



INVESTMENT ADVISORY PANEL

To

**MINISTER OF
AGRICULTURE AND
FORESTRY**

AND

DIRECTOR-GENERAL MAF

PRIMARY GROWTH PARTNERSHIP

ANNUAL REPORT OF THE INVESTMENT ADVISORY PANEL

FOR THE PERIOD

SEPTEMBER 2009

TO

SEPTEMBER 2010

Foreword from the Chair

The Primary Growth Partnership is a year old and the Investment Advisory Panel has completed its first year of business. During that time the Panel has met on 11 occasions and considered 36 PGP Proposals. Nine of these were approved to proceed to Business Plan and six of these Business Plans have been approved by the Director General of MAF for funding. Out of the 27 declined applications, several remain the subject of discussion between MAF and the applicants.

It is useful to summarise the criteria which a successful PGP proposal needs to meet in order to gain PGP funding. It must have:

- outcomes that are likely to generate significant economic benefit to New Zealand through the application of innovative research and development across some or all parts of the value chain;
- additionality, or involvement in activities which are beyond business as usual for the applicant;
- spill-over benefits for the wider NZ economy, while generating economic returns for the investors; and
- sustainability.

The Panel has enjoyed the challenges of determining what these concepts mean in practical terms, and relating them to the specifics of the applications it has received. In this regard the Panel has been fortunate in that its members bring a diverse range of experience in business, science and the primary sector to the table and have worked well together with the applicants and officials from MAF and Fisheries to achieve the results gained so far.

At a higher level, the Panel has had to determine what might be regarded as innovative, how to assess significant economic benefit for New Zealand and over what time frame. The Panel has looked to what has been regarded as transformational in the past – for example in the kiwifruit and viticulture industries, in better productivity from grasses, in better lambing percentages and commercial development of milk based ingredients. These things have all contributed to the national economy, but it is important to acknowledge that the benefits from these developments have emerged over time. The Panel has accepted that many projects with potential will take time to deliver their promise.

PGP is not about funding scientific initiatives in the lab which would become silver bullets for the New Zealand economy. Rather, PGP is about proposals where the innovation is seen in thinking about old problems in new ways, and in looking at the value chain to determine where economic benefit will arise. Successful applicants have usually started with a vision of what might be achieved if certain obstacles in the value chain could be unblocked, if supported by a programme of innovation for doing just that.

Although innovation which leads to cost reduction and better productivity is important, it is essential to see that the cost reductions or better productivity achieved will in turn lead to an increased production and a capture of the market which will deliver the economic benefit required by the Cabinet mandate. The vision must start with an assessment of the market which will be accessed if the value chain can be perfected.

Significantly, a feature of the innovation in several proposals was the decision of a number of companies in a sector to work together to address the barriers in the production and processing segments of the value chain, on the basis that they would then pursue the market opportunities which yield the economic benefits of the initiative, competitively, each according to their own market programmes. The Panel sees this catalytic role of PGP within a sector as increasingly valuable.

Thus far, despite several major projects having been approved for funding, PGP has operated within its financial parameters, and the Panel looks forward to another year of innovative and exciting proposals from the primary sector.

W J Falconer
Chair, Investment Advisory Panel
January 2011

Panel Meetings

The Panel met 11 times in its first year. During that time it considered 36 applications, approving nine of them to proceed to Business Plan. Six of these have now been prepared and have been approved by the Director General MAF for funding. Three Business Plans are still being developed. Of the 27 that were declined, several are still the subject of discussion between MAF and the applicant.

Panel meetings have run well through the year, with the members working cohesively as a team. Core MAF staff have attended every Panel meeting and contributed to the Panel's consideration through written briefs on each application, and through participation in the Panel's discussions. External expert advice has been sought on occasion.

The Panel has seen three rounds of proposals, and a frequent practice has emerged with the Panel inviting further presentation and discussion with the applicants to refine and clarify their proposals, resulting in approval to proceed to the preparation of Business Plans.

The Panel is conscious that in the first year of its work, it has been breaking new ground in interpreting the requirements of the Government mandate for PGP, and that each of its recommendations may set a new precedent. In order to ensure consistency in its determinations, the Panel requested MAF to develop a document which gives concrete definitions of the terms used in the criteria that must be met in order to qualify for PGP funding. Obviously this document will need to be reviewed and refined over time.

Oral Questions

There were 50 Parliamentary Questions received over the year. Early questions related to the Fast Forward Fund but then turned to practical details of PGP such as the number of applications by sector, reporting and performance evaluation of the scheme, a review of the scheme, the timing of funding payments to both PGP partners and the Centre for Agricultural Green House Gas Research, and expenditure on PGP administration and servicing the Panel.

Ministerial Briefings

The Minister was given nine briefings throughout the year. These were largely on the technical progress of the scheme, and on the PGP Operational Review conducted during the course of the first twelve months.

Media Coverage

There were more than 100 media articles written in various rural and national publications throughout the year. Initially there were a few articles explaining the general concept behind the Government's new scheme and the amount of funding that was being made available, however reporting gradually ramped up as the results of each proposal round were published.

The bulk of the reporting occurred in August and September 2010 in the wake of the third funding round decisions, when details of the proposals themselves and the funding amounts were made public.

Official Information Act Requests

There were five requests received for official information pertaining to PGP, in particular for copies of Business Plans and proposals. In nearly all cases the information was withheld on the grounds that it is classified commercial in confidence. The Panel considers that this is the correct approach to take on these requests due to the commercial sensitivities in surrendering this information. In order for PGP to deliver on its mandate, it must receive quality applications with a free flow of information relevant to the commercial proposition. The early release of such information could place the likelihood of the programme's success at risk, thereby placing the investment at risk.

The only exception to this approach is where information relating to the application has been released to the public by the applicant.

W J Falconer
Chair, Investment Advisory Panel
January 2011