

Press Release 4 April 2007

## **Working with regions for economic transformation**

Economic Development Minister Trevor Mallard today announced a new regional economic development policy and the establishment of two new regional funds for regions to support the growth of more internationally competitive firms.

"The Regional Partnerships Programme began six years ago and has been a key factor in helping to stimulate economic growth in the regions. We want to build on this success by revitalising regional economic development and taking it to the next level by sharpening the focus on what regions need to do to really enhance their economies for their future prosperity. We also want to support substantial, commercially driven regional projects," Trevor Mallard said.

"These changes will help regions not only to drive their own economic growth, but also to contribute more to New Zealand's efforts in the global marketplace by ensuring all regions can develop, attract, and retain globally competitive firms. To raise our living standards further, New Zealand needs far more firms that can compete in international markets."

The changes, effective from this July, will see the disestablishment of the Regional Partnerships Programme and the following new initiatives:

- Replacing the Major Regional Initiatives Fund with a contestable Enterprising Partnerships Fund focusing on substantial regional projects that are commercially driven, generate substantial economic benefits for the region and align with national economic transformation goals. Funding under this programme will be approximately \$9 million in 2007-08, \$10.5 million in each of the following two years and \$11.5 million a year after that.
- Consolidation of the 26 regions currently funded to about 14, to make the regions bigger and therefore more capable of collaborating and tackling large economic development projects and issues.
- A new Regional Strategy Fund that will give each of the 14 regions access to a maximum of \$750,000 over three years to develop and implement regional economic development strategies. The aim is to encourage a medium-long term view so that regions focus on key projects for growth rather than less important, short term activities.
- \$1 million a year will be ring fenced for Auckland for the next three years in addition to the two new funds. This will contribute to initiatives in Auckland that reinforce linkages between the economic transformation agenda and the region's regional economic development strategy.
- In 2007/08 only, each of the existing Regional Partnerships Programme regions that will need to join together are eligible for up to \$50,000 to meet one off costs associated with this consolidation process.

"The Auckland funding recognises that the city's regional economic development is a key part of the government's economic transformation agenda. What helps Auckland will help the whole country grow," Trevor Mallard said.

These new initiatives follow a process of discussions with regions, and input from key national stakeholders such as Local Government New Zealand and Economic Development Association of New Zealand. Further details about the funds and criteria for applications will be released between now and May.

The cabinet paper is at [www.med.govt.nz/regional-development/detailed-changes](http://www.med.govt.nz/regional-development/detailed-changes) and at [www.beehive.govt.nz/mallard](http://www.beehive.govt.nz/mallard) and additional background follows.

### **Why did regional economic development policy need to be enhanced?**

The Regional Partnerships Programme (RPP) was established in 2000 and the environment has changed since then so the policy had to be adapted accordingly.

Relevant changes include the development of the government's economic transformation agenda, which provides a clear focus on some of the key actions that are required to lift New Zealand's economic performance - including the need to focus on growing more globally competitive firms and lifting Auckland's performance as a world class city.

Other relevant changes include: the introduction of the Local Government Act 2002; a change in the structure and focus of NZTE; changes to regional economic conditions, including a lower incidence of unemployment, but growing concerns about skill shortages; new and enhanced regional roles and functions for central government agencies, including the Ministry of Social Development, Department of Labour and the Government Urban and Economic Development Office in Auckland.

### **What is the Regional Strategy Fund?**

The Regional Strategy Fund offers greater flexibility for regions in their economic development planning. Regions are eligible for \$750,000 over three years for the development and implementation of economic development strategies and the projects that flow out of them. Regions can work with NZTE over how to allocate that funding over the three years. This approach recognises the importance of strategic region-wide thinking and planning. NB The working title of this fund in the cabinet paper was the Enterprising Regions Fund.

### **What is the Enterprising Partnerships Fund?**

The Enterprising Partnerships fund is a large scale contestable funding tool, aimed at creating or exploiting regionally based collaborative partnerships and networks. There will be up to two funding rounds a year.