

14 OCT 2008



MĀORI GLOBAL AGRIBUSINESS – TEKAU PLUS

SIX-MONTHLY REPORT

30 June 2008

Introduction

This report is a contractual requirement and is intended to provide assurance of the progress of the project, and in particular of delivery on the contract between Te Puni Kokiri and the Partners for the project – the Māori Trustee, Federation of Māori Authorities and Poutama Trust (described as the Business Advisory Group) and known as the Tekau Plus Board.

Reporting

The Māori Global Agribusiness contract (in Schedule C) requires:

The six-monthly reports will report on:

- a. the outputs and success indicators in Schedule A (with specific Reference to the milestones and indicators in the three year work plan attached as Schedule G)
- b. the financial requirements in Schedule D and Schedule E
- c. the work of the Overview Panel
- d. the outputs, outcomes and processes set out in the three year plan

This report is in several parts:

1. Overall description of progress ((c) and (d))
2. Description of progress against the 3 year plan (a)
3. Financial reports (b)
4. Key documents

Tekau Plus Summary Highlights

- Strong governance and management achieved with robust systems and processes for decision-making and accountability
- The project is on track with the contractual requirements including:
 - 3 Year Plan
 - Quarterly Report to 30 December 2007
 - Quarterly Report to 31 March 2008
- The project has been branded as Tekau Plus with a game plan of “in 10 years having 10 businesses with \$10m each in foreign revenue”
- The branding and logo have been agreed, and “Export Excellence” has been trademarked.
- Te Puna – the strategic framework has been produced to underpin the work
- Framework and criteria for selection and cluster development has been developed
- The “Export Excellence” document providing the Tekau Plus programme information and application requirements and other promotional documentation have been produced and disseminated to targeted groups and stakeholders
- The project has achieved significant acknowledgement from key stakeholders and has attracted support, including sponsorship and resources for events and delivering services:
 - NZTE has made an offer to provide tailored assistance to 20 Māori businesses through Tekau Plus
 - MFAT and ForST have indicated support, and interest in tailoring assistance
 - PGG Wrightsons has provided sponsorship for the workshops to date, and other corporate businesses have indicated interest
- Momentum and awareness is building among stakeholders and potential Māori export businesses, with work targeting senior officials in government sector, private sector and research agencies including (CRIs and Universities), and Māori agribusinesses
- Two workshops have been held on exporting:
 - Value Chain and Supermarkets
 - NZ China FTA and Value Add enterprise
- A further workshop in conjunction with Victoria University is in preparation for the first week of July 2008, and a national symposium in September
- Potential clusters and lead businesses have been identified
- Potential lead advisors have been identified

Overview and Progress

Governance and Management

On 8 October 2007 the contract with TPK was signed. At that time the Business Advisory Group was established with the members being John Paki (Māori Trustee), Paul Morgan (Federation of Māori Authorities) and Richard Jones (Poutama Trust). The agreement between the three parties was captured by way of a Memorandum of Understanding.

An Operating Charter was developed in October 2007, and finalised in February 2008. This includes key strategy information, and arrangements on governance and management issues including conflict of interest, funds administration and delegations, and minuting, reporting and accountability mechanisms. This was approved by the Business Advisory Group on 18 February.

The key documents for managing the project were approved at that meeting. This includes the conflict of interest registration, contract administration and financial reporting templates and the contract with FOMANA, and memoranda of service provision with the Māori Trust Office, FOMA and Poutama Trust.

In May a fundraising and sponsorship policy was developed to guide the Tekau Plus in terms of the need for diversified income streams (eg for conferences and events) in balance with the overall strategy and ethical requirements.

The Business Advisory Group now operates under the name of the Tekau Plus Board. Fomana Capital and Māori Trust Office provide management support.

As required under the contract, key reporting requirements have been: 3 Year Plan, December 2007 Quarterly Report and a March 2008 Quarterly Report (see 15 April Minutes).

Strategy

The strategy work has included the development of the wider planning and discussion, informed through conversation with key stakeholders, and research (see for example 14 Feb Board papers) and the discussions which are noted in the Communications section, below. A three year strategic business plan was finalised in February 2008.

The strategic approach outlined a number of key areas to work on:

- Free Trade Agreements, particularly China
- Tekau Plus programmes
- Integration with other programmes (eg Beachheads)

A key to the strategy development is in getting buy-in. There has been significant support for the concept. Through the meetings with key stakeholders there has been strong buy-in to the concept and the strategy. For example:

- NZTE – with offer of resources and assistance in December to Tekau Plus, and in 30 April of assistance to clusters
- PGG Wrightsons sponsorship at Tekau Plus events and sponsorship of scholarship

The strategic alignment of the Tekau Plus strategy and Government priorities is strengthening

The Prime Minister noted the need to

- ... back science and innovation in the pastoral and food industries – we need smarter, more innovative products out of our major export sector.

The Minister of Finance's Budget speech highlights:

- the Government's Beachheads programme that is now starting to show its value in many different global markets.
- There has been a very positive business response to the signing of the FTA with China – and a number present in this room today were part of the significant business delegation which came with me to Beijing in early April.
- tax credit for research and development ... designed to help address the single most important shortcoming in New Zealand R&D, which is the relatively low level of private sector investment.

Communication

A communications plan was developed, with the early focus on commencing dialogue with key government groups (20 October 2007 Minutes). A key platform for Tekau Plus has been the face to face meetings with key stakeholders. This has included government (particularly NZTE, FORST, MFAT), universities, CRIs, as well as Māori organisations and non-Māori organisations, such as local government agencies, strategic business partners (eg PGG Wrightsons and Kiwibank,). (See for example 18 February, 20 March 2008 Minutes).

Further work on branding and developing publicly available material has continued. The main documents produced for stakeholders have been the Te Puna offer document (March 2008), information sheet (15 April 2008) and the Tekau Plus Export Excellence booklet in April 2008.

Other publicity has included an article by Phil Lewin in the DominionPost (Saturday 12 April) which provided positive profile for Tekau Plus. (Noted in papers for 23 April 2008)

The plan also included the need to hold and attend hui and meetings. This has a strategic context in terms of bringing on board the right organisations and people, but is also part of the communications and open process.

Several conferences have been attended and the Tekau Plus concept discussed. This includes for example, the Agribusiness Conference in Christchurch in November 2007, the FOMA conference in October, the FOMANA Capital launch in December, the Beachheads Conference in February 2008 and the launch of the NZ Fastforward programme in March.

A key output is also to hold workshops and conferences. To date two workshops have been held:

- Tom Reardon on "Value Chain, Super markets and Emerging Market" on 12 March 2008 (29 attendees)
- "NZ China FTA and Māori Exporter and Value Add enterprise" on 30 April 2008 (42 attendees - An appraisal of this was provided at the Tekau Plus Board meeting of 19 May 2008).

Work continues for the next workshop in early July and a symposium in September.

Analysis and Research

The on-going research is a core component of the work of Tekau Plus. It can be divided into three types:

- general and background on exporting and value chain analysis
- developing Tekau Plus strategy
- operational requirements for Tekau Plus

To date much of the research has been aimed at generic issues, and developing the knowledge base for Tekau Plus. This has included studies and information gathered by team members. This has included for example:

- China FTA – FOMANA (23 April 2008 papers)
- Bridging the gap from technology to products (23 April 2008)
- Introduction to China - IP issues (see 15 April 2008)
- Other work has been provided in confidence from businesses.

However, the development of the Tekau Plus strategic direction, planning and outputs has been a key part of the 'thinking' that has gone on between meetings. This has culminated in the papers on strategy – including the Te Puna framework and Export Excellence documents.

A core piece of work for the operational requirements has been to develop the framework and criteria for selection of businesses/clusters into Tekau Plus. This work is captured in the Clearwater Ltd (Michael Ahie) Reports (see 26 March 2008).

Clustering

The clustering work is a core component of the contract with TPK. It has been necessary to carry out significant work in building to the clustering ensuring that there has been adequate communications to ensure that the programme attracts the most appropriate people, ensuring that the resources and assistance is available as the opportunities arise.

In this regard, the work on strategy and communications has been the main focus for the Tekau Plus Board and management.

However, as part of the research and analysis workstream work has been done on identifying the most appropriate way to select clusters, based on their individual merit and strategic merit. The work undertaken by Clearwater Ltd is a key resource for this.

With the development of the branding and the communications information work has started on identifying potential clusters and on developing the relationships with the initial 2-3 cluster leaders.

Clusters underway

Appendix 1 provides a list of the first seven clusters that are at various stages of formation and development. Some are in pre-negotiation talks, ensuring an alignment of vision and values with Tekau Plus. This means for example, ensuring that Tekau Plus is commercially driven, and is able to operate to preserve commercial confidentiality.

Risk

The project was delayed by three months because the contract was not signed until October 2007. This has meant that timelines were shortened. It was intended that this would be caught up by 30 June 2008. In all areas this has been achieved, except in the clustering output, where there is a lag of several weeks. Intensive engagement is underway on engaging with these potential clusters. The Board considers that it is important that the preliminary work is undertaken to ensure the quality and sustainability of the clusters and to enable investment and commitment over the longer term.

It was hoped that by 30 June 2008 2 clusters would have been identified and beginning their implementation. To date, while potential clusters have been identified, the first two have not begun implementation. The current work is focusing on ensuring fit and commercial sensitivities are managed.

While this risk is acknowledged, Tekau Plus considers that it poses no substantive risk to the project overall. By the end of the next 6 month period it is expected that at least 3 clusters will be in train.

Programme Overview

This section provides an outline of the Tekau Plus strategy and programme.

The Tekau Plus strategy is built on the key elements in the contract for delivering services:

- Communication
- Research and analysis
- Export alliances/clubs

Tekau Plus provides a central channel with three fundamental objectives:

1. a centre for Māori businesses to organise business and implement Export Excellence and investment strategies;
2. a centre for stakeholders to engage easily with Māori;
3. a centre to strategically position Māori within the value-chain.

Tekau Plus has developed to provide five initial programmes:

- E10+ – to build an internationally recognized 10-year export plan
- Tran\$formation – to innovate and capitalize on research science and technology
- Export Club – to build nationally and internationally recognized channels for networking
- Advisory services – to provide specific advisory services to assist export capability
- Capacity and knowledge – to provide information relating to value creation and exporting.

The Tekau Plus Board is concentrating on delivering on the contractual requirements for the programme in relation to agribusiness. Agribusiness is seen as focusing on the food, beverage, fibre compound technology areas.

To assist Māori to create 10 high value businesses /brands, each strategically positioned in niche markets and earning in excess of ten million in foreign revenue within ten years and together building a Māori Export Club worth over \$100 million. The game-plan includes raising the level of strategic dialogue within Māori economic networks and providing a central channel for dialogue, engagement and market execution.

Overview Panel

The membership of the Overview Panel is made up of a minimum of the Māori Trustee and Te Puni Kokiri (represented by Evan Nathan as the Contract Manager).

However, following meetings with the CEO of NZTE in December 2007, an NZTE representative was included on the Overview Panel (Liz Gibson).

The Overview Panel has two broad roles:

- To provide an overview and monitoring function to assist TPK and Māori Trustee to meet the contract requirements and intent (mainly through peer review of the 6 monthly reports)
- To provide Tekau Plus assistance, advice and liaison to assist in the delivery of the project

In relation to the first:

- The Overview Panel has met with the Tekau Plus Board on one occasion (27 February 2008 meeting of the Tekau Plus Board).
- The Overview Panel has met once formally to discuss and develop its role.
- There has been on-going liaison as part of the less formal contract management role. This has included discussion on Parliamentary Questions and Official Information requests that relate to the Tekau Plus project.
- The TPK contract manager formally wrote to the Tekau Plus Board to inform the Board of an Official Information Act request.

In relation to the second role:

- The NZTE member has been an important conduit of information and in assisting to develop relationships with key NZTE staff.
- A significant event has been the CEO of NZTE participating in, addressing and making an offer of NZTE assistance to Tekau Plus at the workshop on 30 April.
- TPK has also been of assistance in ensuring a measure of connectivity between this project and several others, including the Regional Partnerships project.

However, with staff changes currently taking place in NZTE and TPK, continuity in the Overview Panel poses a risk. This has been managed by having a second TPK member on the panel, but it is envisaged that further changes, including having alternative members will be required.

Summary

Overall the Tekau Plus project is working well. Significant effort in the first six months was focused on the development of the governance and management systems and processes, to ensure full, transparent and relevant accountability, and on the strategic framework and development of the services and relationships to implement this ambitious programme.

The programme is founded on robust and practical systems and information, based on sound research and industry peer review.

The strong support and buy-in from key stakeholders, particularly NZTE and MFAT, and private sector and Māori business confirm the strategic alignment of the programme.

The feed back to the relationships, communications activity and delivery of targeted workshops has further highlighted that the programme is poised to make significant progress.

The initial five programmes are intended to enable a focus on facilitating:

- Building internationally recognized icon export businesses
- Transformation through science and technology
- Channels for exporting through networking and trade
- Advisory services to potential exporters
- Capacity building through information and knowledge sharing

Progress against outputs and success indicators

This section provides a synopsis of progress with specific reference to the milestones, outputs and success indicators in the contract (ie Schedule A and Schedule G)

Schedule A		Schedule G		30 June Report
Outputs	Success Indicators	3 Year Plan	3 Year Plan	
		1 st 6 months	2 nd 6 months	
Initial Development Plan: To provide a detailed plan to outline costings and resources for a three (3) year period. Business Advisory Group is established	The larger three (3) year plan is able to go ahead.	n/a	n/a	<p>Completed:</p> <ul style="list-style-type: none"> Contract signed, MoU signed establishing the Business Advisory Group (now called Tekau Plus Board) (8 October 2007); Operating Charter (finalised February 2008) 3 year plan approved, 6 month operations plan approved (22 October 2007)
Communications: Providing information to enable open participation and identification of partners.	Distribution of information through various media and when the level of participation is sufficient to enable implementation of the strategy.	Comms, risk & stakeholder plan developed, promotion material & website planned. Approved communication, stakeholder, risk plan	Hui, roadshow with Māori agribusiness, web update, promotion clusters, media release Marketing to Māori agribusiness	<p>Completed:</p> <ul style="list-style-type: none"> Communication plan, and risk plan (20 October) On-going briefings with key stakeholders (eg 19 December 2007, 26 March 2008) Key communication events (eg FOMA conference 07; FOMANA Capital Launch, 12 March Tom Reardon workshop, 30 April FTA workshop)

Released under the Official Information Act 1982

<p>Clustering: Facilitation, brokerage and specific analysis is undertaken for cluster projects.</p>	<p>3-4 cluster propositions are developed per annum, 8-10 cluster propositions over the contract period.</p>	<p>Scoping and clusters identification, hui and diligente on likelihood</p> <ul style="list-style-type: none"> o Identification 2-3 cluster 	<p>1-2 pilots implemented</p> <ul style="list-style-type: none"> o 1-2 clusters implemented 	<p>Partially completed:</p> <ul style="list-style-type: none"> • Cluster identification methodology approved (26 March 2008) • Cluster framework and selection principles developed. • Intensive engagement at formative stages of development • Initial shortlisting process underway.
<p>Strategy: Development of strategy and buy-in to the strategic approach by participants.</p>	<p>The documentation is developed and implemented.</p>	<p>Concept proposal, plan prepared and strategic framework drafted</p> <ul style="list-style-type: none"> o Approved plan 	<p>Hui with agribusiness, exporters, CRI, NZTE and private investors</p> <ul style="list-style-type: none"> o Strategic players agree to support 	<p>Completed:</p> <ul style="list-style-type: none"> • Strategy documents developed include the Tekau Plus Export Excellence document (21 May 2008) and Te Puna Promotion document (26 March 2008), buy in achieved from key stakeholders, in particular: <ul style="list-style-type: none"> o NZTE – with offer of resources and assistance in December to Tekau Plus, and in 30 April of assistance to clusters o MFAT – making Tekau Plus a key stakeholders for meetings and information o PGG Wrightsons sponsorship at Tekau Plus events and sponsorship of scholarship o Others – including CRIs, Universities

Released under the Official Information Act 1982

1982

<p>Analytics and research. Development of information and analysis to inform decisions and identify strategic pathways.</p>	<p>The prioritizing and identification of strategic pathways and informed development of clustering and strategic implementation.</p>	<p>Scoping contracts for One Channel/Brokerage system, export market data, value chain and business case terms <ul style="list-style-type: none"> Scoping document completed </p>	<p>Approved criteria and policies. One Channel and Brokerage System finalised, research data and business case complete <ul style="list-style-type: none"> Criteria, policy and One Channel & Brokerage System formed </p>	<p>Completed:</p> <ul style="list-style-type: none"> On-going research papers and information collected and brought together. Key work includes: <ul style="list-style-type: none"> Overall strategy – Te Puna framework and Export Excellence documents. (March, May 2008) Operational requirements – framework and criteria for selection clusters in Clearwater Reports (26 March 2008).
<p>Management and Governance: Provide overall co-ordination and project management including reporting and accountability.</p>	<p>There is robust accountability to reporting and project remains on track.</p>	<p>Governance structure, BAG members & project management and contract complete, hui key stakeholders <ul style="list-style-type: none"> Programme completed & Structure finalised </p>	<p>Networking with key stakeholders, 5 monthly report, project governance & management. <ul style="list-style-type: none"> Completion of 6 month report </p>	<p>Completed:</p> <ul style="list-style-type: none"> Ongoing planning, reporting, minutes, project management, identified in Tekau Plus Board Minutes Monthly Board meetings (except January) and several administration meetings mid-month Accountability documentation in Minutes for expenditure, activity and strategic direction Quarterly reports completed and TPK funding requirements met Meetings with Overview panel with the Board and management

Released under the Official Information Act 1982

Financial Performance

This section provides a summary of the progress of the contract with reference to the financial reporting requirements in the contract (ie Schedule D and Schedule E)

Overall the expenditure is in line with the three year plan, and the Budget set in the contract.

3 Year BUDGET

		Year ending		
		30 June 2008	30 June 2009	30 June 2010
Communications	200,000	100,000	100,000	100,000
Clustering	1,600,000	200,000	680,000	720,000
Strategy	500,000	100,000	50,000	50,000
Analysis/Research	300,000	200,000	150,000	150,000
Management/Governance	420,000	120,000	100,000	200,000
TOTAL	3,020,000	720,000	1,080,000	1,220,000

Year 1	Income to 30 June 2008	Expenditure To 30 June 2008	Variance	Variance explanation
	\$	\$	\$	
Communications	100,000	122,611	-22,611	Over, due to extra work undertaken to communicate on clustering (as mitigation action)
Clustering	200,000	101,750	98,250	Under, slower progress than expected
Strategy	100,000	132,000	-32,000	Over, providing extra workshop with VUW
Analysis/Research	200,000	132,300	67,700	Under, dependent on clusters forming
Mgmt/Governance	120,000	104,952	15,048	Under, focus of effort on strategy and communication
Interest	6,632			
TOTAL	726,632	593,613	133,019	18% variation

Mgmt/Governance	<ul style="list-style-type: none"> • Governance meeting fees to 30 June 2008: <ul style="list-style-type: none"> ○ Māori Trustee \$8,800 ○ FOMA \$10,400 ○ Poutama \$7,200 • MTO fees are \$22,500 for gov/mgmt • FOMANA fees are \$ 60,000 for gov/mgmt
-----------------	---

Key points to note are:

- Governance fees were set at \$ 800 per meeting (18 February 2008)
- Management fees were set for MTO at \$7,500 per quarter