

VOTE *Economic,
Industry and
Regional
Development*

Economic, Industry and Regional Development

Overview

Appropriations for Vote Economic, Industry and Regional Development in 2003/04 total \$211.979 million. These are to be applied as outlined below.

- \$10.237 million (4.8% of the Vote) will be used for policy advice, encompassing the development, evaluation and overview of economic, industry and regional development policies, and initiatives to promote sustainable economic development. This includes coordination of the implementation of the Government's Growth and Innovation Framework (GIF), research and advice on the factors influencing the capability and performance of firms, sectors and regions, and the monitoring of New Zealand Trade and Enterprise (NZTE).
- \$2.340 million (1.1% of the Vote) for policy advice on a series of measures designed to strengthen the government's support for, and communication with, small and medium enterprises (SMEs).

Appropriations for non-departmental outputs total \$130.718 million (61.7% of the Vote). These primarily take the form of services provided by NZTE to firms, sectors and regions, and relate to:

- \$31.856 million (15.0% of the Vote) for services to support collaboration, linkages and the development of strategies between and among sectors, regions and clusters of businesses (including government).
- \$21.866 million (10.3% of the Vote) for services to promote New Zealand's products and services and a culture of entrepreneurship and business success to foster trade and investment.
- \$9.870 million (4.7% of the Vote) for information services to allow firms to access skills and expertise in areas such as raising capital, business management and exporting.
- \$10.568 million (5.0% of the Vote) for training to improve the management capability of small businesses, entrepreneurs, start-ups and new exporters.
- \$25.516 million (12.1% of the Vote) for tailored information and advice to enable businesses to identify and address opportunities and constraints in achieving their growth objectives.
- \$27.359 million (12.9% of the Vote) for supporting New Zealand businesses to identify and pursue business opportunities both domestically and internationally, and
- \$3.683 million (1.7% of the Vote) for the management of business assistance grants, performance monitoring and policy support.

Appropriations for non-departmental other expenses total \$48.956 million (23.1% of the Vote). These take the form of grants or awards to firms, sectors and regions, and relate to:

- \$8.613 million (4.1% of the Vote) to assist innovative firms and entrepreneurs to build, test and develop early-stage business concepts.

- \$10.125 million (4.8% of the Vote) to provide funding for the development of business enterprise skills and leadership capacity through partnerships with the wider New Zealand international community.
- \$5.100 million (2.4% of the Vote) to provide a fund to allocate towards specific sectoral strategies.
- \$20.818 million (9.8% of the Vote) to support the development of business incubators and support and lift the capacity of regions in delivering economic development programmes and initiatives.
- \$2.000 million (0.9% of the Vote) for specific regional development initiatives, and
- \$2.300 million (1.1% of the Vote) for specific sectoral initiatives.

Appropriations sought for net capital flows total \$19.728 million (9.3% of the Vote).

These relate to:

- \$4.677 million for the Ministry of Economic Development to upgrade its Companies Office Electronic Register, to fund the forecast deficit in the memorandum account operated in departmental output class Registration and Provision of Statutory Information in Vote Commerce, and to fund the development of a national unit register under the Climate Change Response Act 2002.
- \$20.651 million of capital contribution to establish NZTE, including the transfer of net equity from New Zealand Trade Development Board (TNZ) and Industry New Zealand (INZ), which is offset by \$5.600 million of capital withdrawal from INZ following its disestablishment on 1 July 2003.

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 |
| FDI | Foreign Direct Investment |
| GIF | Growth and Innovation Framework |
| ICT | Information Communications Technology |
| INZ | Industry New Zealand |
| NZTE | New Zealand Trade and Enterprise |
| SMEs | Small and Medium Enterprises |
| TNZ | New Zealand Trade Development Board |

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 goal, there will be significant emphasis within the Vote on:

- continued implementation of GIF
- research and analysis of factors influencing the capability and performance of firms, sectors and regions
- lifting the capability and performance of SMEs
- the monitoring of NZTE (a new Crown entity integrating INZ and TNZ)
- promotion of New Zealand's products and services and a culture of entrepreneurship and business success to foster trade and investment
- facilitation of business opportunities
- the building of partnerships between central government, local and regional stakeholders, and businesses, and
- supporting high-growth sectors, such as information communications technology (ICT), bio-technology and the creative industries.

Departmental output classes

The output classes in this Vote contribute to a number of the Ministry of Economic Development's Business Environment outcomes, which are related to the Government's key goals. These outcomes and the Vote's contributions are set out below.

| Outcomes | Contribution |
|---|--|
| Economic development activities are better aligned across central and local government | <p>Policy advice purchased will support the alignment of outputs across the public sector that contributes to economic growth. Examples of the Ministry's joint activity will include working with the newly formed NZTE to provide policy advice that helps guide their operations. It also includes policy development done jointly with other departments, such as Ministry of Foreign Affairs and Trade and Ministry of Research Science and Technology.</p> <p>In addition the Ministry will consult with other agencies on policy issues developed by them and how they factor in the consideration for economic growth.</p> |
| New Zealand's international connections facilitate increased international trade, foreign investment and knowledge transfer | Policy advice on the role of government in attracting foreign direct investment (FDI) and evaluation of current strategic investment initiatives. |
| Businesses are more capable of innovating and making the most of market opportunities | <p>Policy advice on how best to foster conditions so businesses have the capability to respond to their external environment to promote growth</p> <p>In particular, the government has a role in education that includes facilitating the improvement of specific business skills (e.g., management, marketing, and finance) within the economy. Those managing businesses need access to informal and formal training opportunities so that businesses will have more confidence to grow, and to develop and commercialise new ideas. As part of the policy advice purchased under this Vote and the Ministry's work with other agencies, the Ministry will seek to foster these conditions in our communities, and obtain the best return on government investment in training and support.</p> |
| National and regional networks enable improved knowledge transfer and coordination of economic activity | <p>Coordinating a whole-of-government response to the GIF sector taskforce recommendations and their implementation.</p> <p>Policy advice on industry and regional development initiatives and monitoring and evaluation of NZTE programmes, which would include the Regional Development Programme and Business Clusters.</p> |
| Government encourages a culture of enterprise in New Zealand | Evaluating current initiatives designed to promote an enterprise and business culture, and exploring the impact of these initiatives. |
| Business regulation is easy to comply with, and balances the cost it imposes with the benefits to the community | Through SME input into the policy development process and an SME focus on the impact of regulations, an improved regulatory and compliance environment conducive to business growth can be achieved. |

| Outcomes | Contribution |
|---|---|
| Māori realise more of their economic potential | <p>The Government has a particular commitment to the economic development of Māori, and has adopted the goal to strengthen national identity and uphold the principles of the Treaty of Waitangi. Improvements in Māori economic outcomes will reduce disadvantage and promote social cohesion, thereby contributing to sustainable development in New Zealand. The Ministry will advise on these matters from the perspective of economic development. Examples of activities that contribute towards this outcome include:</p> <ul style="list-style-type: none"> • supporting Māori participation in regional development through the Te Kapinga Initiative and through Regional Initiatives Fund projects • supporting capability building for Māori organisations through programmes such as Business Development (BIZ) Training, and • encouraging significant regional stakeholders to improve coordination and collaboration with Māori organisations on major development projects. |
| Businesses and consumers have access to reliable infrastructure services at reasonable cost | <p>Coordinating advice on the overall management and adequacy of national, regional and local infrastructure including:</p> <ul style="list-style-type: none"> • assessment of the cost and quality of existing infrastructure • a high level review of various policy approaches to infrastructure and the possible development of an infrastructure policy framework, and • assessment of possible initiatives to address any identified problem areas. |

Non-departmental output classes

At a non-departmental output class level, services provided by Crown entities and third party providers will also contribute to the Government's outcomes. These include services provided by NZTE and BIZ providers:

- to support collaboration, linkages and the development of strategies between and among sectors, regions and clusters of businesses (including government), and facilitate business opportunities
- to promote New Zealand's products and services, and a culture of entrepreneurship and business success, to foster trade and investment
- to provide information services to allow firms to access skills and expertise in areas such as raising capital, business management and exporting
- to provide training to improve the management capabilities of small businesses, entrepreneurs, start-ups and new exporters
- to provide tailored information and advice to enable businesses to identify and address opportunities and constraints in achieving their growth objectives, and
- to manage business assistance grants, performance monitoring and policy support.

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.

Trends from 2000/01 to 2003/04

Since its inception in 2000/01, the appropriations in the Vote have increased significantly over this period reflecting a phased approach to the implementation of industry and regional development programmes.

The most significant change between 2002/03 and 2003/04 results from the integration of INZ and TNZ to form a new Crown entity - NZTE.

Funding for policy advice on economic, industry and regional development will increase significantly in 2003/04 by \$1.907 million.

In addition, additional funding has been provided in 2003/04 to support the portfolio of the Minister of Small Business.

For further details of new initiatives agreed as part of the 2003 Budget, refer to the "Reconciliation of New Initiatives to Appropriations" below.

Capital Contributions

These comprise capital investment in the Ministry of Economic Development, and NZTE. The major change between 2002/03 and 2003/04 reflects the establishment of NZTE on 1 July 2003, representing the integration of INZ and TNZ. This is partly offset by the withdrawal of INZs net equity following its dis-establishment on 1 July 2003.

Strategic Issues

Policy Advice

Sound policy advice is critical for the effective design, implementation and evaluation of the Government's industry and regional development programmes. The focus for 2003/04 will be on growth and innovation support through the provision of policy advice on:

- the development of industry sector strategies to reflect government priorities for sustainable economic growth
- the Sustainable Development Programme of Action – in particular through joint leadership of the Sustainable Cities Programme with the Ministry for the Environment
- continued development of GIF and its implementation across the public sector
- coordination of a whole-of-government response to GIF task force recommendations and their subsequent implementation
- issues relevant to the lifting of the capability and performance of SMEs
- maximising the benefits of foreign investment and access to finance
- industry and regional development initiatives and monitoring and evaluation of NZTE programmes

- any amendments to the Regional Partnership Programme
- implementation of the Government's broadband strategy in conjunction with the Ministry for the Environment, and
- a stocktake of infrastructure and infrastructure policies within New Zealand.

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 NZTE, 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 and other expenses

As noted above, the most significant change between 2002/03 and 2003/04 results from the integration of INZ and TNZ to form a new Crown entity - NZTE. The creation of NZTE has resulted in a new non-departmental output class and other expenses structure, which is based on the three service ranges delivered by the new entity, that is Growth, Enabling, and Foundation services.

Reconciliation of New Initiatives to Appropriations

| Initiative | Appropriations as shown in Part B | \$000 increase/(decrease) | | | | |
|---|---|---------------------------|---------|---------|---------|---------|
| | | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
| Policy advice and coordination of GIF | Departmental Output Class – Policy Advice – Economic, Industry and Regional Development | - | 1,907 | 1,907 | 1,907 | 1,907 |
| Support for the portfolio of the Minister of Small Business | Departmental Output Classes – Policy Advice – Economic, Industry and Regional Development | - | (500) | (480) | (480) | (480) |
| | Departmental Output Classes – Policy Advice – Small Business | - | 2,340 | 1,440 | 1,440 | 1,440 |
| Encouragement of exporting – aimed at generating a sustainable increase in the number of profitable exporting businesses | Non-Departmental Output Classes: | | | | | |
| | Foundation Services – Training and Capability Building | - | 125 | 125 | 125 | 125 |
| | Growth Services – Facilitation of New Business Opportunities | - | 125 | 125 | 125 | 125 |
| | Other Expenses to be Incurred by the Crown: Enterprise Development Fund | - | 500 | 500 | 500 | 500 |
| Rainmakers – facilitating access to networks within key market sectors | Non-Departmental Output Class: | | | | | |
| | Enabling Services – Facilitating the Development and Implementation of Sector and Regional Strategies | - | 1,200 | 1,200 | 1,200 | 1,200 |
| Incubators – aimed at increasing the capacity and capability of New Zealand incubators according to international best practice | Other Expenses to be Incurred by the Crown: | | | | | |
| | Regional Partnerships and Facilitation Fund | - | 1,600 | 1,600 | 1,600 | 1,600 |

| | | | | | | |
|--|---|---|---------------|--------------|--------------|--------------|
| E-business enhancement | Non-Departmental Output Classes: | | | | | |
| | Enabling Services – Facilitating the Development and Implementation of Sector and Regional Strategies | - | 273 | 273 | 273 | 273 |
| | Enabling Services – Promotion of New Zealand Business | - | 96 | 96 | 96 | 96 |
| | Foundation Services – Business Information and Advice | - | 150 | 150 | 150 | 150 |
| | Foundation Services – Training and Capability Building | - | 21 | 21 | 21 | 21 |
| | Growth Services – Customised Information and Advice | - | 542 | 542 | 542 | 542 |
| | Growth Services – Facilitation of Business Opportunities | - | 818 | 818 | 818 | 818 |
| Beachheads expansion – creating incubators for SMEs who are attempting to establish themselves in offshore markets and creating forward marketing bases for new exporters in strategic offshore markets | Non-Departmental Output Classes: | | | | | |
| | Enabling Services – Facilitating the Development and Implementation of Sector and Regional Strategies | - | 1,000 | 1,000 | 1,000 | 1,000 |
| Infrastructure stocktake – undertake a stocktake to assess whether existing policy settings are maximising the contribution of infrastructure to sustainable development | Departmental Output Class – Policy Advice – Economic, Industry and Regional Development | - | 550 | - | - | - |
| Sustainable cities (part of an inter-departmental programme led by the Ministry for the Environment) – focussing on improving infrastructure and quality of life foundations for growth, innovation and sustainable development in New Zealand cities. | Departmental Output Class – Policy Advice – Economic, Industry and Regional Development | - | 125 | 125 | 125 | - |
| Total Initiatives | | - | 10,872 | 9,442 | 9,442 | 9,317 |

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

| Types of Appropriation | 1998/99 | 1999/2000 | 2000/01 | 2001/02 | 2002/03 | | 2003/04 Appropriations to be Used | | | | 2004/05 | 2005/06 | 2006/07 | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|------------------------------|---|----------------|--------------------------------------|----------------|----------------|--------------------|--------------------|--------------------|
| | 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 | | | | |
| Operating Flows | | | | | | | | | | | | | | |
| Classes of Outputs to be Supplied | - | - | 39,345 | 56,339 | 74,996 | 74,996 | 12,577 | - | 130,718 | - | 143,295 | 145,167 | 147,023 | 146,899 |
| Benefits and Other Unrequited Expenses | - | - | - | - | - | - | N/A | N/A | - | - | - | - | - | - |
| Borrowing Expenses | - | - | - | - | - | - | N/A | N/A | - | - | - | - | - | - |
| Other Expenses | - | - | 4,307 | 25,706 | 41,732 | 41,732 | - | - | 48,956 | - | 48,956 | 48,656 | 48,656 | 48,656 |
| Capital Flows | | | | | | | | | | | | | | |
| Capital Contributions | - | - | 5,180 | 1,727 | 586 | 586 | 4,677 | - | 15,051 | - | 19,728 | 5,471 | 3,404 | 3,015 |
| Purchase or Development of Capital Assets | - | - | - | - | - | - | N/A | N/A | - | - | - | - | - | - |
| Repayment of Debt | - | - | - | - | - | - | N/A | N/A | - | - | - | - | - | - |
| Total Appropriations | - | - | 48,832 | 83,772 | 117,314 | 117,314 | 17,254 | - | 194,725 | - | 211,979 | 199,294 | 199,083 | 198,570 |
| Total Crown Revenue and Receipts | - | - | - | - | - | - | N/A | N/A | N/A | N/A | - | - | - | - |

Part B - Statement of Appropriations

Part B1 - Details of Appropriations

| Appropriations | 2002/03 | | | | 2003/04 | | Description of 2003/04 Appropriations |
|--|-----------------|----------------|------------------|----------------|-----------------|----------------|---|
| | Vote | | Estimated Actual | | Vote | | |
| | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Departmental Output Classes (Mode B Gross) | | | | | | | |
| D1 Policy Advice - Economic, Industry and Regional Development | 8,006 | - | 8,006 | - | 10,237 | - | - 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. |
| D2 Policy Advice - Small Business | 704 | - | 704 | - | 2,340 | - | - Policy advice on a series of measures designed to strengthen the Government's support for, and communication with SMEs. |
| Total Appropriations for Departmental Output Classes (Mode B Gross) | 8,710 | - | 8,710 | - | 12,577 | - | |
| Non-Departmental Output Classes | | | | | | | |
| O1 Enabling Services - Facilitating the Development and Implementation of Sector and Regional Strategies | - | - | - | - | 31,856 | - | - Services to support collaboration, linkages and the development of strategies between and among sectors, regions and clusters of businesses (including government). |
| O2 Enabling Services - Promotion of New Zealand Business | - | - | - | - | 21,866 | - | - Promotion of New Zealand's products and services and a culture of entrepreneurship and business success to foster trade and investment. |

Part B1 - Details of Appropriations (continued)

| | 2002/03 | | | | 2003/04 | | Description of 2003/04 Appropriations |
|--|--------------|-------------|------------------|-------------|---------------|-------------|--|
| | Vote | | Estimated Actual | | Vote | | |
| Appropriations | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Non-Departmental Output Classes - cont'd | | | | | | | |
| O3 Foundation Services - Business Information and Advice | - | - | - | - | 9,870 | - | - Provision of a range of advisory and information services; and oversight of a range of programmes that provide advice and information to business. |
| O4 Foundation Services - Training and Capability Building | - | - | - | - | 10,568 | - | - Training to improve the management capabilities of small businesses, entrepreneurs, start-ups and new exporters. |
| O5 Growth Services - Customised Information and Advice | - | - | - | - | 25,516 | - | - Tailored information and advice to enable businesses to identify and address opportunities and constraints in achieving their growth objectives. |
| O6 Growth Services - Facilitation of New Business Opportunities | - | - | - | - | 27,359 | - | - Support for New Zealand businesses to identify and pursue business opportunities both domestically and internationally. |
| O7 Grant Administration and Management | - | - | - | - | 3,683 | - | - Management of business assistance grants, performance monitoring and policy support. |
| Administration and Monitoring of Payments for Business and Regional Development Services | 2,649 | - | 2,649 | - | - | - | - No appropriation is sought in 2003/04. |
| Advice and Information for Business | 15,881 | - | 15,881 | - | - | - | - No appropriation is sought in 2003/04. |
| Advice and Support for Regions | 4,421 | - | 4,421 | - | - | - | - No appropriation is sought in 2003/04. |

| | | | | | | | |
|---|--------|---|--------|---|---------------|---|---|
| Commercialisation of Intellectual Property | 1,125 | - | 1,125 | - | - | - | No appropriation is sought in 2003/04. |
| Coordination and Facilitation of Sector Strategies | 13,048 | - | 13,048 | - | - | - | No appropriation is sought in 2003/04. |
| Delivery of Business Development Programmes | 12,835 | - | 12,835 | - | - | - | No appropriation is sought in 2003/04. |
| Delivery of Business Success and Outreach Programmes | 8,248 | - | 8,248 | - | - | - | No appropriation is sought in 2003/04. |
| Support for Promising Individuals | 1,950 | - | 1,950 | - | - | - | No appropriation is sought in 2003/04. |
| Integration Costs - New Industry and Trade Entity | 6,129 | - | 6,129 | - | - | - | No appropriation is sought in 2003/04. |
| Total Appropriations for Non-Departmental Output Classes | 66,286 | - | 66,286 | - | 130,718 | - | |
| Other Expenses to be Incurred by the Crown | | | | | | | |
| Enterprise Development Fund | - | - | - | - | 8,613 | - | To assist innovative firms and entrepreneurs to build, test and develop early-stage business concepts. |
| Growth Services Fund | - | - | - | - | 10,125 | - | To provide funding for the development of high-growth new business opportunities. |
| Sector Strategies and Facilitation | - | - | - | - | 5,100 | - | To assist with the facilitation of specific sectoral initiatives. |
| Regional Partnerships and Facilitation | - | - | - | - | 20,818 | - | To provide a fund to support the development of business incubators and support and lift the capacity of regions in delivering economic development programmes and initiatives. |
| Incubator Awards | 1,800 | - | 1,800 | - | - | - | No appropriation is sought in 2003/04. |

Part B1 - Details of Appropriations (continued)

| | 2002/03 | | | | 2003/04 | | Description of 2003/04 Appropriations |
|--|---------------|-------------|------------------|-------------|---------------|-------------|--|
| | Vote | | Estimated Actual | | Vote | | |
| Appropriations | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | Annual \$000 | Other \$000 | |
| Other Expenses to be Incurred by the Crown - cont'd | | | | | | | |
| Industry New Zealand Enterprise Awards Scheme | 4,376 | - | 4,376 | - | - | - | No appropriation is sought in 2003/04. |
| Industry Specialist and Feasibility Grants | 19,619 | - | 19,619 | - | - | - | No appropriation is sought in 2003/04. |
| Regional Development Programme | 10,817 | - | 10,817 | - | - | - | No appropriation is sought in 2003/04. |
| Regional Initiatives Fund | 1,527 | - | 1,527 | - | 2,000 | - | To provide a fund to allocate towards specific regional development initiatives. |
| Sector Initiatives Fund | 1,513 | - | 1,513 | - | 2,300 | - | To provide a fund to allocate towards specific sectoral initiatives. |
| Major Events Support Fund | 1,125 | - | 1,125 | - | - | - | No appropriation is sought in 2003/04. |
| World Class New Zealanders Fund | 955 | - | 955 | - | - | - | No appropriation is sought in 2003/04. |
| Total Appropriations for Other Expenses to be Incurred by the Crown | 41,732 | - | 41,732 | - | 48,956 | - | |
| Capital Contributions to the Department | | | | | | | |

| | | | | | | | |
|---|---------|---|---------|---|----------------|---|--|
| Capital Investment | 586 | - | 586 | - | 4,677 | - | Capital contribution for the Ministry of Economic Development to develop and implement a national unit register under the Climate Change Response Act 2002; for the upgrade of the Companies Office Electronic Register (REGIS) to a web browser based system; and to fund a forecast deficit in the memorandum account operated in D6 Registration and Provision of Statutory Information in Vote Commerce. |
| Total Appropriations for Capital Contributions to the Department | 586 | - | 586 | - | 4,677 | - | |
| Capital Contributions to Other Persons or Organisations | | | | | | | |
| Establishment of New Zealand Trade and Enterprise | - | - | - | - | 20,651 | - | Capital contribution for the establishment on 1 July 2003 and initial working capital for NZTE representing the integration of INZ and TNZ. |
| Establishment of Industry New Zealand | - | - | - | - | (5,600) | - | Capital withdrawal from INZ following its disestablishment on 1 July 2003. |
| Total Appropriations for Capital Contributions to Other Persons or Organisations | - | - | - | - | 15,051 | - | |
| Total Appropriations | 117,314 | - | 117,314 | - | 211,979 | - | |

Part C – Explanation of Appropriations for Output Classes

Part C1 – Departmental Output Classes

For more detailed analysis of departmental output classes, including financial and non-financial performance measures, please refer to the *Ministry of Economic Development's 2003 - 2006 Statement of Intent*.

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 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, research and analysis of factors influencing the capability and performance of firms, sectors and regions, a stock-take of infrastructure and infrastructure policy within New Zealand, and the monitoring of NZTE and the evaluation of its programmes.

Output Class D2 Policy Advice – Small Business

The Minister for Small Business will purchase policy advice on issues relating to lifting the capability and performance of SMEs. This includes the development, coordination and implementation of policy advice concerning SMEs. Outputs in this class include:

- coordination of the work of the inter-departmental SME Senior Officials Group
- advice on policy proposals that affect SMEs
- assistance in building channels of communication between the government and SMEs through the Small Business Advisory Group
- preparing and implementing a programme of research on SMEs, to be approved by the Ministerial Group on Small Businesses
- development of an SME focus in the analysis of the impact of proposed regulation, and
- managing the holding of a SME Summit in February 2004.

Part C2 - Non-departmental Output Classes

Output Class O1 – Enabling Services – Facilitating the Development and Implementation of Sector and Regional Strategies

The Minister for Industry and Regional Development will purchase from NZTE services that will support collaboration, linkages, and the development and implementation of strategies between and among sectors, regions, clusters of businesses, and government. These services will be aimed at exploiting opportunities for growth and overcoming constraints to growth. Facilitating the development and implementation of sector and regional strategies and the recognition and development of synergies between groups of firms will enhance New Zealand's growth prospects both in the medium and longer term.

Quantity, quality, timeliness and cost

| Performance Measures | 2003/04 Performance Standards |
|--|-------------------------------|
| Performance measures will be specified in the 2003/04 NZTE Output Agreement. | |

Cost

| | | |
|---------|---|--------------|
| 2003/04 | Total output class to be provided within (GST inclusive) | \$31,856,000 |
| 2002/03 | New output for 2003/04 – no comparative data available. Refer to Part G "Statement of Reconciliations" for further information. | |

Output Class O2 – Enabling Services – Promotion of New Zealand Business

The Minister for Industry and Regional Development will purchase from NZTE services to promote New Zealand's products and services both on and offshore to attract investors and to support the development of international trade by New Zealand businesses. Services purchased will also be 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 internationalisation and global connectedness.

Quantity, quality, timeliness and cost

| Performance Measures | 2003/04 Performance Standards |
|--|-------------------------------|
| Performance measures will be specified in the 2003/04 NZTE Output Agreement. | |

Cost

| | | |
|---------|---|--------------|
| 2003/04 | Total output class to be provided within (GST inclusive) | \$21,866,000 |
| 2002/03 | New output for 2003/04 – no comparative data available. Refer to Part G "Statement of Reconciliations" for further information. | |

Output Class O3 – Foundation Services – Business Information and Advice

The Minister for Industry and Regional Development will purchase the delivery of a range of business assistance services targeted at a wide business audience 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 through the provision of information and mentoring services where appropriate. The services will be generic in nature, to cater to a wide audience.

Quantity, quality, timeliness and cost

| Performance Measures | 2003/04 Performance Standards |
|--|-------------------------------|
| Performance measures will be specified in the 2003/04 NZTE Output Agreement. | |

Cost

| | | |
|----------------|---|-------------|
| 2003/04 | Total output class to be provided within (GST inclusive) | \$9,870,000 |
| 2002/03 | New output for 2003/04 – no comparative data available. Refer to Part G "Statement of Reconciliations" for further information. | |

Output Class O4 – Foundation Services – Training and Capability Building

The Minister for Industry and Regional Development will purchase from NZTE the development and procurement and/or delivery of training services aimed at building and enhancing the management capabilities of small businesses, entrepreneurs, start-ups and new exporters.

Quantity, quality, timeliness and cost

| Performance Measures | 2003/04 Performance Standards |
|--|-------------------------------|
| Performance measures will be specified in the 2003/04 NZTE Output Agreement. | |

Cost

| | | |
|----------------|---|--------------|
| 2003/04 | Total output class to be provided within (GST inclusive) | \$10,568,000 |
| 2002/03 | New output for 2003/04 – no comparative data available. Refer to Part G "Statement of Reconciliations" for further information. | |

Output Class O5 – Growth Services – Customised Information and Advice

The Minister for Industry and Regional Development will purchase the development and delivery of customised information and advice to businesses that meet criteria for more tailored assistance. The services are aimed at assisting companies to identify and respond to opportunities for growth and/or address constraints to growth.

Quantity, quality, timeliness and cost

| Performance Measures | 2003/04 Performance Standards |
|--|-------------------------------|
| Performance measures will be specified in the 2003/04 NZTE Output Agreement. | |

Cost

| | | |
|---------|---|--------------|
| 2003/04 | Total output class to be provided within (GST inclusive) | \$25,516,000 |
| 2002/03 | New output for 2003/04 – no comparative data available. Refer to Part G "Statement of Reconciliations" for further information. | |

Output Class O6 – Growth Services – Facilitation of New Business Opportunities

The Minister for Industry and Regional Development will purchase from NZTE services relating to the identification and pursuit of business opportunities. The services provided are customised to support and assist business with medium to high growth potential and objectives to achieve that potential. While there is provision for the identification of business opportunities within New Zealand, the outputs purchased are largely focused on international market opportunities.

Quantity, quality, timeliness and cost

| Performance Measures | 2003/04 Performance Standards |
|--|-------------------------------|
| Performance measures will be specified in the 2003/04 NZTE Output Agreement. | |

Cost

| | | |
|---------|---|--------------|
| 2003/04 | Total output class to be provided within (GST inclusive) | \$27,359,000 |
| 2002/03 | New output for 2003/04 – no comparative data available. Refer to Part G "Statement of Reconciliations" for further information. | |

Output Class O7 – Grant Administration and Management

The Minister for Industry and Regional Development will purchase from NZTE the management of business assistance grants, performance monitoring and policy support.

Quantity, quality, timeliness and cost

| Performance Measures | 2003/04 Performance Standards |
|---|--|
| <u>Quantity</u> | |
| Number of contract payments made | As specified in the 2003/04 NZTE Output Agreement |
| Total dollar value of contract payments made | \$44.656 million (GST inclusive) |
| <u>Quality</u> | |
| All terms and conditions met for NZTE contracts | 100% |
| Provision of progress reports to Responsible Ministers summarising delivery against expectations specified in the NZTE Output Agreement | Feedback from Ministers confirms satisfaction with reporting quality |
| <u>Timeliness</u> | |
| Contract payments are processed within 10 working days of completed and valid claim documentation | 100% |

Cost

| | | |
|----------------|---|-------------|
| 2003/04 | Total output class to be provided within (GST inclusive) | \$3,683,000 |
| 2002/03 | New output for 2003/04 – no comparative data available. Refer to Part G "Statement of Reconciliations" for further information. | |

Part D - Explanation of Appropriations for Other Operating Flows

Part D3 - Other Expenses

Other Expense – Enterprise Development Fund

The Enterprise Development Fund provides 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
- employ 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), and
- undertake international market development activities, including new market investigation, trade fair participation, trade/business missions, business exchanges and visiting buyers.

Cost

| | | |
|---------|---|-------------|
| 2003/04 | Total other expense to be provided within (GST n/a) | \$8,613,000 |
| 2002/03 | New item for 2003/04 – no comparative data available. Refer to Part G "Statement of Reconciliations" for further information. | |

Other Expense – Growth Services Fund

The Growth Services Fund offers support for 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.

Cost

| | | |
|---------|---|--------------|
| 2003/04 | Total other expense to be provided within (GST n/a) | \$10,125,000 |
| 2002/03 | New item for 2003/04 – no comparative data available. Refer to Part G "Statement of Reconciliations" for further information. | |

Other Expense – Sector Strategies and Facilitation

The Sector Strategies and Facilitation Fund provides assistance for specific sector-related initiatives, particularly in the areas of major events and development and growth of successful business incubators.

Cost

| | | |
|----------------|---|-------------|
| 2003/04 | Total other expense to be provided within (GST n/a) | \$5,100,000 |
| 2002/03 | New item for 2003/04 – no comparative data available. Refer to Part G "Statement of Reconciliations" for further information. | |

Other Expense – Regional Partnerships and Facilitation

This fund provides assistance for the support and development of business incubators, regional clusters and supporting programmes for the development and implementation of regional economic initiatives.

Cost

| | | |
|----------------|---|--------------|
| 2003/04 | Total other expense to be provided within (GST n/a) | \$20,818,000 |
| 2002/03 | New item for 2003/04 – no comparative data available. Refer to Part G "Statement of Reconciliations" for further information. | |

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 have been developed in partnership with regional stakeholders, through INZ and/or the Ministry of Economic Development.

Cost

| | | |
|----------------|---|-------------|
| 2003/04 | Total other expense to be provided within (GST n/a) | \$2,000,000 |
| 2002/03 | Total other expense to be provided within (GST n/a) | \$1,527,000 |

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

| | | |
|----------------|---|-------------|
| 2003/04 | Total other expense to be provided within (GST n/a) | \$2,300,000 |
| 2002/03 | Total other expense to be provided within (GST n/a) | \$1,513,000 |

Part E - Explanation of Appropriations for Capital Flows

Part E1 - Capital contributions

Departmental

This appropriation provides for additional investment in the Ministry of Economic Development. The funding sought in this appropriation represents by two distinct elements.

In 2003/04 funding is sought for the Ministry to develop and implement a national unit register under the Climate Change Response Act 2002 (\$500,000), and for the upgrade of the Companies Office Electronic Register (REGIS) to a web browser based system (\$457,000).

In addition, an appropriation of \$3.720 million is sought to fund the forecast deficit in the memorandum account operated in D6 Registration and Provision of Statutory Information in Vote Commerce.

Non-Departmental

This appropriation provides for the establishment of NZTE on 1 July 2003 representing the integration of INZ and TNZ.

Net Worth of Entities Owned

Statement of Estimated and Forecast Net Worth

| | Balance Date | Estimated Net Worth 2003 \$ million | Forecast Net Worth 2004 \$ million |
|---|--------------|--|---------------------------------------|
| Ministry of Economic Development | 30 June | 3.457 | 4.414 |
| Crown Entities: | | | |
| New Zealand Trade and Enterprise | 30 June | N/A | 20.651 |
| Business Development Board of New Zealand | 30 June | - | - |
| Industry New Zealand | 30 June | 6.864 | - |

Part G - Statement of Reconciliations

Part G1 - Changes in Appropriation Categories

From 1 July 2003, INZ and the New Zealand Trade Development Board (Trade NZ) have been merged to form NZTE. Up to 30 June 2003, funding for INZ was appropriated through Vote Economic, Industry and Regional Development, and funding for Trade NZ was appropriated through Vote Foreign Affairs and Trade. Funding for NZTE starting from 2003/04 will be appropriated through Vote Economic, Industry and Regional Development.

Also from 1 July 2003, funding previously appropriated through Vote Economic, Industry and Regional Development for non-departmental other expenses Support for Promising Individuals and Commercialisation of Intellectual Property has been transferred to Vote Research, Science and Technology to reflect where responsibility lies for these activities.

Part G1 - Changes in Appropriations

| 2002/03 Cumulative Vote in Old (2002/03) Structure | \$000 | Structure Changes | \$000 | Cumulative Vote in New (2002/03) Structure | 2002/03 \$000 | 2003/04 \$000 |
|---|--------|---|---------|---|---------------|---------------|
| <u>Non-departmental Output Classes</u> | | | | <u>Non-departmental Output Classes</u> | | |
| O1 Administration and Monitoring of Payments for Business and Regional Development Services | 2,649 | To: Grant Administration and Management | (2,649) | | | |
| O2 Advice and Information for Business | 15,881 | To: Enabling Services – Facilitating the Development and Implementation of Sector and Regional Strategies | (3,638) | | | |
| | | To: Enabling Services – Promotion of New Zealand Business | (1,972) | | | |
| | | To: Foundation Services – Business Information and Advice | (1,133) | | | |
| | | To: Foundation Services – Training and Capability Building | (362) | | | |
| | | To: Growth Services – Customised Information and Advice | (7,912) | | | |
| | | To: Growth Services – Facilitation of New Business Opportunities | (864) | | | |

| | | | | | | |
|---|--------|--|----------|--|--|--|
| O3 Advice and Support for Regions | 4,421 | To: Enabling Services – Facilitating the Development and Implementation of Sector and Regional Strategies | (4,291) | | | |
| | | To: Foundation Services – Training and Capability Building | (130) | | | |
| O4 Commercialisation of Intellectual Property | 1,125 | To: Vote Research, Science and Technology | (1,125) | | | |
| O5 Coordination and Facilitation of Sector Strategies | 13,048 | To: Enabling Services – Facilitating the Development and Implementation of Sector and Regional Strategies | (13,048) | | | |
| O6 Delivery of Business Development Programmes | 12,835 | To: Foundation Services – Business Information and Advice | (3,540) | | | |
| | | To: Foundation Services – Training and Capability Building | (9,295) | | | |
| O7 Delivery of Business Success and Outreach Programmes | 8,248 | To: Enabling Services – Facilitating the Development and Implementation of Sector and Regional Strategies | (1,450) | | | |
| | | To: Enabling Services – Promotion of New Zealand Business | (6,798) | | | |

Part G1 - Changes in Appropriations (continued)

| 2002/03 Cumulative Vote in Old (2002/03) Structure | \$000 | Structure Changes | \$000 | Cumulative Vote in New (2002/03) Structure | 2002/03 \$000 | 2003/04 \$000 |
|--|-------|--|---------|--|---------------|---------------|
| <u>Non-departmental Output Classes</u> | | | | <u>Non-departmental Output Classes</u> | | |
| O8 Support for Promising Individuals | 1,950 | To: Vote Research, Science and Technology | (1,950) | | | |
| | | From: Administration and Monitoring of Payments for Business and Regional Development Services | 2,649 | O7 Grant Administration and Management | 3,660 | 3,683 |
| | | From: Vote Foreign Affairs and Trade | 1,011 | | | |
| | | From: Advice and Information for Business | 3,638 | O1 Enabling Services – Facilitating the Development and Implementation of Sector and Regional Strategies | 29,829 | 31,856 |
| | | From: Advice and Support for Regions | 4,291 | | | |
| | | From: Coordination and Facilitation of Sector Strategies | 13,048 | | | |
| | | From: Delivery of Business Success and Outreach Programmes | 1,450 | | | |
| | | From: Vote Foreign Affairs and Trade | 7,402 | | | |
| | | From: Advice and Information for Business | 1,972 | O2 Enabling Services – Promotion of New Zealand Business | 21,945 | 21,866 |
| | | From: Delivery of Business Success and Outreach Programmes | 6,798 | | | |

| | | | | | | |
|--|---------------|---|---------------|---|----------------|----------------|
| | | From: Vote Foreign Affairs and Trade | 13,175 | | | |
| | | From: Advice and Information for Business | 1,133 | O3 Foundation Services – Business Information and Advice | 10,186 | 9,870 |
| | | From: Delivery of Business Development Programmes | 3,540 | | | |
| | | From: Vote Foreign Affairs and Trade | 5,513 | | | |
| | | From: Information and Advice for Business | 362 | O4 Foundation Services – Training and Capability Building | 10,588 | 10,568 |
| | | From: Advice and Support for Regions | 130 | | | |
| | | From: Delivery of Business Development Programmes | 9,295 | | | |
| | | From: Vote Foreign Affairs and Trade | 801 | | | |
| | | From: Advice and Information for Business | 7,912 | O5 Growth Services – Customised Information and Advice | 24,423 | 25,516 |
| | | From: Vote Foreign Affairs and Trade | 16,511 | | | |
| | | From: Advice and Information for Business | 864 | O6 Growth Services – Facilitation of New Business Opportunities | 28,618 | 27,359 |
| | | From: Vote Foreign Affairs and Trade | 27,754 | | | |
| O9 Integration Costs – New Industry and Trade Entity | 6,129 | | | O8 Integration Costs – New Industry and Trade Entity | 6,129 | - |
| Total Non-departmental Output Classes | 66,286 | | 69,092 | Total Non-departmental Output Classes | 135,378 | 130,718 |

Part G1 - Changes in Appropriations (continued)

| 2002/03 Cumulative Vote in Old (2002/03) Structure | \$000 | Structure Changes | \$000 | Cumulative Vote in New (2002/03) Structure | 2002/03 \$000 | 2003/04 \$000 |
|--|--------|---|----------|--|---------------|---------------|
| <u>Other Expenses to be Incurred by the Crown</u> | | | | <u>Other Expenses to be Incurred by the Crown</u> | | |
| Incubator Awards | 1,800 | To: Regional Partnerships and Facilitation | (1,800) | | | |
| Industry New Zealand Enterprise Awards Scheme | 4,376 | To: Enterprise Development Fund | (4,376) | | | |
| Industry Specialist and Feasibility Grants | 19,619 | To: Growth Services Fund | (14,801) | | | |
| | | To: Sector Strategies and Facilitation | (3,975) | | | |
| | | To Regional Partnerships and Facilitation | (843) | | | |
| Regional Development Programme | 10,817 | To: Regional Partnerships and Facilitation | (10,817) | | | |
| Major Events Support Fund | 1,125 | To: Sector Strategies and Facilitation | (1,125) | | | |
| World Class New Zealanders Fund | 955 | To: Enterprise Development Fund | (955) | | | |
| | | From: Industry New Zealand Enterprise Awards Scheme | 4,376 | Enterprise Development Fund | 9,831 | 8,613 |
| | | From: World Class New Zealanders Fund | 955 | | | |
| | | From: Vote Foreign Affairs and Trade | 4,500 | | | |

| | | | | | | |
|---|---------------|--|--------------|---|---------------|---------------|
| | | From: Industry Specialist and Feasibility Grants | 14,801 | Growth Services Fund | 14,801 | 10,125 |
| | | From: Industry Specialist and Feasibility Grants | 3,975 | Sector Strategies and Facilitation | 5,100 | 5,100 |
| | | From: Major Events Support Fund | 1,125 | | | |
| | | From: Incubator Awards | 1,800 | Regional Partnerships and Facilitation | 13,460 | 20,818 |
| | | From: Industry Specialist and Feasibility Grants | 843 | | | |
| | | From: Regional Development Programme | 10,817 | | | |
| Sector Initiatives Fund | 1,513 | | | Sector Initiatives Fund | 1,513 | 2,300 |
| Regional Initiatives Fund | 1,527 | | | Regional Initiatives Fund | 1,527 | 2,000 |
| Total Other Expenses to be Incurred by the Crown | 41,732 | | 4,500 | Total Other Expenses to be Incurred by the Crown | 46,232 | 48,956 |