Crown Entities:			
Business Development Board of New Zealand	30 June	0	0
Industry New Zealand	30 June	5.700	6.200

Part G - Statement of Reconciliations

Part G1 - Changes in Appropriation Categories

Vote Economic, Industry and Regional Development has been created, effective from 2002/03, from the merger of Vote Economic Development and Vote Industry and Regional Development.

The following table shows the effect of merging the previous departmental output classes for the separate votes into one departmental output class from 2002/03. There are no other structural changes to the vote, with all other appropriation items transferring from their respective votes to the new vote, and no resultant changes to appropriation names or amounts.

Part G1 - Changes in Appropriations

2001/02 Cumulative Vote in Old (2001/02) Structure	\$000	Structure Changes	\$000	Cumulative Vote in New (2002/03) Structure	2001/2002 \$000	2002/03 \$000
<u>Departmental Output Classes</u>						
Vote Economic Development						
D1 Policy Advice – Economic Development	3,488			Vote Economic, Industry and Regional Development	8,577	8,155
Vote Industry and Regional Development						
D1 Policy Advice - Industry and Regional Development	5,089			D1 Policy Advice Economic, Industry and Regional Development		
Total Departmental Output Classes Cumulative Vote	8,577				8,577	8,155