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Tekau Plus Māori Agribusiness Project
Value for Money Review

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Mihi

Heoi ano ra, ki a korua Pirika korua Hoani, tena korua. Na korua matau i tapa kia mahi i te mahi nei, na reira tena korua.

Otira tena tatau katoa i nga ahuatanga e whai, e piri nei tatou, tae atu ki whakaheke roimata poroporoaki ki a ratou kua haere ki tua o te arai. Me mihi atu ki ratou ka tika, na ratou i ohaaki mai nga tumanako me nga tikanga ma tatou e whakatutuki ai.

Kei nga whakatauaki tawhito te tahu o te korero e whai ake nei

“Ko te amorangi ki mua, ko te hapai o ki muri”.

Ki te kore e tika nga mahi, a ki te kore mahi ngatahi tatou ahakoa he aha te mahi e kore e taea te tutuki i nga mahi a te Iwi

Tena koutou.

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1. Executive summary

Overview

1. This document is the Tekau Plus Value for Money Review Report (the Report) prepared by the Tekau Plus Review Panel (the Review Panel). Its purpose is to provide the Review Panel's formal response to the requirements set out in the Tekau Plus Value for Money Review Terms of Reference (the Terms of Reference) agreed to by the Review Principals (the Principals) being Mr John Paki, Māori Trustee (acting on behalf of the Tekau Plus Business Advisory Group) and Mr Leith Comer, Chief Executive, Te Puni Kōkiri (TPK).
2. The Terms of Reference is an important guiding document for the Review Panel and the findings in the Report are focussed on addressing the key requirements as set out below:

"The Review Objectives are:

- To determine whether value for money has been achieved in terms of the funding paid to the Māori Trustee on behalf of Tekau Plus pursuant to the Investment Agreement.
- To provide an assessment of the value for money to be achieved from the funds yet to be paid by TPK under the Investment Agreement and from funding paid to the Māori Trustee but yet to be expended on outputs under the Investment Agreement.
- To review:
 - a. the processes and approaches used to manage conflicts of interest as well as the governance of the Project, encompassing decisions made by Tekau Plus, relating to the Project's activities and outputs; and
 - b. the processes and assessments used to determine what proposals or initiatives were supported as part of the Project including but not limited to business/industry Clusters work."¹

3. The Terms of Reference are attached as Annex 1.
4. This report has been considered by the Principals in order to test for errors or omissions of fact. Specific feedback of this nature has been reflected in the report. Where the Principals have raised issues that are matters of interpretation or differing opinion on findings, the Review Panel has:
 - a. considered the comment or issue raised; and
 - b. either amended the report or satisfied itself that there is insufficient justification to adjust the issue or finding on the basis of the comment received.

Structure of this document

5. The organisation of the remainder of this document follows the outline set out below:
 - Background and Approach
 - Contractual, Institutional and Governance Arrangements
 - Management of Interests

¹ Tekau Plus – Value for Money review: Terms of Reference, page 1.

- Tekau Plus Clusters
- Value for Money Findings

Findings

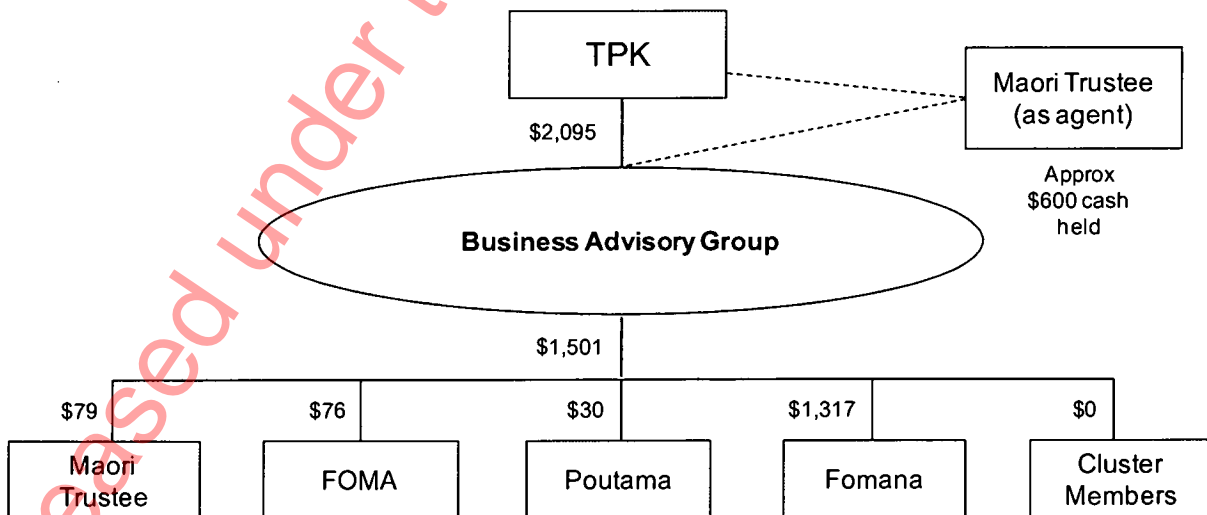
6. The Review Panel addresses each of the points raised above in summary, with further detail on the approach and analysis undertaken to reach these conclusions in the body of the report.

Overarching contractual arrangements

7. As an overarching consideration, the Review Panel notes that the contractual arrangements between Te Puni Kokiri and the Tekau Plus project stipulate:
- The composition of the governance body (Business Advisory Group), being representatives of the following three parties: Maori Trustee, Poutama Trust and Federation of Maori Authorities
 - The key personnel involved being Richard Jones, Paul Morgan, John Paki and Wayne Mulligan
 - FOMANA Capital Limited as the project manager
 - No requirement for an independent director
 - The need for a Memorandum of Understanding between the three parties noted above
 - The reporting requirements including outcomes, outputs and funding streams.

Was value for money achieved?

8. The Review Panel is of the view that the Tekau Plus project has achieved some value for the companies involved in the project, but that this has been at high cost having regard to current project outcomes. The diagram below summarises the financial flows to date and amounts allocated to the parties involved in the project:



Amounts shown are in \$'000s

9. The key concerns and observations of the Review Panel with regard to the value for money proposition are:
- A significant number of diverse activities and outputs have been delivered through the Tekau Plus project, but it is difficult to evaluate the relevance of many of these activities because of the lack of a clear performance measurement framework and set of key performance indicators to help assess the intermediate outcomes the project was trying to achieve, beyond its overall goal of ten businesses/brands earning ten million dollars of export sales each in ten years time.
 - To date little has been achieved in terms of direct, tangible benefits (\$1 million of new export sales are attributed to the Tekau Plus project by the project managers FOMANA Capital Ltd (FOMANA), although it is extremely difficult to confirm this has occurred as a result of the project interventions). In the absence of any framework that indicates to what extent direct benefits should have been achieved at this stage, the Review Panel can only say that progress in this regard has been limited.
 - The benefits that appear to have been experienced result from engaging with other companies with similar needs and aspirations and a positive response by participants who are seeking a service to support them in their export intentions and aspirations. There is value in supporting these aspirations, but it does not appear that enough of the companies involved in the Clusters and the project are in a position to achieve the growth trajectory necessary to meet the overall goals of the project.

Will value be achieved from the funding yet to be expended?

10. The Review Panel is concerned that the Tekau Plus project will not deliver value for money if it continues to operate under the same service model, performance framework and approach going forward. The key observations in this regard are that:
- The Review Panel considers the Tekau Plus project to have a relatively high cost delivery model that weights funding towards the provision of advisory services from FOMANA, rather than direct and customised support for Clusters to lead their own initiatives and ventures.
 - Further to the point above, the current delivery model supports a small team amounting to 2 or at most 3 full time equivalent resources (made up of part-time contributions by a larger number of individuals) that is required to cover a wide range of capabilities and support requirements for a very diverse group of project participants, all at differing stages in terms of their business development needs.
 - The Review Panel considers a range of other delivery models that have different cost and management structures could be put in place to reduce the cost of delivery, enhance the advisory capabilities available to the project and provide more tailored, front-line support for the businesses involved. The Review Panel notes that customised support was intended for businesses, but after cluster plans were approved. It remains unclear, however, the extent to which this support was available.

How effective were the processes used to manage conflicts and the selection of companies to engage with the project?

11. The Review Panel considers that the Tekau Plus governance lacked the rigour necessary to perform to expectation and that the accountability and governance mechanisms and arrangements in place for the project were such that actual and perceived conflicts of interest were managed to an inadequate standard.
12. In summary, the Review Panel considers the Tekau Plus project suffers from a range of governance, contractual and accountability deficiencies in terms of:

- Complex arrangements put in place to develop the contracting mechanisms for the Tekau Plus project, leading to unclear accountability arrangements around funding and project performance.
 - Poor management of actual and perceived conflicts of interest, including no clear and transparent process used to appoint FOMANA as the project manager and subsequent lead project provider given the interest held in FOMANA by a project governor.
 - A lack of effective mechanisms for providing independent, second-opinion advice at the governance level of the project.
13. In terms of other processes used to select companies and businesses to engage with the project, the Review Panel concludes that the framework put in place is reasonable. However, the extent to which the process helped establish a good foundation for project success in terms of high quality Clusters is unclear and cannot be said to be a definitive indicator of good value by itself.

Recommendations

14. The Review Panel is of the view that the project needs significant redesigning and refocusing and that it should not continue under the present governance, contracting, performance and institutional arrangements. The prevailing reasons why the Review Panel does not recommend the complete disbandment of the project are that:
- Commitments have been made, including financial commitments, to support businesses which became involved in the Tekau Plus project in good faith to support business and export development initiatives.
 - Some value, albeit at high cost, has been achieved for the Cluster participants in terms of their improved understanding of how they might advance their future export aspirations, as well as the development of networks and contacts that may prove valuable to future export and business development aspirations.
15. The Review Panel considers this progress, though limited given the funding expended so far, is worth preserving and supporting. Therefore, the recommendations of the Review Panel are that:
- A full stocktake of all commitments made to Cluster members be undertaken and these be met in good faith under the scrutiny of an independent advisor to ensure those companies involved in the project receive the recompense they entered into as part of supporting the project.
 - Consideration be had to a review of the contracting and monitoring capability of Te Puni Kōkiri with regards to contracts of this kind, in particular placing emphasis on ensuring the right contractual and accountability arrangements are put in place from the commencement of projects.
 - The Investment Agreement and service contracts be redesigned to focus on supporting the existing Clusters achieve a set of realistic and viable outcomes relevant to their aspirations and abilities to achieve export success.
 - A new funding and service model be designed that places emphasis on supporting Clusters directly, rather than supporting the provision of advisory services to the Clusters, so that more direct funding is available under carefully scoped parameters to undertake initiatives that improve the ability of businesses to achieve export capability and growth.
 - Consideration be had to re-tendering all the roles in the Tekau Plus project to ensure the right capability is appointed to support the re-scoped project and to ensure transparency around the appointment of advisors is achieved.

COMMERCIAL IN CONFIDENCE

- An independent director be appointed to the Tekau Plus governance body immediately to oversee the redesign and re-scoping of the project.

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2. Background and approach

Background

Inception of the Tekau Plus project

16. The Tekau Plus project (the project) was established as a long-term partnership of the Māori Trustee, Poutama Trust (Poutama) and the Federation of Māori Authorities Incorporated (FOMA). Tekau Plus is neither a stand-alone entity, nor a formalised joint venture. It is best described as the branding for a project intended to:

“..develop Māori globally competitive, icon business in the agribusiness sector, focussing on developing businesses that have the scale and scope to develop niche products for the world markets..”²

17. Additionally, project documentation indicates that the “Strategic Objective” of the Tekau Plus project is to “..contribute to foreign earnings by having in 10 years at least 8 (10) iconic and successful Māori export organisations and brands earning \$10 m from foreign earnings.”³

18. A contract dated 14 September 2007 details the expected outcomes and outputs of the project and was signed by the Māori Trustee on behalf of himself, Poutama and FOMA. A Memorandum of Understanding (the MOU) was entered into on 8 October 2007 that further formalised the engagement between the three parties involved and sets out additional detail around intended outcomes and expectations. The MOU notes that the Māori Trustee, Poutama and FOMA are collectively known as the Business Advisory Group (BAG) in reference to their joint undertaking to progress the Tekau Plus project.

19. The BAG is also referred to by its members as the Board or the Tekau Plus Board, although in a formal sense the BAG is not a governance Board overseeing a formalised vehicle of any description.

20. In terms of BAG membership, the Māori Trustee John Paki and Poutama Trust representative Richard Jones (the Chief Executive of the Trust) have both been on the BAG since the project's inception.

21. The initial FoMA representative on the BAG was Mr Paul Morgan. Mr Morgan resigned from his position on the BAG at the end of May 2009, to be replaced by the new FOMA Chief Executive Rino Tirikatene. Mr Tirikatene stepped down as FOMA representative to the BAG upon resigning from his role as Chief Executive of FOMA in early 2010. He was replaced on the BAG by Traci Houppapa, Chairperson of the FOMA Executive. Ms Houppapa's tenure commenced after the project was suspended and she has had no direct involvement with the Tekau Plus project in terms of its inception, governance and operation prior to her replacing Mr Tirikatene on the BAG.

22. The project is presently being managed and substantively delivered by FOMANA Capital Limited (FOMANA). A contract dated 18 February 2008 formalises this arrangement and the performance expectations around the work to be undertaken by FOMANA. It should be noted that FOMANA is a 70% owned subsidiary of FOMA and that the minority shareholders are Mr Paul Morgan (a director of FOMANA) and Mr Wayne Mulligan (the Chief Executive of FOMANA). Both Mr Morgan and Mr Mulligan were involved in the preliminary thinking behind the Tekau Plus project and went on to play governance and delivery roles respectively for the project. It is noted that the

² Memorandum of Understanding for the Māori Global Agribusiness Development Project, page 1.

³ Investment Agreement for Māori Global Agribusiness Development Project, Schedule G, page 18. Note that, despite the 10 year timeframe of the Project, the funding was only provided for three years in accordance with the Investment Agreement and no further commitments for extension of funding have been made.

role of FOMANA as project manager is written into the base contract. It is also noted that the ownership arrangements were known to Te Puni Kōkiri as the funder of the project.

23. Further information on the genesis, rationale and intent of the Tekau Plus project, as well as the entities involved, is attached to the Report as Annex 2.

Project governance arrangements

24. The Māori Global Agribusiness Development Plan "Tekau Plus" indicates that:

"The Tekau Plus programme is for three years, with a budget allocated of \$3.04 million.⁴ Payment is aligned to agreed milestones and the reporting and accountability structure has three levels:

Level one is the sponsor and contract level, this involves Te Puni Kōkiri (TPK), the Māori Trustee and other Government departments.

Level two is the project governance: the Business Advisory Group (BAG) with key participants being Poutama, FOMA, Trust [sic]... and any other key personnel or entities.

The third level is the management and project co-ordination level. This is where BAG has engaged FOMANA to project manage the programme."^{5, 6}

25. The document "FOMANA Statement of Work", which forms part of the Investment Agreement, builds on this structure and allocates specific roles to parties, namely:

"Te Puni Kōkiri is the sponsor, supported by NZTE and other government departments.

Māori Trustee is the contract holder and part of the Business Advisory Group (BAG)

Poutama Trust is part of the BAG.

FOMA is part of the BAG

FOMANA is the project manager and reports to the BAG.

BAG reports to the Sponsor."⁷

26. In addition, the "Investment Agreement for Māori Global Agribusiness Development Project" outlines the role of an Overview Panel. The purposes of the Panel are:

"...to provide assistance and support to the Project and including the work of the Business Advisory Group [sic], including advice on specific projects and work and liaison with other agencies;

⁴ Although Schedule G to the Investment Agreement refers to an allocated budget for the Tekau Plus programme of \$3.04m, on page 2 of the Investment Agreement Te Puni Kōkiri agrees to pay \$3.02m. The \$20,000 differential relates to an initial concept plan prepared by FOMANA, and was paid directly to FOMANA by TPK.

⁵ Investment Agreement for Māori Global Agribusiness Development Project, Schedule G, page 16.

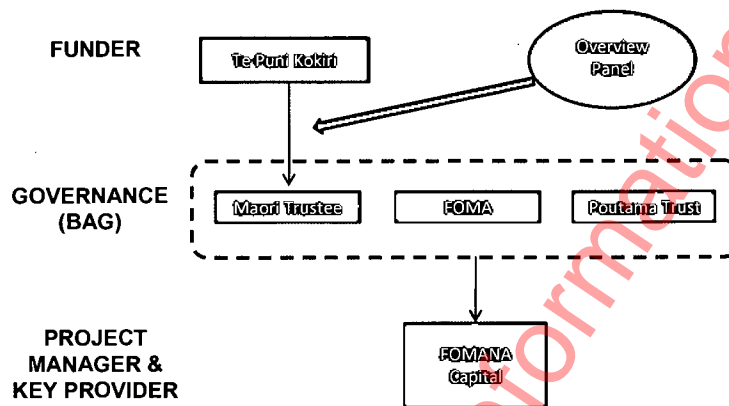
⁶ The Investment Agreement is dated 14 September 2007, although the role of FOMANA as service provider was not formalised until the Contact for Services was signed on 18 February 2008.

⁷ Investment Agreement for Māori Global Agribusiness Development Project, Schedule G, p 25.

to provide assistance and advice to Te Puni Kōkiri and the Māori Trustee, in terms of monitoring progress and implementation of the project, specifically through providing peer review and feedback on six monthly reports;

and to provide assistance and advice to the Business Advisory Group and Te Puni Kōkiri on the design and findings of the evaluation of the project.”⁸

27. The diagram below sets out the arrangements described above:



Events leading to this review

Performance issues and concerns raised by the funder Te Puni Kōkiri

28. Recognising that the conceptual genesis of the project was several months in advance of the date of the contract being signed, it is taken that the commencement of the project was September 2007. In that regard, the contract had been in operation for 11 months before an initial set of concerns were raised by the funder (Te Puni Kōkiri) on the performance of the contract with regard to:

- Failure to achieve June 2008 deliverables in relation to Clustering; and
- Identification and mitigation of risks around Cluster milestones.

29. A subsequent information request was made by TPK in September 2008, and payment of \$100,000 was withheld from the Tekau Plus project for failure to deliver the 1-2 Clusters required within the period to 30 June 2008. Towards the end of 2008 TPK and FOMANA negotiated a variation to the Investment Agreement, to allow for the delay in meeting deliverables. The proposed variation was not approved by the Tekau Plus Board at their meeting in early 2009. In April 2009 TPK received the six-monthly report to 31 December 2008, which reported that the first Cluster had been formed and therefore the June 2008 requirement of 1-2 Clusters had been met. However, TPK raised concerns regarding a potential conflict of interest, given that Paul Morgan was a director of the a company included in the first Cluster. Payment of the amount withheld was made on 11 June 2009, following the resolution of these conflict issues.

30. On 12 October 2009 TPK made a further information request, seeking:

- Financial accounts for the six-month period to 30 June 2009;
- Several reports and documents required as contractual deliverables; and

⁸ Investment Agreement for Māori Global Agribusiness Development Project, Schedule F, page 15.

- Detail pertaining to the inclusion of particular businesses in the Cluster programme.

31. Mr Paki's response on behalf of the BAG, received by TPK on 30 October 2009, was deemed insufficient by the project sponsor, and on 13 November 2009 the contract was suspended on the basis that:

"None of the information sought has been provided, despite the obligations on the part of the Māori Trustee, the Federation of Māori Authorities, and the Poutama Trust (collectively "Tekau Plus") to maintain the information sought and to provide copies upon request to TPK."⁹

Financial review of the Tekau Plus project

32. As a result of the concerns and issues raised above, in December 2009, PricewaterhouseCoopers (PwC) was contracted by TPK to "...consider and analyse the financial information available from Tekau Plus to assist TPK assess the financial performance and position of Tekau Plus in relation to the outputs that were generated from the project."¹⁰

33. This consisted of:

- Summarising the financial position and performance of the Tekau Plus project; and
- Commenting on the structure of the Tekau Plus project's bank accounts and validating the cash flows and position of the project.

34. The analysis found that all payments made to the Tekau Plus project from TPK were accurately accounted for and that the accounting records in relation to payment of funds are consistent between TPK and the Tekau Plus project. Further, PwC concluded that all payments from Tekau Plus to FOMANA, FOMA, the Poutama Trust and the Māori Trustee were approved by the BAG, paid as intended, and were accounted for accurately by the Tekau Plus project.

35. The analysis did not comment on the quality or value of the outputs delivered by the project as this was out-of-scope.

Value for money review and re-scoping of base contract

36. Following the submission of the PwC Financial Review, the BAG and Te Puni Kōkiri agreed that an exercise was required to:

- Re-scope the outputs and performance indicators for the existing contract.
- Undertake a "mid-point" Value for money Review to determine the value of the contract so far.

37. While the parameters for this exercise were being developed, a number of concerns were raised publicly by freelance journalist Mr Phil Kitchin.¹¹ These concerns particularly related to the governance of the project (with regard to how the interests of parties involved in governance and management of the Tekau Plus project were dealt with) and whether the Tekau Plus project was delivering on its contracted outcomes.

⁹ Letter Leith Comer to John Paki, "Māori Global Agribusiness Development Project, 13 November 2009, p 1.

¹⁰ Interim Report on Tekau Plus – Financial Analysis, p 2.

¹¹ \$3m project on hold after cash doubts Dom Post 22 March 2010; Results go missing in web of clichés Dom Post 22 March 2010; Conflicts of interest concern for director of halted project Dom Post 23 March 2010; Three businesses lined up for funding not Māori Dom Post 23 March 2010; "Value for money" audit of Tekau Plus Dom Post 24 March 2010; Questions on taxpayer bill for business meetings 24 March 2010; Tekau Plus operator yet to return \$70,000 payment, Dom Post 29 March 2010

38. Given that the BAG and Te Puni Kōkiri had already agreed to undertake a Value for Money exercise, the Māori Trustee and the Chief Executive of Te Puni Kōkiri announced that an independent review of the Tekau Plus project would be undertaken by Mr Tony Hartvelt, a Deputy Commissioner at the State Services Commission, Mr Whaimutu Dewes, independent consultant and PricewaterhouseCoopers (PwC). Mr Murray Coppersmith is the Partner acting on behalf of PwC with regard to the Review.
39. As set out in the Terms of Reference "The Review has been called for by Tekau Plus and Te Puni Kōkiri to ensure value for money of Tekau Plus is independently established and documented while also informing any final evaluation of the Project that occurs and to provide assurance for outputs delivered to date."¹²

Approach undertaken by the Review Panel to address the Terms of Reference

40. The Review Panel has used a number of approaches in developing its response to the key issues raised in the Terms of Reference.

Scope and focus of the review

41. It should be noted in this regard that the Review does not constitute a formal evaluation of the impacts of the Tekau Plus project. There is insufficient time and resource available to undertake a formal evaluation of the project using econometric and other quantitative assessment approaches. By admission of the project managers themselves, the project is in a nascent stage, being only two years into a planned ten year overall goal.
42. Given the data and information the Review Panel has had access to, the use of formal evaluation techniques would bring little further value at this time. We also note that direct benefits are not easily measurable at this point, with the project managers indicating to us that "Reports from businesses show that new orders, sales and foreign earnings of \$1m have occurred."¹³ The extent to which this figure of \$1 million can be attributed to the Tekau Plus project is difficult to establish at this stage. The project managers also comment that "Whilst the initial revenues may be modest they are a start. Research shows that export success can take many years to achieve."¹⁴
43. The Review Panel also wishes to clarify that it has not undertaken a benchmarking exercise or benchmarking study of the Tekau Plus project. The Review Panel considered whether or not some form of benchmarking exercise might help clarify the extent to which the Tekau Plus project has delivered value for money. The Review Panel is of the view that:

- We have been unable to identify relevant benchmarks that are sufficiently robust to illustrate a point of efficiency and/or effectiveness, due to a lack of useful data and information to undertake the necessary analysis.
- Benchmarking should not be confused or described as the simple comparison of quantitative information in order to demonstrate or highlight an argument being made for a particular purpose. Benchmarking is an analytical approach that requires:
 - a. agreement in advance around what is being measured and what data is required to enable measurement
 - b. development of sound data collection instruments that are unbiased and have been designed to measure the subject of the exercise

¹²Tekau Plus – Value for Money review: Terms of Reference, page 1.

¹³ Tekau Plus Internal Performance & Value for Money: A Reference Document for the Review Panel, p 7.

¹⁴ Tekau Plus Internal Performance & Value for Money: A Reference Document for the Review Panel, p 7.

- c. a process for validating the data that has been collected through the statistical instruments applied
 - d. a strong qualitative and contextual view of what is being measured to ensure quantitative comparisons reflect the environmental conditions of the subject of the exercise.
44. Generally speaking, the data and information available about the Tekau Plus project is extremely limited in terms of providing robust benchmarks or comparators for further analysis. Additionally, the Review Panel would caution against the use of any benchmarking comparators given the nascent nature of the project and its unique combination of a range of concepts, none of which are easily comparable to other government-funded initiatives.

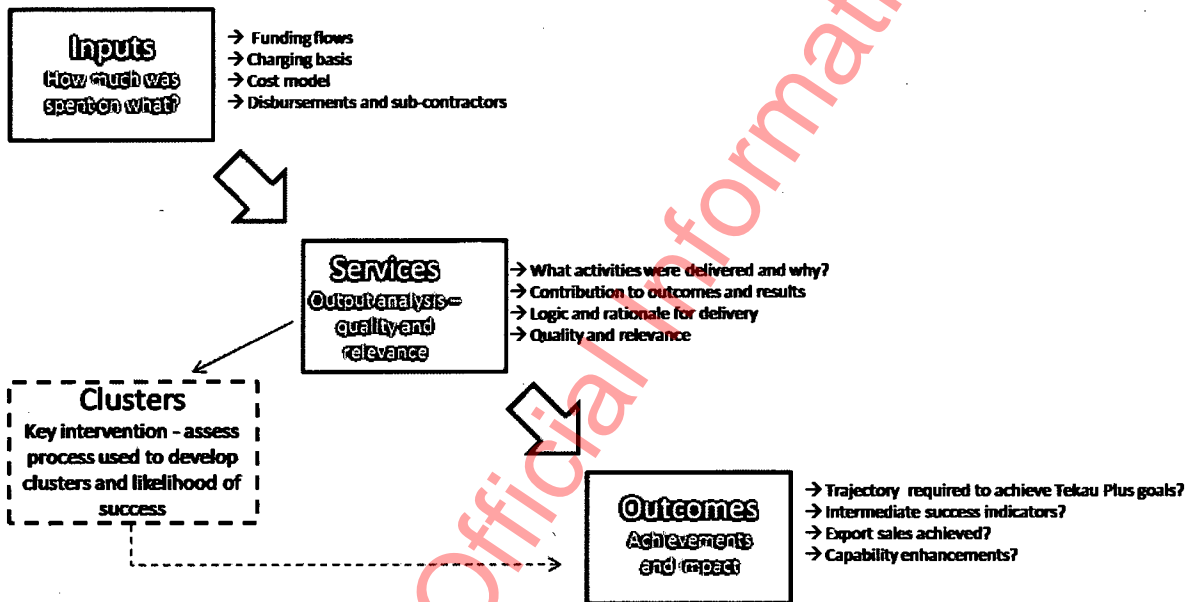
Analysis undertaken

45. A key constraint facing the Review Panel in developing its analytical approach is the lack of any form of performance framework that enables the intermediate outcomes of the Tekau Plus project to be articulated and then achievements assessed relative to this framework. The Review Panel finds itself having to develop such a framework itself and make judgements about progress against the overall objective of the Tekau Plus project (i.e. 10 businesses/brands earning \$10 million of export earnings each in 10 years time).
46. Given this constraint and the lack of performance information available, the Review Panel has looked to undertake the following analysis with relevant commentary regarding the Tekau Plus project:
- An assessment of the contractual, institutional and governance arrangements put in place by Te Puni Kōkiri and the parties constituting the BAG, including the operation of the Overview Panel.
 - An assessment of the processes used by the BAG to ensure conflicts of interest were managed appropriately.
 - An analysis of input costs and outputs delivered based on invoices, project reporting and other information the Review Panel has had access to. This analysis includes a summary of the funding flows of the project and the charging regime adopted by the main provider in the delivery of services. We also include commentary on the achievement of quantitative outputs against the contract for the Tekau Plus project relative to the Review Panel's assessment of the quality and relevance of the outputs delivered.
 - An assessment of the work undertaken through the Tekau Plus project to develop Clusters. The operation of successful Clusters is a critical element of the Project and represents a significant share of the funding agreed to by Te Puni Kōkiri to support the Tekau Plus project. In many respects, other outputs delivered by the Tekau Plus project are either drivers for the Cluster output or ancillary outputs to support overall project governance and reporting processes. In terms of assessing the Cluster output, the Review Panel has:
 - a. Considered the processes used to assess potential membership of Clusters with the aim being to ensure Clusters were likely to be successful given the goals and aspirations of the Project.
 - b. Engaged with a selection of Cluster members to seek their views on what services and benefits they received as being part of the Tekau Plus Clusters.

47. With regard to the Cluster output and associated activities, the Review Panel is very conscious that its views must reflect the quality of the Cluster in terms of the experience of its membership and the extent to which it can be evidenced in terms of what stage a particular Cluster might be at. In this regard, it is also acknowledged that many of the Clusters have only been in place for a few months, and the extent to which significant activity might have been undertaken is limited. Therefore, the Review Panel has had to use its own judgement as to what constitutes a viable Cluster, based on the engagement with the members, the discussions with the project manager and input from NZTE.

Assessment of value

48. Based on the analysis and lines of inquiry noted above, the Review Panel has adopted the following framework to help it make an assessment of the value of the project:



49. The Review Panel recognises that its assessment of the outcomes is a qualitative judgement. We also accept that discerning the value of a project that is in relatively early days of operation and in a field where it is difficult to attribute outcomes to specific interventions, presents a challenge when trying to make an overall assessment of value.

50. However, we also note that, in the absence of any strong set of KPIs or outcome indicators that would have provided a framework to gauge the progress of the Tekau Plus project towards achieving its ultimate outcomes, we are still required to provide an assessment of value. Therefore, it is the Review Panel's position that this is must be based on:

- A sense of what is reasonable to expect in terms of likely outcomes given, for example, the nascent stage of the project Clusters and the trajectory many of the companies involved would need to take to reach \$10 million of export sales over the remaining period of time.
- A view on the value of the services delivered through the Tekau Plus project that have strengthened the capability of Cluster members, reduced risk in terms of business or venture failure occurring and enhanced the ability of Cluster members to increase their exporting potential.
- The strength, quality and credibility of the Clusters developed to date relative to the funding expended.

51. This framework and set of judgements is used by the Review Panel to inform its view of what the next steps for the project might be and whether or not value might be achieved from the remaining funding yet to be expended.

The term value for money

52. As a final statement, the term "Value for Money" is a phrase used for a variety of purposes with a variety of meanings.
53. A typical approach is to look at the economy, efficiency and effectiveness of a programme of work to understand how well inputs were applied to produce the right outputs necessary to deliver the desired outcomes. The Review Panel acknowledges that taking too narrow an assessment approach for the Tekau Plus project could unfairly rule out a range of potential benefits that have accrued to companies participating in Clusters. However, we are not engaged in this Review to undertake an evaluation of the project. Additionally, our assessment of value must take into account the value achieved for the tax payer as the ultimate funder of the project versus the value participants in the project may have received.
54. In the absence of a suitably robust outcomes framework for the project, including potential intermediary outcomes to judge interim success for the Tekau Plus project, our judgements must be based on what we are able to observe, what we understand the ultimate goals and objectives of the project to be and the limited performance data we have had access to so far.

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3. Contractual, institutional and governance arrangements

Overview

55. This section of the report looks at the base accountability arrangements put in place for the oversight and governance of the Tekau Plus project. The Review Panel's assessment of these arrangements is based on the overarching contractual, institutional and governance mechanisms initially established to enable project operations and activities to commence. The Review Panel also provides, in this regard, an assessment of how well these mechanisms functioned in terms of their ongoing effectiveness.
56. Our rationale for investigating these mechanisms is that they provide the foundations for ensuring the good, effective operation and monitoring of a project. Although the governance and accountability arrangements are not evidence of having delivered value for money, these mechanisms are enablers of project success. If the mechanisms are functioning well, the likelihood of success and value for money being achieved is enhanced.
57. Additionally, they are also relevant to – though not to be conflated with – how actual and perceived conflicts of interests are managed and appropriate independence at the governance level is maintained. The specific issue of management of interests at the governance level is dealt with in the next section of this report.
58. Having clear contractual, institutional and governance arrangements in place for a project with the special characteristics of Tekau Plus is important because:
- The governance arrangements in the form of the BAG, as constituted by the contract, did not adequately provide for an independent governor or robust source of second-opinion advice when considering governance issues.
 - The three organisations that each BAG member represents have differing organisational and legal characteristics (in terms of structure and powers for example). Therefore, being able to point to who is in charge of the project, who is accountable for its results and who is responsible for the prudent management of its funding is vitally important to inspire confidence in the arrangements put in place to oversee the Tekau Plus project and ensure that accountability for results is clear.
 - Contractual, institutional and governance mechanisms provide the framework for a project's success and help guide the formal and informal relationship interactions that make the framework an effective performance tool. In the absence of good or effective relationship protocols and interactions, the contractual and accountability mechanisms need to be clear to help resolve disputes and manage performance.
59. In considering these issues, the key findings in this section relate to:
- The complexity of the foundation contract documentation across a multiplicity of organisations and agreements did not enhance the ultimate accountability arrangements for the delivery of the project
 - The establishment of project management arrangements and project delivery mechanisms (including the identification of a provider) without a clear process for doing so, including an assessment of what capability was required to deliver on the project objectives in order to justify the decisions made around the appointment of providers¹⁵

¹⁵ Investment Agreement for Māori Global Agribusiness Development Project, p 5, para 2.14 provides that "Contracts undertaken with consultants or advisors as part of this Project which are over one hundred thousand dollars (\$100,000) will be tendered."

- The lack of independence at the project governance level, despite a strong initial commitment by the BAG to seek further independent members to provide input around governance
- The difficulties experienced in engaging the Overview Panel that was intended to provide an independent, cross-agency viewpoint of the Project, as set out in Schedule F of the Investment Agreement.
- The formal contract and accountability documentation not being updated or varied to reflect the changing nature of the project over time
- The deterioration of the relationship management protocols and the quality of the overall relationships between the funder and the BAG.

60. We address each of these issues in turn below.

Complex contractual mechanisms and accountability arrangements

61. The Review Panel considers that the initial contract set-up and establishment for the Tekau Plus project was not optimal in the sense that the multiple arrangements required to “bind” the parties together were complex and did not necessarily clarify accountability arrangements. Additionally, the decision not to formalise the Tekau Plus venture beyond a Memorandum of Understanding, separate to the mechanism by which funding was contracted, was not optimal in terms of establishing the right set of accountability mechanisms.
62. Having said this, we do not consider these issues to have been a fatal flaw in terms of the likely success or otherwise of the project. What we do wish to state, is that clarity and transparency around contractual establishment and accountability mechanisms is important. Taking the time to put in place the best possible mechanisms to achieve this would have assisted in providing the Tekau Plus project with a firm set of accountability arrangements upon which to base itself.
63. From our perspective, there were two key issues that clouded the accountability arrangements for the project and came about because of the contractual mechanisms put in place:
- The decision to utilise multiple instruments of engagement for the contract i.e. the Investment Agreement between Te Puni Kōkiri and the Māori Trustee for funding and the separate Memorandum of Understanding to formalise the Business Advisory Group (Poutama, FOMA and the Māori Trustee), without a strong sense of the BAG being accountable for the project funding arrangements.
 - Related to this point, the lack of formality around the status of the Tekau Plus project. The Tekau Plus project was not a formal vehicle of any description and, as such, the creation of the BAG seemed to be a substitute for what could have been organised as a joint venture established through a set of more formal corporate structures.
64. The Review Panel also considers that the decision to allocate a significant amount of funding to the three organisations constituting the BAG, through a contract/investment agreement mechanism, should have been made once the optimal set of accountability mechanisms was agreed upon. The Review Panel does not dispute the decision to allocate funding to the Māori Trustee and its BAG partners but advises that a more transparent process should have been arrived at that ensured the rationale and justification was clear on all supporting points for this decision.
65. There are mitigating points and rationale for why the mechanisms used to establish, fund and govern the Tekau Plus project – at least from the perspective of the funder and the BAG – were put in place. Key to this was how to use contracting mechanisms to formalise an arrangement by which three groups which do and should work closely together could join their collective capabilities and also be responsible for funding to support them in a significant undertaking. The

Review Panel acknowledges this desire, on behalf of TPK, to facilitate such a partnership. However, we cannot shy away from the fact that the arrangements put in place seemed complex and effectively diluted accountability for the Tekau Plus project by not having any one party fully responsible for the project and artificially separating the flow of funds from the body that was nominally providing project governance functions i.e. the BAG.

The establishment of project management and project delivery arrangements was not transparent

66. The Review Panel notes that FOMANA was appointed Tekau Plus project manager as per the documentation constituting the Investment Agreement. This role was embedded from the outset of the programme. The Review Panel also notes that there was no separate process that led to or formalised FOMANA's subsequent role as the virtual sole provider for the project. The Review Panel sees these roles as separate. In this regard, we have a number of concerns given that FOMANA and its principals were present both at the governance level of the project (the BAG) and in driving the conceptual design of the Tekau Plus project. Additionally, clarification from the funder on the exact role of FOMANA (project manager versus provider of professional services) should have been sought as part of good governance practice.

67. These concerns can be summarised as follows:

- Project documentation and accountability documentation does not clearly demonstrate when, why and how FOMANA became the lead provider for the programme, nor how this decision was independently assessed given the role of parties (Mr Morgan and Mr Mulligan) related to FOMANA in project governance and conceptual design.
- There is no evidence in the project charter that the BAG clearly articulated its expectations around the capability required to deliver the project and then undertook an independently-assessed process to align capability with a decision to appoint FOMANA, either as the project manager and then as lead provider for the project.

68. It needs to be noted that the Review Panel has not raised these concerns simply based on a view that contracts for public funding should be subject to public tender processes. Having said that, in the case of a substantive project such as Tekau Plus there would have been merit in pursuing a public tender process in this regard. If there was no contestable appointment process in place there should have been:

- A clear and transparent set of rationale, documented and available for scrutiny by independent parties, to justify what in essence looks to be a direct and uncontested appointment
- An independent assessment of the appointment of FOMANA to the project manager and lead provider roles (which in the view of the Review Panel are two separate roles) to support the BAG in its decisions.

The lack of independent input and insight at the governance level for the project

69. The BAG and FOMANA have both indicated that there should have been an independent voice providing strong second opinion advice at the governance level for the Tekau Plus project. Additionally, the Review Panel acknowledges that the Overview Panel was intended to be one such mechanism for maintaining independence and perspective.
70. Having said this, we do not accept that the Overview Panel would have played the role an independent director on the BAG would have. The absence of an independent director is seen by the Review Panel as a flaw in the BAG's governance function given:
- As discussed earlier, while the relationships enjoyed by the founding BAG members presents a number of advantages at the governance level – an independent director provides an additional source of perspective and input that helps improve the quality of governance, whilst providing a mechanism to deal with any concerns about BAG members not having sufficient distance from each other to operate independently arises.
 - The interrelationships between founding BAG members and FOMANA, particularly as FOMANA's role expanded beyond project manager to lead provider for the project.
71. The Review Panel is concerned about the perception that a high level of familiarity amongst the founding BAG members creates for external observers who do not see the positive aspects of such relationships. We also suggest there is value – though potentially at the expense of efficiency and ease of decision making at the governance table – in introducing strong, independent second-opinion advisors who will question and challenge aspects of the project. In the case of the Tekau Plus project, we feel this was an important safeguard that was not utilised by the BAG.

Difficulties experienced in engaging an effective Overview Panel

72. From the perspective of the Review Panel, the Overview Panel has not proved to be an effective means of providing second-opinion and cross-government agency input into the Tekau Plus project. We believe this view to be generally accepted by both the funder, TPK, and the BAG.
73. As discussed in the Introduction and Annex 2, the Overview Panel was established to provide assistance and support to the programme in relation to specific projects, liaison with other agencies, monitoring of progress and implementation and overall evaluation of the project.
74. There appear to be a number of issues with the Overview Panel that limited its effectiveness as an advisory and second-opinion body:
- Difficulties experienced in the Overview Panel meeting and being engaged frequently enough to execute its tasks and functions.
 - Changes in the Panel membership over time, without a strong sense there were processes in place to manage handover and the passage of institutional knowledge about the project.
 - Members not being clear about the purpose of the Overview Panel and its role in terms of providing advisory and cross-government agency input and actually commenting on the governance and effective management of the project.
75. There was an additional complication in that the role of TPK in the Overview Panel potentially overlapped with the funding accountability relationship between the Māori Trustee and TPK. It does not appear this issue was satisfactorily resolved to any of the parties involved and as much

reflects the multiplicity of accountability relationships as whether or not the role of the Overview Panel was clear in terms of the funding arrangements.

76. Our view is that the Overview Panel was not a body designed to oversee payment or detailed contract performance issues. However, the Overview Panel, if it had been well functioning, could have provided an additional second-opinion voice from a technical expert's perspective that may have assisted in improving the accountability mechanisms available for the project.). Furthermore, we suggest that the Overview Panel would never have been able to play a strong governance and project oversight role given it was:
- a. Made up of officials who were not full time or heavily engaged in the project itself
 - b. Would only be meeting quarterly at best (though based on our information the group only appeared to meet three times in two years).

The deterioration of the relationship management protocols and the quality of the overall relationships between the funder and the BAG.

77. Having read the correspondence between the BAG and the funder over the second half of 2009 and having had access to earlier work carried out by PwC as part of its financial review, it is clear to the Review Panel that the relationship between the funder and the BAG was not operating as well as it could have.
78. The correspondence and issues raised by TPK with regard to the Tekau Plus project have been described elsewhere in this report. The points the Review Panel would like to focus on with regard to relationship management processes are:
- The quality of the handover processes as new Investment Managers were introduced to manage the funding agreements between TPK and the Māori Trustee and whether this was robust enough to ensure a clear understanding on the part of the funder of project direction.
 - The quality of the "soft" relationship engagements and facilitation of knowledge transfer and sharing between the funder, the Māori Trustee and the Tekau Plus project, particularly once the foundation Investment Manager moved on from this project and new staff were introduced.
79. The Review Panel considers that the relationship engagement and quality between the funder and the Māori Trustee, as well as the BAG, deteriorated over time and there was no process or fall-back option in terms of appropriately elevating and mediating concerns for all parties. Having a mechanism or protocol in place that did not require fall back on termination clauses in the base contract, for example, would have been desirable in terms of managing concerns and disputes for the Māori Trustee, the BAG and TPK.

The formal contract and accountability documentation not being updated or varied to reflect the changing nature of the project over time.

80. The Review Panel notes that there were a number discussions and a strong willingness on the part of the provider FOMANA and the funder TPK to put in place a contract variation to recognise:
- Some slippage around the output deliverables in terms of time frames – driven largely by a late start to the project
 - How external circumstances and lessons from the early stage of the project's development were informing the thinking around project outcomes and deliverables.

81. Though timing variations are a part of normal contract management, from our assessment of the available documentation and material, no variations were developed that reflected, for example, a material change in thinking around the key objectives of the project or environmental changes. These environmental changes include the Global Financial Crisis and its impact on the domestic economy and, in particular, the implications of this on building Cluster memberships.
82. This viewpoint is consistent with the views of the lead provider FOMANA who indicated the need to “rethink” the project phasing, resourcing and outcome objectives once economic conditions changed and the complexity of what was trying to be achieved became more evident. Still, there was no formal variation or change made to the base accountability documentation to reflect this. The consequences of this decision are evident when attempting to align the contract documentation with the work undertaken, particularly over the past 12 months. For example, while the Year One work programme for the project is relatively clear, the following work programmes are more high level and do not necessarily reflect where the strategic and operational objectives of the Tekau Plus project were focussed.
83. With regard to this point, we remain concerned that the mechanism by which more detailed deliverables could have been organised and structured – the annual work plan – did not seem to have been well developed or shared with the funder in a formal sense. The annual work plan is an important deliverable and was cited by PwC as being a very necessary element for ensuring better transparency around the direction of the project and the deliverables various parties would be held accountable for.

Concluding remarks

84. The Review Panel has considered the governance, contractual and institutional arrangements put in place to oversee and manage the Tekau Plus project. These factors have been considered, not as direct indicators of “value for money”, but as enablers of good performance for the project. This includes having clear and transparent accountability arrangements and having sensible processes in place to justify key decisions around the expenditure of public monies.
85. The Review Panel does not consider that the Tekau Plus project was appropriately or adequately governed. In particular, the Review Panel does not consider good practice was being followed in terms of:
 - The complex arrangements put in place to develop the contracting mechanisms for the Tekau Plus project leading to some unclear accountability arrangements around funding and project performance
 - The process used to appoint FOMANA as the lead project provider
 - The lack of effective mechanisms for providing independent, second-opinion advice at the governance level of the project
 - The lack of functioning “informal” relationship mechanisms operating between the BAG, the Māori Trustee and TPK to ensure those responsible for funding the project also had the best opportunity to understand the project, its progress and objectives.

4. Management of interests

Overview

86. The Review Panel has been asked to investigate and comment on how potential conflicts of interest were managed by the the Tekau Plus project governors.
87. We have used the guidelines set out by the Office of the Auditor General to help frame and organise our assessment of this issue. It should also be noted that some of the issues raised in the previous section on contractual, governance and institutional arrangements will be relevant to our conclusions below.
88. Our commentary in this section relates to:
- Context and background to the potential for the perception of conflicts to arise.
 - What mechanisms the project had in place to manage conflicts of interest and how actively these were managed over the course of the project.
 - Whether there was any manifestation of a conflict of interest resulting in a material benefit for a related party.

Background

89. The Office of the Auditor-General's publication 'Managing conflicts of interest: Guidance for public entities' is a good practice guide and useful point of reference for this section.
90. The guide specifies that a conflict of interest exists where a person's duties or responsibilities could be affected by some other interest or duty that the member or official may have.
91. Although it is recognised that discretion and judgment are critical elements of conflict management, effective policies and procedures are crucial tools in this area.
92. In relation to conflict management, the guide indicates that:
- identification and disclosure of interests is primarily the responsibility of the member or official concerned, and must be done in a timely and effective manner;¹⁶
 - where necessary, action to mitigate the effects of a conflict are primarily the responsibility of the public entity;¹⁷
 - interest registers can be used to identify potential conflicts, but "...a register is no more than a tool to help... identify and manage conflicts before they create problems";¹⁸
 - where a potential conflict is deemed not to exist or to be too indirect or insignificant to warrant further action, the disclosure and assessment should be formally recorded or declared;¹⁹

¹⁶ Managing Conflicts of interest: Guidance for public entities, Office of the Auditor-General, p 7.

¹⁷ Managing Conflicts of interest: Guidance for public entities, Office of the Auditor-General, p 8.

¹⁸ Managing Conflicts of interest: Guidance for public entities, Office of the Auditor-General, p 24.

¹⁹ Managing Conflicts of interest: Guidance for public entities, Office of the Auditor-General, p 31.

- "...the reasonable perception of an outside observer of the possibility for improper conduct can be just as significant [as actual improper behaviour] when considering how to manage the situation".²⁰

The governance and management arrangements of the Tekau Plus project

93. The Review Panel considers that the special circumstances of the Tekau Plus project warranted particular caution and vigilance on behalf of the project governors to ensure potential conflicts of interest were well managed.

94. These circumstances stem from:

- As discussed earlier, the close relationships between the founding BAG members
- The material interest of FOMA as a majority owner of FOMANA
- The material interest of Mr Paul Morgan as a minority owner of FOMANA
- The governance interests of Mr Morgan in several companies that would become involved with the Tekau Plus project as "Cluster" members.

95. The Review Panel wishes to note in this regard that the relationships and expertise of the founding BAG members brings with it a number of strengths for the project, particularly with regard to engaging other entities and interests in the Tekau Plus project. However, the potential for external perceptions of a conflict of interest are high and, as such, needed to be monitored with a high degree of vigilance.

Were the tools and processes in place and utilised to manage conflicts of interest?

96. The Review Panel notes that tools and processes were in place with regard to the Tekau Plus project and the management of governor's interests. This includes the operation of a Risk Register.

97. The Review Panel is concerned that these tools and mechanisms were not applied as rigorously as they should have been. For example, it took four meetings for the Register of Interests to be completed by the founding BAG members. Perhaps more critically, there was no process in place to clearly demonstrate how the interest of Mr Morgan in FOMANA would be managed around discussions at the level of the BAG where FOMANA was reporting as the project manager and lead provider for the project.

98. This is with particular regard to how the BAG approved and authorised the payment of invoices to FOMANA for services delivered. At minimum we would have expected Mr Morgan to not be involved in moving or seconding any approvals for FOMANA, given his shareholding interest.²¹

99. The Review Panel also notes that declarations of interest and how these were managed were not accurately recorded in BAG project minutes. Mr Morgan is a Director of Tohu Wines Ltd and Aotearoa Seafoods Ltd, both of which are Cluster members. Although Mr Morgan's interest in these companies was declared in the Risk Register, there was no indication in the minutes as to how this relationship was managed during discussions around the involvement of these companies in the programme.²² The sole reference to Mr Morgan in the course of the discussions

²⁰ Managing Conflicts of interest: Guidance for public entities, Office of the Auditor-General, p 10.

²¹ Mr Morgan moved the approval for payment to FOMANA on 18 February 2008, and seconded approval for their payment on 15 April 2008.

²² By the time Aotearoa Seafoods Ltd first presented to the BAG in June 2009 Mr Morgan had already stepped down from his position as FOMA representative.

surrounding Tohu Wines documented in the minutes is that "...Paul noted conflict with Tohu & Kono."²³

100. These matters had to be dealt with by:

- Retrospectively noting that BAG minutes were incorrect in terms of how the potential conflict was managed four months after the initial meeting,²⁴ and
- A letter to TPK setting out how the interest was managed four months after the event (following specific questions being raised by TPK on this matter).²⁵

101. This does not represent good practice and the BAG should have managed these issues with more diligence and efficiency. In this regard the BAG did not adequately protect itself, nor provide reassurance that the issues had been documented and dealt with as a matter of record.

102. Mr Morgan's decision to step down as a member of the BAG makes sense in light of these issues, although his ongoing involvement in BAG discussions as a "second" for FOMA does not seem good practice. The Review Panel would have recommended Mr Morgan not involve himself in any governance role and ensure he was represented purely as an advisor for FOMANA with regard to the Tekau Plus project.

Conflicts of interest manifest and material benefits for related parties

FOMANA Capital

103. There was sufficient potential, because of the close relationships between Mr Morgan in his governance role on the BAG and his role as part owner of the lead provider for the Tekau Plus project, for perceptions of a conflict of interest to arise.

104. This potential was poorly managed, given there was no formal process that determined FOMANA's role as lead provider and the substantial sums of project funding that FOMANA would receive during the course of the Tekau Plus project.

105. As a result, the Review Panel considers Mr Morgan had a conflict of interest with regard to his minority ownership role. We note that Mr Morgan's interests were acknowledged by the BAG. We do not consider, however, this acknowledgement to be sufficient or proactive management of Mr Morgan's interests. FOMA itself is also culpable here in that it should not have sought to place and/or retain Mr Morgan in the position of a BAG member given his relationship with FOMANA.

106. As noted above, Mr Morgan's eventual decision to step down as a member of the BAG was appropriate. However, our view is that this should not have been required in the first place and represents a flaw and deficiency in the processes used to manage interests in this regard.

Clusters

107. With regard to Tekau Plus Clusters, there is no evidence that suggests any related party enjoyed a benefit resulting from the manifestation of a conflict of interest. It should be noted that the key area in this regard where such a conflict, or perception of a conflict could arise, was the provision of funding to Cluster members to support Cluster activities.

²³ Project Memo 17, 29 January 2009, p 5 (in Minutes from meeting 3 December 2008).

²⁴ Project Memo 21, Meeting Minutes 27 May 2009, p 4.

²⁵ Letter John Paki to Dave Samuels, 27 May 2009.

108. Although further comment is set out in the next section, the Review Panel understands that no funding has been paid out to Cluster members at this point in relation to Cluster plans. The Review Panel also notes that the funding is to be allocated in the form of a "co-payment" arrangement, where the businesses seek part reimbursement of costs incurred in undertaking Cluster activities.
109. Funding has, however, been "pre-committed" to support Cluster plans and we understand some costs have been incurred by individual businesses with regard to this funding. We are concerned that, although no funding has been paid to Clusters, the process used to determine pre-commitments was not as well managed - with regard to potential conflicts of interest - as it should have been. It is also noted that the commitments made by the businesses involved in the Clusters have been made in good faith to undertake Cluster activities. In this regard, the BAG has not done all it could have to ensure that the decisions it was making to potentially allocate funding could withstand the level of external scrutiny that comes with the allocation of public funding.

Concluding remarks

110. In concluding this section, none of the issues that arose leading to potential for concerns around conflicts of interest were or remain insurmountable or unmanageable.
111. Common sense and good judgement are just as important as having the tools and mechanisms to manage conflicts of interest or the perception of conflicts of interest emerging. It is the view of the Review Panel that a higher level of internal scrutiny and awareness was required with regard to the Tekau Plus project and the roles played by key members such as Mr Morgan.
112. Although we can find no evidence of an actual conflict of interest occurring with regard to the involvement of Cluster companies in the Tekau Plus project, we note that there was a conflict of interest with regard to Mr Morgan's interest in FOMANA and this needed to be dealt with more vigorously by the BAG. The best approach for managing this conflict would have been for it to never emerge in the first place i.e. through Mr Morgan not having a governance role in the project given the significant potential for both actual and perceived conflicts of interest to emerge around FOMANA. The fact this was not dealt with represents a flaw and deficiency in the governance processes put in place to manage the interests of BAG members.

5. Tekau Plus Clusters

Overview

113. Clusters are the critical vehicle adopted by the Tekau Plus project in the pursuit of the its ten-year objectives. They represent the key initiative and deliverable for the project and are the most important source of performance indicators for the Review Panel in considering the value delivered through the Tekau Plus project.
114. The Review Panel acknowledges that there has been considerable research undertaken and literature produced around Clusters and similar concepts with regard to business development, economic growth and innovation. The Review Panel notes it has not been engaged to comment on the conceptual thinking behind Clusters and does not express a view on what the best or optimal approach should be for business development in the Tekau Plus project. However, the Review Panel does wish to consider:
- The quality of processes used to develop Clusters, including the companies participating in each Cluster;
 - The contribution Clusters may have made to enhancing the likelihood of participants achieving the export-focussed long-term goals of the project.

What is a Cluster and how were they developed?

Background

115. A Cluster is defined by the Tekau Plus project as "a group of organisations/businesses formed by Participants to work towards the Tekau Plus Objects or a single business that is able to commence a process of achieving the Tekau Plus Objects and enables other Māori Entities to participate at a later date. Clusters may be either a soft or a hard network."²⁶
116. It was envisaged that the Clusters would facilitate knowledge sharing and collaboration, culminating in the development of a common ten-year plan. This tied in to the programme's "single channel" approach, which aimed to create a single access channel to market intelligence and research, and funnel commercial and government networks to a single group of Māori businesses.
117. Potential Clusters and Cluster members were identified early by BAG members and FOMANA, and entities became involved, either by registering their interest, or following direct approach from the BAG or FOMANA. Following this initial contact, potential members are given the opportunity to present their case to the BAG. Membership is conditional on the outcome of a due diligence process and development of a plan.

Development of due diligence framework

118. At the commencement of the project Clearwater Limited was commissioned to develop a framework for assessing Māori agribusiness projects for the Tekau Plus project. Clearwater had a good understanding of the background to and intent of the Tekau Plus project through undertaking a number of other studies in related areas, including a review of the documentation that went on to form the core of the Investment Agreement between Te Puni Kōkiri and the Māori Trustee.

²⁶ Project Memo 17, 29 January 2009, p 10.

119. Clearwater initially reported on an assessment framework in October 2007. The report led to a checklist to be used in the due diligence assessment of a potential Tekau Plus project participant. The checklist specified 40 Tests or areas of enquiry, grouped under eight headings. For each Test, potential participants were assessed against a 5 point scale, with scores ranging from 1 (does not meet the test) to 5 (fully meets the test). The overall quantitative scoring framework provided a score out of 200 (40 tests at up to 5 points each), with weightings as follows:

Area of enquiry (main heading)	No of specific tests / questions	Maximum score
1. Understanding Global Shifts	6	30
2. Understanding Business Structures and Relationships	6	30
3. Understanding Supply Chains	2	10
4. Understanding Alliances and Partnerships	3	15
5. Financial Capability	6	30
6. Leadership	6	30
7. Business and Strategic Planning Capability	6	30
8. Overall Risk and Fit Assessment	5	25
Total	40	200

120. The assessment framework also included an ability to provide qualitative comments on potential participants.

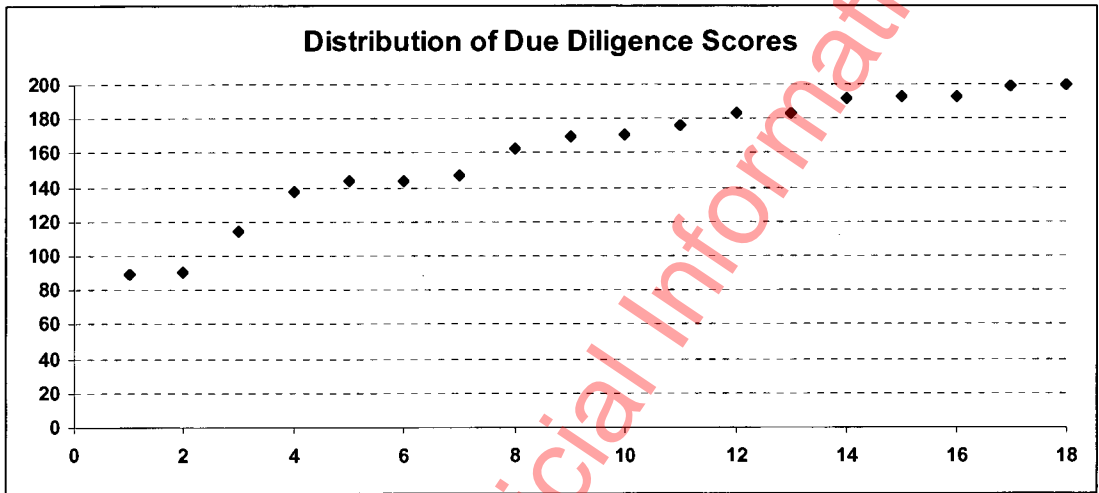
121. While the Review Panel's scope of enquiry does not include a detailed evaluation of due diligence processes, the Review Panel concludes that the framework put in place is reasonable. Having put such a framework in place for due diligence, the critical success factor is how the framework is applied and how the results are used in the assessment process.

Results of the due diligence process

122. Due diligence assessments were undertaken by one of three people:

- Mark Ahn (PhD, Professor and Chair, Science and Technology Entrepreneurship, Faculties of Commerce & Administration and Science at Victoria University of Wellington), 1 assessment
- Peter Charleton (Staples Rodway and Director of FOMANA), 12 assessments
- Melissa Yiannoutsos (Managing Director of Kerasi Ltd and contractor of FOMANA), 5 assessments.

123. The first due diligence assessment was conducted in December 2008, with a large majority of the assessments completed in the second, third and fourth quarters of 2009. The enquiries made by the Review Panel with a sample of Cluster members confirmed that, for those cases, the due diligence process comprised a visit to the business by the assessor and that the assessor reviewed documentation provided by the Cluster member, including financial information, as well as undertook a range of discussions with the business.
124. The Review Panel has not discussed the due diligence process or results directly with any of the assessors.
125. In total, allowing for the different activities of the same business being in different Clusters, 18 due diligence assessments were completed. The distribution of scores, listed in ascending order, is shown in the graph below:



126. In relation to the due diligence process, the Review Panel makes the following observations:
- All businesses that were subject to due diligence have subsequently been accepted into the Tekau Plus programme (although some do not yet have formal approval following suspension of the programme)
 - Based on our limited enquiry into the position of some of the businesses in the Clusters, the quantitative due diligence scores appear high
 - Further, there seems to have been inconsistency in the application of the quantitative scoring system, with some larger, well-established exporters scoring much lower than business where products and services are at a formative stage.

Development of Cluster plans

127. Following satisfactory due diligence, Cluster members (or sub groups of Cluster members) are invited to prepare, in conjunction with FOMANA, a study programme specific to the circumstances and needs of the Cluster members. The study programme is a formal document which sets out the components of the programme including:
- Objectives
 - Methodology/approach
 - Expected outcome
 - Resources required

- Any third party input (e.g. NZTE)
- Financial commitments of the Tekau Plus project and the participants.

Who is in the Clusters?

128. Cluster members range from companies with current export earnings of approximately \$20m per annum, to small "cottage-industry" family businesses with export aspirations and start-up companies still in the research and product development phase.

129. Nine Clusters have been established to date, involving 14 areas of study and 23 companies. Five companies are members of two separate Clusters. The composition and activities of the Clusters is outlined below:

- Sheep and Beef (two members)

The Sheep and Beef Cluster is comprised of two related entities engaged in the study of high value sheep milk protein.

- Dairy (one member)

The Dairy Cluster is comprised of one group established to develop organic dairy production.

- Indigenous Beverages (four members)

This Cluster is comprised of two individual studies: a 'wine study' with two members and an 'ale and ingredients study' with two members (although one of these companies went into liquidation at the end of 2009). Both studies are focussed on developing export markets, particularly in Asia.

- Kiwifruit/Horticulture and Fibre (three members)

There are two distinct areas of study within this Cluster. One relates to the indigenous branding of kiwifruit and has one member; while the other is developing fibre from native plants, with two members.

- Bio-Actives (five members)

This is the largest Cluster, and is made up of organisations operating in a diverse range of industries. All are focussed on the development and commercial utilisation of bio-active compounds.

- Apiary (three members)

The Apiary Cluster includes two areas of study, one pertaining to the development of high-value apiary business in the Northland region and the other focussed on value-add wound healing products. Both studies have two members, made up of three closely related businesses.

- Gourmet Food and Ingredients (four members)

There are two distinct studies within this Cluster, each with a different geographical focus. The 'gourmet food and luxury indigenous visitor experiences – America study' has two members (a seafood producer and a tour operator) and the 'gourmet foods and high quality ingredients –Asia study' has three members.

- Marine and Aquaculture (one member)

The Marine and Aquaculture Cluster currently has one member, which is engaged in a study of sea cucumbers.

COMMERCIAL IN CONFIDENCE

- Marketing and Future Food (three members)

This Cluster involves two studies, one with one member: an 'EU marketing study' and another with two members: a 'future foods China study'.

130. The table on the following page sets out the full Cluster membership, and key information around their formation, due diligence and commitments made in terms of resourcing (individual company names have been omitted).

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COMMERCIAL IN CONFIDENCE

Cluster	Study Programme	Business/Brand	Present to BAG	Due Diligence	Plan BAG approval	Tekau Plus Commitment	Business Commitment
Sheep & beef	High value sheep milk protein		27 Aug 2009	Nov 2009	Board resolved to take no decision on final approval 3/12/09	\$75k	\$45-\$70k (combined)
			27 Aug 2009	Nov 2009			
Dairy	Organic – World Study		25 Jun 2009	Aug 2009	29-30 Sep 2009	\$75k	\$75k
Indigenous Beverages	Wine		29 Jan 2009	28 Jan 2009	29 Jan 2009	\$75k	\$150k
	Ale and Ingredients		27 May 2009	21 May 2009	27 May 2009	\$70k	\$70-\$90k (combined)
29 Jan 2009, 27 May 2009			Dec 2008	27 May 2009			
Kiwifruit/ Horticulture & Fibre	Kiwifruit indigenous branding		27 May 2009	26 May 2009	27 May 2009	\$75k	\$100k
	Harakeke-Ginseng fibre		25 Jun 2009	28 Jul 2009	27 Aug 2009	\$70k	\$50-\$70k (combined)
			25 Jun 2009	Aug 2009	27 Aug 2009		
Bio-Actives	Bio-Active compounds and proof of concept		25 Jun 2009	Aug 2009	27 Aug 2009	\$100k	\$100k (combined)
			27 May 2009	26 May 2009	27 Aug 2009		
			25 Jun 2009	Jul 2009	27 Aug 2009		
			25 Jun 2009	Aug 2009	27 Aug 2009		
			25 Jun 2009	28 Jul 2009	27 Aug 2009		
Apiary	Building a high-value apiary business – Northland		27 May 2009	Sep 2009	29-30 Sep 2009	\$70k	\$70-\$90k (combined)
	High-value manuka honey and wound healing products		27 May 2009	Sep 2009	29-30 Sep 2009		
			27 May 2009	Sep 2009	29-30 Sept 2009		
Gourmet Food and Ingredients	Gourmet Food and Luxury		25 Jun 2009	28 Jul 2009	27 Aug 2009	\$30k	\$30k (combined)
	Indigenous visitor experiences – America		25 Jun 2009	26 Jul 2009	27 Aug 2009		
	Gourmet foods & high quality ingredients – Asia		25 Jun 2009	26 Jul 2009	27 Aug 2009	\$100k	\$40-\$60k (combined)
			27 May 2009	26 Jul 2009	27 Aug 2009		
			25 Jun 2009	28 Jul 2009	27 Aug 2009		
Marine & Aquaculture	Sea cucumber		29 Sep 2009	Nov 2009	Pending	\$70k	\$70k
Marketing & Future Food	EU Marketing		30 Sep 2009	Nov 2009	Board resolved to take no decision on final approval 3/12/09	\$70k	\$55k
	Future Food China		29 Oct 2009	Nov 2009	Board resolved to take no decision on final approval 3/12/09	\$45 k	\$100k (combined)
			29 Oct 2009	Nov 2009	Board resolved to take no decision on final approval 3/12/09		

How did the Review Panel engage with Cluster members?

131. The Review Panel spoke with seven people representing nine of the organisations participating in the Tekau Plus Clusters. This was not intended to be a comprehensive data-gathering exercise, although those interviewed comprised a representative selection of participants. Some of the people spoken to represented more than one of the Tekau Plus entities.

132. The purpose of the interviews was to learn more about how individual organisations engaged with the programme. In particular, the Panel focussed on:

- how the organisations heard about the Tekau Plus project and their involvement
- the process that the Tekau Plus project followed when assessing their operations
- the entities' planned involvement with other Cluster members
- their financial commitment to the programme, and
- the benefits that the organisations have received.

Feedback and themes emerging around Clusters

Overview

133. The Review Panel has not conducted a formal evaluation of the Clusters, nor has it applied a specific approach or methodology to attempt to develop conclusions around effectiveness. The nascent nature of the Clusters also makes it difficult to determine what should have been achieved at this point and the overall effectiveness of the intervention. In considering the Clusters, the Review Panel has used its limited interaction with the membership to develop a range of observations to help inform its views about the value of the project.

134. As an overall comment, the Review Panel notes that all Cluster representatives that the Panel spoke to reported positive experiences with the Tekau Plus programme. Key benefits arising from involvement in the scheme included:

- increased network establishment and access to buyers, resulting from the ability to leverage off other Cluster members, the relationships forged within Clusters, and facilitation undertaken by FOMANA;
- support, advice and expertise from experienced exporters within the Tekau Plus project; and
- commitment of financial support – although at this point no financial support has been paid out to Cluster members.

135. In this regard, the Review Panel can see some value has been achieved in terms of the benefits reported by the Cluster members. Whether or not it was worth the relatively high costs of the project is difficult to determine.

136. Although none of the entities spoken to have been able to identify tangible financial benefits directly attributable to the Tekau Plus programme, it is expected that these will emerge as the programme progresses. The businesses acknowledged that, while the Tekau Plus project may not yet have altered the trajectory of their export development, it has widened the scope of what they have been able to achieve in the timeframe to date.

NZTE perspective

137. As part of its considerations the Review Panel spoke to representatives of NZTE to seek advice on what the determinants of success should be for a project with the aspirations and focus of the Tekau Plus project. It should be noted that it is difficult to align the Tekau Plus project to any specific NZTE funded initiative. Additionally, the Review Panel does not wish to make any judgements or attempt to draw any conclusions around whether or not NZTE should have a programme that supports the businesses the Tekau Plus project has been working with. Our engagement with NZTE has been purely to obtain a second perspective on the project and to think about some other ways of understanding the value of this project.

138. NZTE provided us with two very useful high-level points to assist us in our thinking:

- As a starting point, the export readiness guidance used by NZTE to help make decisions about the capability and capacity required to engage in export activity may have ruled out some of the companies in Clusters if it were used as the entry-level requirement. Start-up firms and concepts and businesses are not considered good export prospects by NZTE and it is clear some of the companies involved in the Tekau Plus project are still at this level.
- That Clusters represent a form of business development and intervention support that can be difficult to achieve traction and results from. A key reason behind this is that a high-level of "co-investment" from the participants is required to achieve results. It is unclear in terms of the Tekau Plus project the real extent to which commitments have been made by the businesses involved.

Have the Clusters improved the likelihood of participant's achieving export success?

139. It is difficult to draw any conclusive findings about the success or potential for success of the Cluster initiatives. The Review Panel reiterates that the lack of a framework to understand what the Tekau Plus project was seeking to achieve in terms of intermediate success outcomes means the only judgements that can be made around tangible achievements are increased export sales. As stated earlier in this report, there are very few new export sales that can be attributed to the Cluster initiatives so far.

140. The Review Panel is of the view that, although the Tekau Plus project has delivered on the quantitative aspects of the contract in terms of Clusters, the strength and quality of the Clusters themselves is more difficult to judge. For example:

- A number of the Clusters only have one or two companies involved – in some instances a number of companies are listed as being in a Cluster but further investigation indicates the companies are related parties.
- The evolution of the Clusters in terms of the businesses involved is patchy. For example, one Cluster has no actual physical product available, while others are in essence "cottage industries", yet to develop a product that has demonstrable commercial viability.
- The Clusters are universally nascent in their formation. Therefore, it is difficult to determine how much, if any, tangible progress in terms of increased export sales should have been achieved.

Comments on the Clusters

141. Based on a review of the documentation and discussions with a number of the Cluster participants, the Review Panel observations on the Clusters are:

- Many of the Clusters have only been in place for a short period, with a large majority of Cluster plans submitted to the BAG in August, September and December 2009

COMMERCIAL IN CONFIDENCE

- A number of the Clusters comprise only one business or, where there is more than one business, they are closely related
- While some Cluster members are already exporting, the number with a substantial, existing base is small and a similar number have some but relatively modest exports
- A number of the businesses have no current exports and some are focussed on products and services that are at the proof of concept stage
- Four of the businesses have been identified as “non-Māori” but are included in the Clusters as facilitators to Cluster development (these businesses do not receive any direct financial support)
- The initial focus of Cluster members was “... to develop Māori globally competitive icon businesses in the agribusiness sector, focussing on developing businesses that have the scale and scope to develop niche products for the world markets ...”,²⁷ but this definition was amended in 2008 to “... work with both existing exporters and to build a pool of future export businesses.”

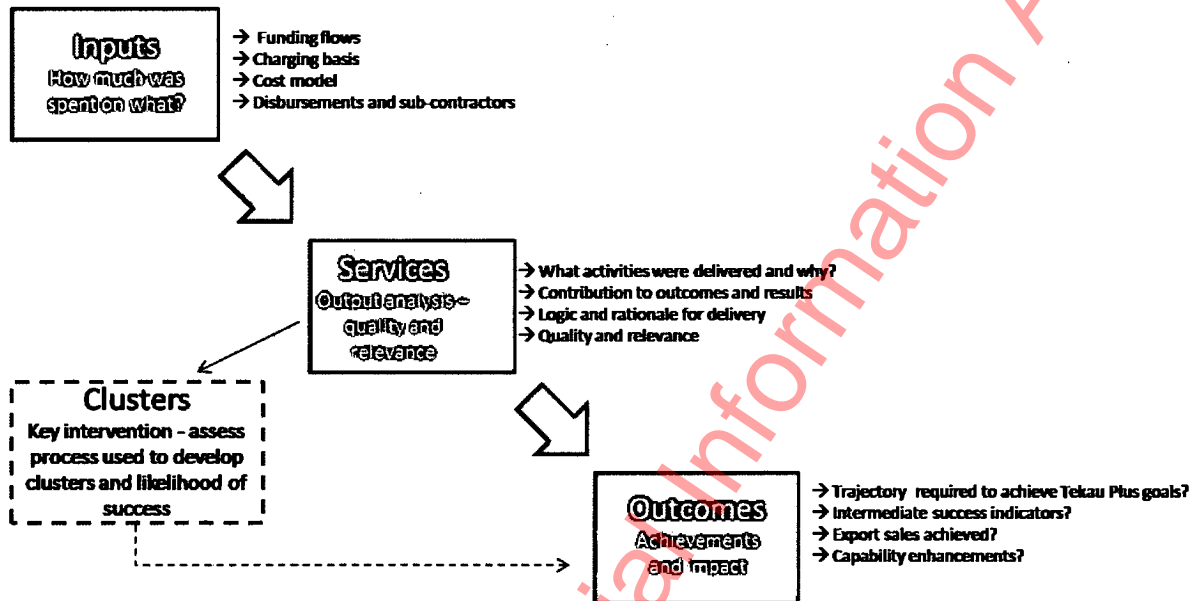
142. Overall, it is the view of the Review Panel that the ability of the existing Cluster members to meet the long term aspirations of the programme is at risk.

²⁷ MOU between Māori Trustee, FOMA and Poutama, p1 and Investment Agreement, p1.

6. Value for money findings

Overview

143. As set out in the introduction to this document, the Review Panel has adopted the framework below for assessing the value of this project:



144. We reiterate that the Review Panel is not undertaking a formal evaluation of the Tekau Plus project, nor providing any form of econometric or quantitative analysis on its effectiveness and impact. The policy or intervention logic/rationale for the Tekau Plus project is also not under review at this point, as it is outside our Terms of Reference.

145. We do wish to acknowledge that there have been many positive experiences cited in our engagements with Cluster members working with the project. We also acknowledge that there appears to be, on the face of it, a service demand on the part of the businesses engaged by the Tekau Plus project to receive support for improving exporting potential and capabilities. However, we cannot provide a view that this, in itself, strengthens any value for money proposition for the Tekau Plus project. Moreover, we are not providing a view on the merits or otherwise of the government supporting business development projects for firms with exporting aspirations.

146. Our approach for this section of the review is to:

- Set out the financial analysis undertaken which sets out the funding flows for the project so far, as well as the basis upon which fees were charged for the project.
- Summarise the outputs delivered through the project, including the Review Panel's view on the quality of these deliverables in terms of execution and relevance in relation to the project objectives.
- Assess the value of the outputs delivered from the perspective of:
 - a. What is reasonable to expect in terms of likely outcomes given, for example, the embryonic stage of the project Clusters and the trajectory many of the companies involved would need to take to reach \$10 million of export sales within the timeframe set in the project objectives.

- b. The value of the services delivered through the Tekau Plus project that have strengthened the capability of Cluster members, reduced risk in terms of business or venture failure occurring and enhanced the ability of Cluster members to increase their exporting potential.

Financial/input analysis

Funds flow under the Investment Agreement

147. The flow of funds from TPK to the Tekau Plus project is managed pursuant to the Investment Agreement. Pursuant to the Investment Agreement a total contract value of \$3,020,000 (excluding GST), is payable by way of a fixed schedule of 12 quarterly payments. The BAG was responsible for management of the funds in achieving the objectives of the Investment Agreement.

148. The payment schedule set out in Schedule B of the Investment Agreement, which specified the output to be provided, the payment date and the payment amount is as follows:

No	Output	Payment date	Amount
1	Delivery of detailed three year plan and establishment of BAG	1 Aug 2007	100,000
2	Quarterly report	30 Dec 2007	260,000
3	Quarterly report	30 Mar 2008	180,000
4	Six-monthly report	30 June 2008	180,000
5	Quarterly report	30 Sept 2008	275,000
6	Six-monthly report	30 Dec 2008	275,000
7	Quarterly report	30 Mar 2009	275,000
8	Six-monthly report	30 Jun 2009	275,000
9	Quarterly report	30 Sept 2009	275,000
10	Six-monthly report	30 Dec 2009	275,000
11	Quarterly report	30 Mar 2010	275,000
12	Final report and evaluation	30 June 2010	375,000
Total			3,020,000

Released under the Official Information Act 1982

149. The Investment Agreement also allocated the total funding into five areas of activity as follows:

Activity	Funding allocation
Management and Governance: provide overall co-ordination and project management, including reporting and accountability	420,000
Strategy: development of strategy and buy-in to the strategic approach by participants	200,000
Communications: providing information to enable open participation and identification of partners	300,000
Analysis and Research: development of information and analysis to inform decisions and identify strategic pathways	500,000
Clustering: facilitation, brokerage and specific analysis is undertaken for Cluster projects	1,600,000
Total	3,020,000

150. Schedule E of the Investment Agreement has a different allocation of the funding but this appears to be an error. The allocation set out above is included in schedules G and H of the Investment Agreement and has been used in all subsequent analysis.

151. At the highest level, we note that the total investment allocation of \$3 million has as a primary output the development of 8 to 10 cluster proportions over the contract period. Viewed in simple terms, this amounts to between \$300,000 and \$378,000 per cluster.

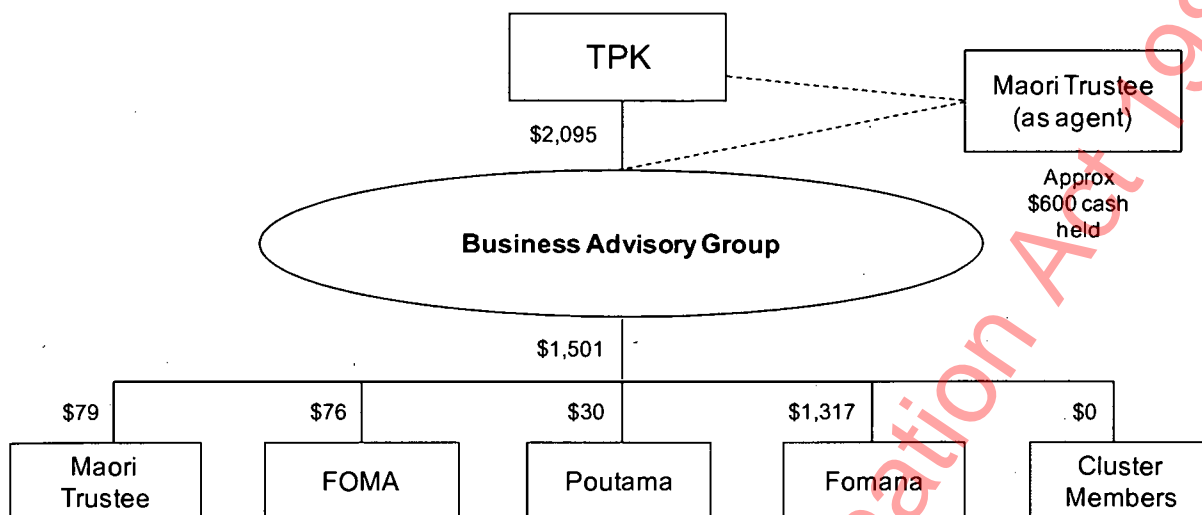
Funds flow to date

152. Up until suspension of the contract in November 2009, the first eight instalments, totalling \$1,820,000 (excluding GST) had been paid by TPK. Funds disbursed by TPK are held in accounts managed by the Māori Trustee on behalf of the BAG. The BAG is responsible for authorising payments from the account managed by the Māori Trustee.

153. Detailed analysis of the financial flows to date is included in the PwC report dated 18 January 2010. The material changes in cash flows since that time are that:

- After obtaining legal advice, TPK has paid the Maori Trustee instalment nine (\$275,000) pursuant to the contract, for the period ended 30 September 2009.
- The BAG has authorised the payment of creditor invoices amounting to \$217,025 for services provided in the period July to September 2009. These invoices were for services provided prior to the contract suspension.

154. A summary of the cash flows, including the two transactions noted above, is shown in the diagram below:



Amounts shown are in \$'000s

155. In summary:

- \$2,095,000 has been paid by TPK to the BAG
- The BAG has authorised payment of \$1,501,000 to various service providers
- Approximately \$600,000 remains in the the Tekau Plus project accounts, held at the Māori Trustee
- Taken together, the amount still held by TPK and the funds in the the Tekau Plus project accounts total over \$1.5 million, or approximately 50% of the total contract
- Cluster members have yet to receive any direct financial payments.

Basis for engaging and payment terms for service providers

156. The Tekau Plus project has, to date, used four service providers – the three parties to the MoU and FOMANA. The basis of engagement and services provided by each of these parties is described in the paragraphs which follow.

Māori Trustee, FOMA and Poutama

157. At its meeting on 18 February 2008, the BAG approved the following basis of charging for services to be provided by organisations whose representatives make up the BAG:

- A fixed fee of \$800 per meeting for Governance activities
- A fixed fee of \$2,500 per month for the Māori Trustee in relation to administration services
- \$250 per hour for work completed in other output areas

158. In addition to setting this basis of charging, the BAG entered into a separate Memorandum of Service Provision with each of the organisations which had a representative on the BAG.

159. Under this basis of charging the amounts paid to each party and the nature of services provided up to 30 September 2009 was as follows:

Activity	Māori Trustee		FOMA		Poutama	
	Mtgs / hrs	\$	Mtgs / hrs	\$	Mtgs / hrs	\$
BAG meetings	23	18,400	21	16,800	19	15,200
Monthly Administration		60,000				
Strategy			34	8,500	6	1,500
Communications	1	250	67	16,750	25	6,250
Analysis			18	4,500		
Clusters			117	29,250	16	4,000
Expenses		218				3,260
Total		78,868		75,800		30,210

160. Each of the parties submitted statements of work, quarterly in arrears. Detailed schedules of services for FOMA and Poutama are provided at Annex 3 and Annex 4.

FOMANA

161. The BAG entered into a Contract for Services with FOMANA dated 18 February 2008 (executed on 27 February 2008). The contract does not specify particular services but states that:

"During the term of the contract with Te Puni Kōkiri and the Memorandum of Understanding between the BAG parties, it is agreed that FOMANA Capital may provide services to and on behalf of the BAG, for which payment would be made.

Such agreements must be:

- a. Agreed by the BAG
- b. Duly specified in terms of the services to be provided and the payment for those services
- c. Minuted in the BAG minutes.

Where such an agreement is made it should be incorporated into the Schedule to this contract as a record of the services provided and the payment schedule.

BAG must approve any such payment made. Such approval must be minuted in the BAG minutes.²⁹

162. The contract did not include the basis of charging to be adopted by FOMANA.

163. In practice, FOMANA provided the BAG with schedules of work completed at the end of each quarter. In all cases these were approved by the BAG before payment was made.

164. The schedules provided an analysis of activities completed, grouped under the five activity areas described in the Investment Agreement and referenced to BAG minutes or Project Manager reports which described the activities. For each area a fee is provided. The fee amounts are generally round sums. For schedules of services from 1 April 2009, the amounts invoiced are supported by the numbers of hours. Where hours are provided, the associated fee represents the indicated hours, costed at \$250 per hour.

165. In order to understand the charging regime, the Review Panel asked FOMANA to provide detail for each period in terms of:

- A list of the individuals who provided the services listed
- A schedule of the hours for each person involved
- Detail of any sub-contractors that were used in the relevant period
- Detail of the amounts paid to the subcontractors
- Detail of any other expenses that make up the invoiced amount

166. Information on amounts paid to subcontractors and out of the pocket direct expenses (e.g. travel, accommodation and meeting expenses) is available. In summary, the amounts paid to FOMANA have been applied as follows:

	\$000
FOMANA	1,094
Subcontractors	93
Direct Expenses	130
	1,317

167. We are advised by FOMANA that personnel involved in the project did not complete timesheets and that no records are available for time spent by individuals. However, FOMANA has prepared an estimate of time spent by the principals (Mr Morgan and Mr Mulligan) and other staff, based on the amounts invoiced by quarter. The analysis, based on a charge rate of \$250 per hour for all inputs, indicates approximately 4,250 hours over a two year period. This amounts to approximately 2 or, at most, 3 full time equivalent people (made up of part time contributions by a larger number of people) over the contract period.

168. Based on the available information, the Review Panel observes that:

- Given the amount of funding received by FOMANA it is difficult to provide an assessment of what specific resource was allocated to the project in terms of who delivered services beyond a core team of 2 or at most 3 FTEs (made up of part-time contributions by a larger number of individuals).
- In terms of sub-contractors, very little external resource was applied relative to the total funding available to FOMANA.

- The costs per FTE for this project were relatively high given the bulk of the project appears to have been delivered by two or three individuals. We cannot provide any further analysis on these matters given the lack of information available to us on FOMANA's basis for charging and invoicing. This makes it difficult for us to determine if the value of the interventions provided was equivalent to or greater than the funding provided to FOMANA for this project.

What was delivered in terms of outputs? Were the outputs relevant and of good quality?

Overview

169. This sub-section focuses on the outputs delivered through the Tekau Plus project to ascertain:

- The extent to which the quantitative requirements of the project contract were delivered upon by FOMANA.
- Whether the outputs delivered were of high quality and the extent to which their relevance to the project outcomes can be determined.

170. The approach taken in this section is to:

- Utilise the output schedules developed by PwC through its initial financial review of the project to describe the broad nature of the outputs delivered by FOMANA in undertaking the Tekau Plus project.
- Provide an analysis based on the contract deliverables for the Tekau Plus project to determine the extent to which FOMANA has achieved quantitative outputs in terms of the outputs it was required to deliver.
- Provide commentary on the quality of the execution and delivery of the outputs and their relevance to and importance for achieving the project goals.

Outputs and services delivered through the Tekau Plus project

171. The key output groupings or output classes for the project, as set out in the contract documentation are: Governance; Strategy; Research and Analysis; Communications and Clusters.

172. There have been a significant number of diverse activities delivered across these areas in order to achieve the outcomes of the project. Notwithstanding the effort undertaken through a retrospective activity-based costing analysis by FOMANA, it has been difficult to further organise or rationalise these outputs, except under the original contract headings and then on an item-by-item basis. We discussed various methods with FOMANA but still found it difficult to develop an output model that clearly explains the logic of individual activities in terms of activity groupings that clearly link to the overall outcomes of the project.

173. In the absence of better information, the PwC output analysis from its financial review of the project (completed January 2010) is used to itemise the outputs delivered through the project. This itemisation is based on FOMANA invoices and schedules of work and is organised under the key output groupings used in the Tekau Plus contract. A full summary of this analysis and the amounts invoiced is attached to this report as Annex 5.

174. There are a significant number of diverse activities undertaken within the high-level output groupings. Sensibly organising this activity is difficult given the absence of a framework that clearly links outputs and groupings of outputs to the goals and objectives of the project. As a

means of illustrating the individual output items delivered through the project the Review Panel counted and aggregated the information available, as set out in the table below:

Output	Communications	Analysis/ research	Governance	Clusters	Strategy	Total
Meetings	222			28	3	253
Reports			2	3	8	13
Planning/ governance docs	4		6	10	3	23
Briefings	5					5
Promotional products	3					3
Hui	2			1		3
Presentations	1					1
Document/arti cle reviews		82	6			88
Briefing papers		5	4			9
Meeting papers			26			26
Symposiums/ Workshops					2	2
Attending conferences	4					4

175. The analysis shows a large volume of activity. The Review Panel notes that this analysis may not capture the logistics of managing the work, particularly with regard to managing relationships with clusters. There is no doubt a great deal of time was expended by FOMANA in fulfilling its role of project manager and lead advisor for the project. Unfortunately, it is very difficult to understand what this activity was designed to achieve and how it was linked in a rational, logical sense to the overall outcomes of the Tekau Plus project. In this regard, we consider the original PwC analysis of the FOMANA invoices to provide the most accurate form of output analysis, given the lack of other information available.

Output analysis undertaken by FOMANA

176. FOMANA has also undertaken an output analysis and review. As part of this work an activity analysis was developed by a party independent of FOMANA to help clarify the description of outputs and their costing. This work has been taken into consideration by the Review Panel in its deliberations.

177. The basis of the activity costing does not provide the Review Panel with particularly strong insights into how output activities might be more sensibly reorganised and considered when thinking about the value of the project. The key reasons for this are:

- The activity costing was developed retrospectively through the allocation of the existing output information on a percentage basis to a set of activity descriptions determined retrospectively.
- Certain activities have large costs attributed to them, making these activity descriptions no more or less useful in terms of understanding outputs than the basis upon which the original invoices were developed.

Assessment of quantitative outputs in the delivery of contracted outputs

178. The table attached as Annex 6 sets out what the Review Panel understands to be the contracted deliverables required of the project up to the point it was suspended. Our observations with regard to quantitative outputs against the contract are:

- Generally speaking, most outputs were delivered. In terms of meeting quantity measures, without applying any judgements around the strength, credibility and activities of individual Clusters, the numerical requirements for the Cluster deliverable have been exceeded.
- There are still some doubts over whether or not the items TPK was seeking evidence of delivery on for Period Four have actually been delivered. From our observations deliverables are available that can be linked to these output requirements, indicating compliance with the contract, but we cannot definitively say the quantitative aspects were 100% met and complied with. These areas include:
 - a. Strategy update for the Tekau Plus project
 - b. Niche studies for the Tekau Plus project
 - c. Business investment plans
 - d. The One-Channel framework and proposal.

179. Further to these points, the Review Panel observes that quantitative compliance against the contract is not particularly helpful in terms of trying to judge the quality of the outputs delivered so far. Quite clearly some of the output specifications in the project were expressed in quite general terms that make them difficult to align directly to the overall intent of the project.

180. Additionally, it is not always clear as to whether the most important output deliverables were being measured. This can be difficult to achieve when writing a contract that is being developed for a three year period. In this regard, the Review Panel notes that more stringent attention to the development of annual work plans and the utilisation of variation mechanisms to refine and/or change output deliverables was required to maintain the alignment of project outputs with desired project outcomes.

Were outputs of high relevance and quality?

181. The Review Panel has already provided an assessment of the Cluster output set out in the previous section. The Review Panel's observations around the remaining output groupings are:

- There were significant amounts of activity undertaken during the course of the project. A great deal of stakeholder engagement and communication activity was undertaken as the project went through its initial mobilisation and early development phases.
- The quality and relevance of the activities delivered is difficult to judge. This is because there is no clear translation available between the myriad of activities undertaken and the Tekau Plus strategy. Workshops, seminars and engagement in overseas activities based around China (presumably as a result of the Free Trade Agreement) form the bulk of many of the outputs listed by FOMANA. Why these activities were relevant, useful and valuable is difficult to judge based on the information we have access to.
- A great deal of analysis and research documentation is provided, though we observe much of it is information prepared by NZTE or other organisations reproduced either for Clusters or for governance purposes. This may have been of value for Cluster members who might not access this material itself, but the production of this material seems expensive when considered within the context of the total funding provided to FOMANA. We note approximately \$304,000 was invoiced for Research and Analysis activities up to September 2009, including pre-establishment fees.
- Key outputs such as the "One Channel" Framework only appear to have been clearly articulated as a result of the Review Panel's investigations – although this may indicate a quantitative compliance against the contract, we question the value of developing and documenting this concept after the project was suspended.

182. The Review Panel is of the view that, given the lack of a strong framework to link activities to broader outputs and then to outcomes, that the relevance of what was delivered cannot be fully clarified or justified. It is very difficult to avoid the conclusion that effort was relatively unfocused and tactical rather than strategic in its intent.

183. Furthermore, it is difficult to state, particularly in light of the concerns raised by TPK, that all of the outputs delivered were of sufficient quality given the resource made available for FOMANA.

Value and outcomes achieved

Overview

184. The Review Panel is required to make an assessment of the value delivered through the Tekau Plus project, given it is relatively "early days" for the project and that the field it is operating in is both long-term in its outlook and subject to a range of influencing factors and drivers that are well beyond the control of the project itself.

185. An issue that has hampered the ability of the Review Panel to assess value, is that the Tekau Plus project has not developed a framework by which intermediate results in terms of tangible benefits could be assessed. For example, what sort of level of export sales could be equated with success given that the project is only two years into a planned ten year operation period.

186. In this regard, we note that very few actual export sales have been achieved that can be clearly attributed to the project interventions at this time.

187. Our view, therefore, is that the project needs to be assessed through the application of judgements based on:

- What is reasonable to expect in terms of likely outcomes given, for example, the nascent stage of the project Clusters and the trajectory many of the companies involved would need to take to reach \$10 million of export sales over the next period of time.
- The value of the services delivered through the Tekau Plus project that have strengthened the capability of Cluster members, reduced risk in terms of business or venture failure occurring and enhanced the ability of Cluster members to increase their exporting potential.

Gauging progress in the absence of appropriate KPIs

188. The Tekau Plus contractual documentation and other related project documentation does not provide strong key performance indicators or other outcome-focussed indicators that give a sense of how progressed the project should have been with regard to:

- Achieving increased levels of export focussed activity, for example metrics after 2 years, 3 years or more
- The nature and characteristics of the foundations that should be in place in order to facilitate or enable export growth and sales for those companies and Clusters involved in the project.

189. This makes it difficult to find a suitable framework or set of indicators in the project itself to describe intermediate outcomes and what interim "success" should look like.

190. The Review Panel considers that, given the companies involved in the Tekau Plus project, the trajectory required to achieve \$10 million of export sales across 10 businesses/brands in 8 years is quite steep at this point in the project's life. It is almost impossible to judge which companies not already in the market are now well positioned to go on and start achieving further export growth. Additionally, while some of the companies exporting were doing so before the project started, any change in these sales figures cannot be directly attributed to the Tekau Plus project.

191. The Review Panel is required to make a subjective judgement about the quality of the foundation in place and the momentum achieved to date to help those companies involved in the Tekau Plus project achieve the project's ultimate goals. In that regard, the nature of activity is largely exploratory or formative in terms of identifying likely markets, showcasing and/or developing products for likely markets and facilitating the myriad connections and discussions required to achieve export success.

192. To this extent the Tekau Plus project has been successful in making connections of this nature though the expenditure required to achieve this has been substantial – over \$1.5 million over two years – with no strong evidence to suggest any of these connections and networks are going to deliver export sales, at least in the near future.

Has the Tekau Plus project delivered services that have strengthened the capability of Clusters and companies?

193. Tekau Plus has engaged with a group of companies who have been unable to obtain services they needed through other government funded initiatives. All of the companies have had access to the advisory services facilitated by the Tekau Plus project and been able to access the information that has been collated and compiled for the purposes of the project.

194. It is impossible to draw any direct or causal relationship, however, between these advisory services and the heightened ability of companies receiving these services to now engage in

export activities. For those companies already exporting, the impact to date will have been negligible as they were already engaged in the very activity the project is promoting. Without being able to attribute further export growth for those already exporting it is difficult to draw conclusions about value.

195. There is evidence to suggest that some companies have moved forward faster than they otherwise would have without the project, in terms of developing their understanding of export markets and product development. Additionally, other companies have used the Tekau Plus project to leverage further advantage for themselves in terms of accessing markets or presenting their products as part of a suite of "Tekau Plus" brands. Once again, however, we question the expense incurred to achieve this, particularly when no direct export impacts can be attributed at this time.

196. This does not mean no value has been achieved, but it does bring into question whether the additional expenditure can be deemed "valuable" relative to other priorities and whether or not a view can be formed of the future exporting capability of companies and Clusters involved in the Tekau Plus project.

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7. Conclusions and recommendations

Overview

197. The Review Panel provides its conclusions and recommendations framed around the questions we were asked to address as per the Terms of Reference. This discussion is set out below.

Our assessment of whether value for money has been achieved in terms of the funding paid to the Māori Trustee on behalf of the Tekau Plus project pursuant to the Investment Agreement.

198. The Review Panel is required to make a judgement on the value of the project in the absence of both performance information and an intermediate performance framework. Our approach to understanding value for money is:

- What is reasonable to expect in terms of likely outcomes given, for example, the nascent stage of the project Clusters and the trajectory many of the companies involved would need to take to reach \$10 million of export sales over the next period of time.
- The value of the services delivered through the Tekau Plus project that have strengthened the capability of Cluster members, reduced risk in terms of business or venture failure occurring and enhanced the ability of Cluster members to increase their exporting potential.

199. The Review Panel notes that a number of positive experiences have been enjoyed by those engaged in the Clusters. We also note that the Clusters have developed – facilitated in part by the project – a range of connections and networks that may provide a useful foundation for future export growth. It is extremely difficult for the Review Panel to point to:

- Major changes in export sales trajectories or, indeed, access to the likely drivers of export sales growth that suggest the project is on track to develop a set of businesses that will achieve \$100 million of export sales over the next 7 or 8 years.
- Strong evidence the Cluster members are better positioned now in terms of capability to undertake major export initiatives, apart from those businesses who were already engaged in export activities. With regard to the latter group of businesses, it is unclear as to whether or not they have enhanced their own capabilities to grow on operations they already had underway at the commencement of the project.

200. Our assessment of input costs and outputs delivered suggests to us a high cost project undertaking with no strong evidence of significant capability development, growth momentum or other tangible evidence of indicators that export growth sales will increase to the extent required to achieve 10 businesses with \$10 million each of export sales. The project itself lacked a clear, disciplined programme of staged initiatives and investments with defined purposes and expected results to enable progress to be evaluated.

201. Having said this, we consider value has been delivered in less tangible forms for the Clusters in terms of the contacts, experiences and networks they have and are developing.

202. We are of the view, however, that more progress might have been expected in this regard for the substantial funding FOMANA has received over the course of the project to date. We also question whether or not more funding should have been allocated to the direct support of Clusters rather than supporting the project infrastructure and advisory services provided by FOMANA. We build on this comment in the sub-section below.

Our assessment of the management of conflicts of interest, the governance of the project as an enabler of likely success for the Tekau Plus project and the processes used to assess what proposals would be supported as part of the Project with a focus on Clusters.

Conflicts of interest were poorly managed

203. The Review Panel considers that the establishment of the Tekau Plus project presented a high potential for perceived and actual conflicts of interest. A strong focus being on the process by which FOMANA became the project manager and subsequently lead project advisor for the Tekau Plus project, given that a key BAG member Mr Paul Morgan was a minority shareholder in the company and a director.

204. It was unwise for the BAG not to have considered these relationships – from the outset – to be potentially compromising for the overall project. We note, however, that the BAG acknowledged the existence of the relationships. Although Mr Morgan eventually stepped down from the BAG, the Review Panel has concluded that Mr Morgan should never have taken a role on the BAG. Particularly once the FOMANA role expanded to a major advisory role and became the recipient of a large majority of the project funds.

205. As stated before, another potential area for perceived and actual conflicts of interest was the Tekau Plus Clusters given Mr Morgan's position as Director of Tohu Wines Ltd and Aotearoa Seafoods Ltd. The Review Panel does not consider that any actual conflicts of interest arose around the company Clusters, though the manner in which the BAG documented and managed these potential perceptions was untidy.

Independent governance and input lacking

206. The founding BAG was made up of a group of individuals with a wide range of networks and professional relationships. The Review Panel acknowledges that this provides the potential for a coherent, knowledgeable and unified governance voice to drive the Tekau Plus project, as well as accessing and leveraging a wide range of government and private sector networks. However, the lack of an independent voice at the governance table was a flaw in the governance arrangements, particularly with regard to ensuring the BAG could undertake credible self-critique, whilst also accessing new perspectives to support it in its overall governance role.

207. The Review Panel also notes that the Overview Panel did not function effectively as a body for providing independent second opinion advice and access to a range of expert advisors outside of the project itself. Ultimately, this responsibility rests with the BAG, as it was the BAG's role to ensure that the mechanisms put in place to support the project were functioning. The Overview Panel met infrequently and its members did not fully understand their roles or the purpose of the body they were asked to serve on.

208. The Review Panel is of the view that the Overview Panel was not a governance body in terms of being accountable for performance and funding matters. However, it could have played a very useful role in providing external advice to the project and its failure to do so has further compromised the effective oversight of the project.

Initial contractual and institutional arrangements complex and unwieldy

209. We do not consider that the mechanisms used to establishment accountability and funding relationships for the Tekau Plus project were optimal. The lack of organisational form of the Tekau Plus project and the need to have two contractual mechanisms operating for funding and for accountability was unwieldy. The Review Panel believes a more formal joint venture arrangement could have been developed to streamline accountability and contracting relationships and that these options were not thoroughly explored by the funder Te Puni Kōkiri.

Processes to manage and prioritise initiatives and participants

210. The Review Panel considers the process developed to assess which companies and businesses should be engaged in the Clusters initiative was sound. However, the application of the process seems inconsistent - with some companies being accepted into a Cluster, despite not having extensive exporting experience or, in some cases, no actual product to export.

Our assessment of whether value for money will be achieved from the remaining funding available to the project.

211. The Review Panel concludes that there is insufficient evidence available to lead us to recommend that the project be halted in its entirety and the project infrastructure, Cluster memberships and learnings and knowledge gained so far disbanded. In this regard, the Review Panel notes that it is not required to comment on the original concept itself, nor the validity of the policy rationale or intervention logic that led to the genesis of the Tekau Plus project. We also note, though this is again outside our Terms of Reference, that there appears – on the face of the limited engagement we have had with this sector – a demand from Māori businesses or businesses looking to leverage Māori and indigenous product and concepts, for support services in terms of developing export capabilities and capacity.

212. The Review Panel has significant concerns around the potential for the Tekau Plus project to achieve “value” if it continues to operate under the same set of governance, funding, contractual and performance mechanisms including the existing base contract.

213. The lack of formality and transparency around the appointment process for the main provider, the failure of the Overview Panel to operate effectively as an advisory group, the lack of independent input at the governance level and the untidy mechanisms used to manage conflicts of interest do not set the project in a good light and impacts on its ability to operate effectively going forward. In particular, we consider that the mechanisms put in place to establish and govern the project – including the existing base contract - have not delivered a suitable monitoring framework for understanding progress or allowing value to be determined in terms of impact of project interventions.

214. There needs to be strong assurance processes put in place to ensure these deficiencies are addressed and vigorously managed if the Tekau Plus project is to continue operating.

215. Additionally, the Review Panel considers that a closer consideration of the capability needed to deliver on a revised set of project activities is required. This includes tendering of the project manager and advisory services roles necessary to support a re-scoped project.

216. In terms of how the Project has been delivered to this point, the Review Panel considers the Tekau Plus project to have a relatively high cost project infrastructure that weights funding towards the provision of advisory services from FOMANA, rather than direct and customised support for Clusters to lead their own initiatives and ventures.

217. Having said this, for a relatively high cost project infrastructure there were two or at most three FTEs involved in the project who were required to cover a broad range of subject areas and initiatives and cater to the varied needs of participants at different stages of development. The Review Panel questions whether or not a range of other delivery models that have different cost and management structures could be put in place to reduce the cost of delivery and provide more tailored front-line support for the businesses involved.

218. The Review Panel recommends that:

- A full stocktake of all commitments made to Clusters members be undertaken and these be met in good faith under the scrutiny of an independent advisor to ensure those companies involved in the project receive the recompense they entered into as part of supporting the project.

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- Consideration be given to a review of the contracting and monitoring capability of Te Puni Kōkiri with regards to contracts of this kind in particular placing emphasis on ensuring the right contractual and accountability arrangements are put in place from the commencement of projects.
- The Investment Agreement and service contracts be redesigned to focus on supporting the existing Clusters achieve a set of realistic and viable outcomes relevant to their aspirations and abilities to achieve export success.
- A new funding and service model be designed that places emphasis on supporting Clusters directly rather than supporting the provision of advisory services to the Clusters so that more direct funding is available under carefully scoped parameters to undertake initiatives that improve the ability of businesses to achieve export capability and growth.
- Consideration be given to re-tendering all the roles in the Tekau Plus project to ensure the right capability is appointed to support the re-scoped project and to ensure transparency around the appointment of advisors is achieved.
- An independent director be appointed to the BAG immediately to oversee the redesign and re-scoping of the project.

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Annex 1: Tekau Plus Value for Money Terms of Reference

Review Objectives

Tekau Plus was established as a long-term partnership of the Māori Trustee, Poutama Trust and the Federation of Maori Authorities Incorporated. This review has been called for by Tekau Plus and Te Puni Kōkiri to ensure value for money of Tekau Plus is independently established and documented while also informing any final evaluation of the Project that occurs and to provide assurance for outputs delivered to date.

To ensure the independence of findings, the Review is being undertaken by parties independent of Te Puni Kōkiri, the Māori Trustee, Poutama Trust and the Federation of Māori Authorities Incorporated.

The Review Objectives are:

- To determine whether value-for-money has been achieved in terms of the funding paid to the Māori Trustee on behalf of Tekau Plus pursuant to the Investment Agreement.
- To provide an assessment of the value-for-money to be achieved from the funds yet to be paid by Te Puni Kōkiri under the Investment Agreement and from funding paid to the Māori Trustee but yet to be expended on outputs under the Investment Agreement.
- To review:
 - (a) the processes and approaches used to manage conflicts of interest as well as the governance of the Project, encompassing decisions made by Tekau Plus, relating to the Project's activities and outputs; and
 - (b) the processes and assessments used to determine what proposals or initiatives were supported as part of the Project including but not limited to business/industry clusters work.

For the purposes of the Terms of Reference:

"Tekau Plus" means the Business Advisory Group established pursuant to the Investment Agreement. It comprises a representative of the Māori Trustee, the Poutama Trust and the Federation of Māori Authorities Incorporated.

"Investment Agreement" means the agreement dated 14 September 2007 between Te Puni Kōkiri and the Māori Trustee (on his own behalf and on behalf of the Poutama Trust and the Federation of Māori Authorities Incorporated).

"Value for Money" means the costs of inputs relative to the benefits/impacts of outputs produced and outcomes achieved. For the avoidance of doubt this includes:

- Were the objectives, success indicators and outputs of the Project being met?
- Were the outputs and activities that were undertaken achieving the objectives and outcomes of the Investment Agreement?
- What were the input costs for the outputs and were they reasonable?
- Benefits that may occur beyond the timeframe of the contract and not necessarily prescribed in the Investment Agreement documentation.

The "Project" means the Māori Global Agribusiness Development Project as set out in the Investment Agreement.

Review Governance

- The review findings will be reported jointly to the Māori Trustee as Chair of Tekau Plus and the Chief Executive of Te Puni Kōkiri (as the Tekau Plus funder).
- The review will be undertaken by Tony Hartevelt, Deputy Commissioner, State Services Commission, Mr Whaimutu Dewes, independent consultant and PricewaterhouseCoopers (collectively 'the Reviewers'). Murray Coppersmith will be the Engagement Partner on behalf of PricewaterhouseCoopers.
- The Reviewers are jointly responsible and accountable for the timely delivery of the review and the quality of review outputs.
- Regular, substantive updates will be made to the parties involved in the review by the Reviewers at dates to be agreed with the Maori Trustee and the Chief Executive of Te Puni Kokiri.

Review Scope

The review of value for money will encompass the following areas:

- Considering the outcomes and outputs set out in the Investment Agreement and undertaking a collation and analysis of all outputs delivered/achieved relative to the requirements of the Investment Agreement and funding provided to date. This will include a consideration of outcomes and/or outputs that were delivered but not necessarily prescribed in the Investment Agreement.
- Considering the activities of Tekau Plus and its contracted providers including the processes followed and the assessments made to support the prioritisation of outputs and any other work under the Investment Agreement (for example, the identification of clusters). In considering those decisions regard is to be had to engagements with Te Puni Kōkiri (both formal and informal).
- An assurance review of Tekau Plus governance processes and those of its contracted providers to ensure conflicts of interest and other governance decisions, as these relate to the Project, were dealt with appropriately.

The review will require engagements with key stakeholders to be agreed to by the Reviewers, the Māori Trustee and Te Puni Kōkiri to provide further qualitative information on the value-for-money of Tekau Plus and its achievements.

The Reviewers will have the right to determine other priority areas for investigation and analysis during the course of the review, particularly as data and information becomes available and priority areas for further consideration are revealed.

The review is not an audit of Tekau Plus nor its contracted third party providers in order to provide a formal assurance opinion that the accounts of organisations involved in the Tekau Plus project are true and fair and free from material error. The review will limit itself to providing specific conclusions on those areas that are investigated as part of the review.

Access to information and third parties

- It is envisaged all parties involved in the review will provide prompt access to key personnel for interview purposes and requested financial, output and other information as deemed necessary by the Reviewers for the purposes of the review.
- Specifically, the Reviewers shall have access to information and records held or controlled by Tekau Plus which are relevant to Tekau Plus' performance under the Investment Agreement, including information and records that Tekau Plus has a right of access to under any contracts entered into by Tekau Plus in relation to the Investment Agreement.
- The Reviewers shall also have the right to interview members of the organisations that are represented in Tekau Plus in relation to Tekau Plus' performance under the Investment Agreement and Tekau Plus will make all reasonable efforts to facilitate interviews of third parties engaged to carry out work for Tekau Plus in performance of its obligations under the Investment Agreement.
- Commercially sensitive information will be treated as such and where appropriate or necessary confidentiality agreements may need to be entered into by the parties involved. Information made available by Tekau Plus will not be used, retained or distributed for any other purpose except for carrying out the Review.

Control of information and review deliverables

- It is expected that all parties involved in this review, including the Reviewers will maintain strict confidentiality and not disclose any draft products or other information to third parties without the approval of the Māori Trustee, the Chief Executive of Te Puni Kōkiri and the Reviewers.
- The distribution list for reviewing work undertaken by the Reviewers will be agreed by the Reviewers, the Māori Trustee and the Chief Executive of Te Puni Kōkiri. The Reviewers will maintain the distribution list of officers/recipients of drafts or excerpts from drafts or any other information in the course of the review.
- The Reviewers acknowledge that Te Puni Kōkiri will reserve the right to brief Ministers as appropriate and/or when requested by Ministers on the progress of this review or any other matters pertaining to the review.

Review timeline and approach

- All data collection and analysis for the review is to be completed by 30 April 2010 with a final draft prepared by the Reviewers by 30 April 2010.
- The final report is to be agreed to by the Reviewers, the Māori Trustee and the Chief Executive of Te Puni Kōkiri by 15 May 2010.
- In the event that, in terms of the preceding paragraph, agreement on the final report cannot be reached, the Reviewers reserve the right to report independently to Tekau Plus and the Chief Executive of Te Puni Kōkiri.
- The Reviewers, in consultation with Te Puni Kōkiri and the Māori Trustee, will have the right to renegotiate the timing of final deliverables if there are delays experienced in, for example, access to information and personnel required to undertake analysis and assessment of value-for-money and/or governance/accountability arrangements of Tekau Plus.

Annex 2: Background & Timeline

Genesis

Over the past few decades, a number of agencies (including NZTE, Treasury, Statistics NZ, NZIER and the OECD)³⁰ have raised the possibility of developing an export programme specifically for Maori business.

This, conflated with the fact that NZTE has narrowed its focus to larger exporters, provided the basis for the governing bodies' justification of the need for the Tekau Plus programme.

The Tekau Plus concept originates in a series of meetings between TPK, FOMA, Poutama and the Maori Trustee in late 2006, the focus of which was to develop strategies to improve Maori agribusiness competitiveness utilising research and the experience within the parties.³¹ Following TPK's agreement to a venture in principle, FOMA, Poutama and the Maori Trustee developed a formal proposal in March and April 2007.

Rationale

Tekau Plus was intended to fill a twofold gap in the market identified by the parties:

- The lack of a vehicle to "bring together Maori agribusinesses to drive strategic positioning (premium) in the export market",³²
- The failure of the current market to "bring private and governmental departments together with Maori who are pursuing export opportunities."³³

The original proposal elaborates on the need for the scheme by outlining a four-part rationale:

- Economic returns – Tekau Plus clusters would enable development of scale and scope, utilisation of extensive Maori landholdings, and the establishment of iconic brands and value-added products
- Market failure – in particular
 - Uncertainty and assymmetric information stifling innovation
 - Failure to invest in public goods
 - Externalities and spillovers to others where Maori brands distinguish NZ products
 - Moral hazard and adverse selection
 - Free riders

³⁰ FOMANA Capital Ltd Briefing Paper: Tekau Plus Context/Background, 21 April 2008, p 4.

³¹ Investment Agreement for Maori Global Agribusiness Development Project dated 14 September 2007, p 27.

³² Investment Agreement for Maori Global Agribusiness Development Project dated 14 September 2007, p 18.

³³ Investment Agreement for Maori Global Agribusiness Development Project dated 14 September 2007, p 18.

- Maori commercial leadership – the opportunity to demonstrate success within Maori business, and build a reputation in this area
- Actions covered by the programme are not dealt with by any other agency, and SMEs are typically too small and risk averse to invest in market research or physical capital on their own

Approach

The Tekau Plus project was established as an export development programme, with the objective of producing \$10m in export revenue for 10 iconic Maori agri-businesses within 10 years. It was established by Te Puni Kokiri, with a funding allocation of \$3.02m (excl GST) over a three year period (although it was anticipated that the project would extend beyond this). The target group for the scheme was originally identified in the Investment Agreement as the upper tier of the 5,000 Ahu Whenua trusts and incorporations in New Zealand.³⁴

In discussions with TPK in September 2008, the BAG said that cluster work would be with established businesses that were Maori owned and controlled. Later, the definition of a Maori entity was altered to include "either collectively owned entities under Te Ture Whenua Maori Act, or other specific legislation, or their subsidiary company; or a business which, in the Board's opinion, has the potential to advance the Tekau Plus Objects."³⁵

The Tekau Plus Project Charter articulates "a two-pronged approach consisting of:

- Leadership: providing strategies to develop scope and overall approach, and engaging with peak bodies and government; as well as providing information and engagement with Maori businesses.
- Business development: facilitating the development for 8-10 iconic Maori export businesses, including research, analysis and brokerage."³⁶

It was envisaged that the Tekau Plus project would progress through a three-stage process in order to create and leverage value:

- "Entry and establishment: This is the establishment of a soft network cluster. From this soft network a cluster proposition of likeminded business leaders converge to build a coherent strategy.
- Business network, research program and international workshops: Where clusters build a wider business network within and external to the Tekau Plus project. Where individual research is collated to the 'whole' research program can benefit all network clusters. Where the Tekau Plus project members receive a series of workshops from international speakers and where participants share their market research and process learning.
- Offshore studies and export FDI club: Where clusters develop their offshore market studies and leverage participation at trade fairs as well as building relationships with key market/import and distribution networks. Where the Tekau Plus project members develop and implement an Export and FDI Club to leverage market awareness and business opportunities."³⁷

³⁴ Investment Agreement for Maori Global Agribusiness Development Project dated 14 September 2007, p 28.

³⁵ Project Memo 17, 28 January 2009, p 10.

³⁶ Tekau Plus Board Project Operating Charter, version 4 updated 1 December 2008, p 4.

³⁷ 10+ Export Excellence brochure.

Entities and people involved

The Tekau Plus project is a three-party partnership between the Maori Trustee, Poutama Trust and FOMA. These three bodies are jointly and severally responsible for meeting the outputs of the Tekau Plus project. Each has a representative on the BAG, which functions as the governing body for the group. The three bodies entered into a MoU with each other in October 2007, and the Maori Trustee entered into an Investment Agreement on their behalf. The BAG asserts that the MoU enabled the Investment Agreement to be with the Maori Trustee, Poutama Trust and FOMA, but it is the Review Panel's view that this was not the case.

The three entities were brought together because they represent "a significant catchment of Maori enterprise, Maori land and asset holders as well as national and international networks, and the potential to attract foreign capital and invest capital."³⁸ It was originally envisaged that there would be 5-6 members of the BAG by April 2008, although this never eventuated.³⁹

Each of the three partners are outlined in more detail below:⁴⁰

- The Maori Trustee is a national body whose role is to protect and enhance Maori assets. It administers or manages about 7% of Maori land in NZ, and holds interests in capital investments. Originally the Maori Trustee was an independent statutory corporation sole serviced by the Office of the Maori Trustee, which was a part of TPK. In July 2009, the Maori Trustee was made a stand-alone organisation.
- The Poutama Trust was established in 1988 to foster the growth of small Maori-owned businesses. It provides a range of development services to enable Maori to capitalise on commercial opportunities in a variety of circumstances.
- FOMA is New Zealand's largest Maori business network, with in excess of 140 members comprised of trusts, incorporations, and large agri- and primary industry holdings. Its purpose is to advance the role of Maori organisations in New Zealand and globally.

In April 2007 FOMANA Capital was asked to work on the planning and project management framework.⁴¹ It was subsequently written into the Investment Agreement in this capacity, and has fulfilled the role of project manager and key provider.

FOMANA was established in 2007 with the principle aim of assisting in the growth of Maori business, particularly in an international context. The company's ownership structure is:

- 70% ownership by FOMA
- 15% ownership by Paul Morgan – Mr Morgan is a professional lobbyist, director and business mentor. He has experience in exporting and in building businesses for export.⁴²
- 15% ownership by Wayne Mulligan – Mr Mulligan has a Master of Management in systems thinking, and is a director and trustee for a number of Maori businesses.⁴³

³⁸ FOMANA Capital Ltd Briefing Paper: Tekau Plus Context/Background, 21 April 2008, p 6.

³⁹ Tekau Plus Board Project Operating Charter, version 4 updated 1 December 2008, p 5.

⁴⁰ FOMANA Capital Ltd Briefing Paper: Tekau Plus Context/Background, 21 April 2008, p 6.

⁴¹ Investment Agreement for Maori Global Agribusiness Development Project dated 14 September 2007, p 27.

⁴² FOMANA Capital Ltd Briefing Paper: Tekau Plus Context/Background, 21 April 2008, p 7.

⁴³ FOMANA Capital Ltd Briefing Paper: Tekau Plus Context/Background, 21 April 2008, p 7.

The Directors of FOMANA are Paul Morgan, Peter Charleton, Richard Orzecki and Stephen Harteveld; Wayne Mulligan is the Chief Executive; and Paul Morgan is the Managing Director.

Business Advisory Group (BAG) members

Maori Trustee John Paki and Poutama Trust representative Richard Jones (the Chief Executive of the Trust) have both been on the BAG since the project's inception.

The initial FOMA representative on the BAG was Paul Morgan, as the Chief Executive of the Federation. Mr Morgan resigned from his position at the end of May 2009, to be replaced by new FOMA CE Rino Tirikatene. IMr Tirikatene later stepped down as FOMA representative to the BAG, and Traci Houpapa, Chairperson of the FOMA Executive, assumed the position.

Overview Panel

Schedule F of the 'Investment Agreement for Maori Global Agribusiness Development Project' provides for the establishment of an Overview Panel.

The purposes of the Panel are:

- "...to provide assistance and support to the Project and including the work of the Business Advisory Group [sic], including advice on specific projects and work and liaison with other agencies;
- to provide assistance and advice to Te Puni Kokiri and the Maori Trustee, in terms of monitoring progress and implementation of the project, specifically through providing peer review and feedback on six monthly reports;
- and to provide assistance and advice to the Business Advisory Group and Te Puni Kokiri on the design and findings of the evaluation of the project."⁴⁴

The Overview Panel is to be comprised of at least the Maori Trustee, Te Puni Kokiri and an independent person from another government organisation such as New Zealand Trade and Enterprise, Ministry of Economic Development or the Ministry of Foreign Affairs and Trade.⁴⁵

The original proposal envisaged that key stakeholder organisations such as TPK and NZTE would have a key role in the programme as part of the "governance panel".⁴⁶ Ultimately, however, the Overview Panel have met only three times: 27 February 2008, 28 July 2009, and 29 October 2009.

Overview Panel members

Originally the Overview Panel was composed of representatives from the Maori Trustee, TPK and NZTE. The first meeting was held as part of the Board meeting on 27 February 2008, with the following people attending:

- Ben Gordon (Maori Trustee)
- Evan Nathan and Carol Berghan (TPK)
- Liz Gibson (NZTE)⁴⁷

⁴⁴ Investment Agreement for Maori Global Agribusiness Development Project dated 14 September 2007, p 15.

⁴⁵ Investment Agreement for Maori Global Agribusiness Development Project dated 14 September 2007, p 15.

⁴⁶ Investment Agreement for Maori Global Agribusiness Development Project dated 14 September 2007, p 41.

⁴⁷ Jack Stephens was originally the NZTE representative on the Overview Panel, but Liz Gibson took over this role prior to the Panel's first meeting.

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The composition of the Overview Panel changed following this initial meeting. Attendant at the second meeting on 28 July 2009 were:

- Ben Gordon (Maori Trustee)
- Dave Samuels (TPK)
- Carole Wright (NZTE)
- Shane Hapimiraki (Department of Labour, standing in for Monique Dawson)

The third meeting of the Overview Panel was convened on 29 October 2009. The members present at this time (and continuing as members to the present, although no subsequent meetings occurred or advice was sought) were:

- Ben Gordon (Maori Trustee)
- Dave Samuels (TPK)
- Carole Wright (NZTE)
- Monique Dawson (Department of Labour).

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Timeline:

8 October 2007

The Maori Trustee, Federation of Maori Authorities and Poutama Trust enter into a Memorandum of Understanding to jointly complete the "Maori Global Agribusiness Development Project."

Investment Agreement signed by Maori Trustee (on behalf of himself, Poutama and FOMA) and TPK.

18 February 2008

FOMANA Contract for Services formalises FOMANA's role as service provider.

27 February 2008

First meeting of Overview Panel (Evan Nathan and Carol Berghan (TPK), Ben Gordon (Maori Trustee), Liz Gibson (NZTE)).

26 August 2008

Dave Samuels letter to John Paki asking for:

- Clarification regarding:
 - o What issues underlie the failure to achieve the June 2008 cluster deliverables?
 - o What discussions have taken place in terms of negotiating and agreeing a delay in the achievement of the clustering milestone?
 - o What risks have been identified that might affect achievement of the milestones relating to clustering and what mitigation strategies have been put in place?
- Provision of:
 - o Two quarterly reports not received by TPK
- Breakdown of financial expenditure to date regarding:
 - o Payments advanced to various parties to the MoU (and documentation and reports received to support those payments)
 - o Monies retained by Maori Trustee as primary contractor, and an explanation of the purpose of the retention

10 September 2008

Ben Gordon responds to Dave Samuels' letter of 26 August 2008.

24 September 2008

Dave Samuels met BAG for the first time in his role as investment manager.

24-26 September 2008

Email communication between TPK and FOMANA considering need to discuss clustering objective in contract to more accurately reflect reality.

2 October 2008

Agreement reached re contract variation:

1. Revision to contact schedules to ensure consistent, easy understanding of contractual requirements and to update the payment schedule to reflect the current timing envisaged on deliverables.
2. Clarify that the 6 month periods referred to in page 32 of schedule G of the contract align with the June and December 2008 timeframes for six-monthly reports, as set out in Schedule C of the contract.
3. Include a provision in the contract whereby from 1 January 2009, an annual Statement of Work will be produced and agreed by all parties to the contract, with milestones based on the planned activities for the year ahead. This Statement of Work would be revised annually for the term of the contract.

26 November 2008

Dave Samuels' letter to John Paki notifying that \$100,000 of invoiced \$275,000 is to be deferred pending achievement of contracted deliverable in relation to the implementation of 1-2 clusters.

3 December 2008

Management Report presented at Board Meeting states that it may be possible to avoid contract variation and continue with the existing reporting/payment schedule.

Paul Morgan notes conflict with Tohu and KONO, Board agreed that it would be useful to get an independent review of the Cluster application, particularly to manage risk where a Board member has declared an interest.

13 May 2009

Dave Samuels letter to John Paki seeking assurance that conflicts of interest around Paul Morgan and Tohu Wine have been managed prudently.

27 May 2009

Letter John Paki to Dave Samuels outlining conflicts management.

Board passed a resolution to confirm that Paul Morgan abstained from voting on 29 January 2009 and 26 March 2009 on the issue of inclusion of TOHU wines in the Tekau Plus programme (Richard Jones/John Paki)

31 May 2009

Paul Morgan's resignation from FOMA's representative on the BAG is effective.

1 June 2009

Rino Tirikatene takes over as FOMA representative on the BAG.

28 July 2009

Second meeting of Overview Panel (Dave Samuels (TPK), Ben Gordon (Maori Trustee), Carole Wright (NZTE) Shane Hapimiraki (Department of Labour)).

29 September 2009

Paul Morgan moved and seconded several approvals at the BAG meeting.

12 October 2009

Leith Comer letter to John Paki requesting copies of:

- Financial accounts for six-month period to 30 June 2009, itemising all expenditure for each category of outputs
- The report arising from the strategy review and document recording "think piece"
- A copy of the One Channel and Brokerage System brochure
- Reports relating to niche studies and research projects that have been conducted and the draft business investment plan
- Further detail on how and why particular cluster businesses have been developed, and a copy of the strategic development programme

29 October 2009

Third meeting of Overview Panel (Dave Samuels (TPK), Ben Gordon (Maori Trustee), Monique Dawson (Department of Labour), Carole Wright (NZTE)).

30 October 2009

John Paki responds to Leith Comer's letter of 12 October 2009 referencing or attaching documents providing the information sought.

13 November 2009

Leith Comer letter to John Paki stating that information sought in letter of 12 October 2009 has not been provided and that Tekau Plus has seven days in which to provide it, during which time the Investment Agreement is suspended.

19 November 2009

John Paki responds to Leith Comer's letter of 13 November 2009 addressing the information request.

1 December 2009

Leith Comer letter to John Paki expressing dissatisfaction with his response and upholding suspension until the process of an independent review is resolved.

Annex 3: Schedule of Services in relation to FOMA

Period: October, November, December 2007 (Schedule of services, memorandum meeting # 5, 25 Feb 2008)

<p>Communications</p> <p>Representative Hours: 12 Invoiced: \$3,000</p> <p>Meetings:</p> <ul style="list-style-type: none"> NZTE , PPG management , DPM&C , 20/20 Primary industry conference, Agresearch, FoMA Dairy Cluster Mark Ahn, Lincoln Agribusiness General Sector engagement

Period: January, February, March 2008 (Schedule of services, memorandum meeting # 7, 15 April 2008)

<p>Communications</p> <p>Representative Hours: 20 Invoiced: \$5,000</p> <ul style="list-style-type: none"> Stakeholder meetings with: MFAT, Minister of Trade, Minister of Building and Construction, MoMA, Te Ohu Kaimoana & Aotearoa Fisheries Ltd, NZ Maori Tourism Council, Maori Party. Scion, NZ Fast Forward Science-food-farms, FoMa Executive, Workshop with Tom Reardon, Agresearch, Agmartd.
<p>Strategy</p> <p>Representative Hours: 4 Invoiced: \$1,000</p> <ul style="list-style-type: none"> E 10+ overview paper, 3 year overview milestone plan, Te Puna Strategy, 10+ Offer & Request for statement of Interest, 10+ Generic – Sponsorship paper.
<p>Governance</p> <p>Meetings: 3 Invoiced: \$2,400</p> <ul style="list-style-type: none"> 3 x BAG Board meetings
<p>Clusters</p> <p>Representative Hours: 2 Invoiced: \$500</p> <ul style="list-style-type: none"> Draft ToR for consultant Feedback on 10+ Offer and Request for Statement of Interest document

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COMMERCIAL IN CONFIDENCE

Period: April, May, June 2008 (Schedule of services, memorandum meeting # 12, 25 June 2008)

Communications Representative Hours: 10 Invoiced: \$2,500 <ul style="list-style-type: none"> Briefings MPs, CEO, TPK, Officials; B English, S Jones, J Fitzsimmons, T Grosser, L Comber, P Lund, D Carter, D Wollerton, T Turia, P Lewin, S Rimene, W Peters. 	
Analysis & Research Representative Hours: 18 Invoiced: \$4,500 <ul style="list-style-type: none"> Review of Documents; SCION, MFAT China, MFAT India, FTA, Mark Ahn 	Governance Meetings: 5 Invoiced: \$4,000 <ul style="list-style-type: none"> 5x Board Meetings
Clusters Representative Hours: 25 Invoiced: \$6,250 <ul style="list-style-type: none"> Cluster meetings: Nutraceutical, Sheep, Beef, Seafood, Dairy, Kiwifruit, Sealords/ AFL 	Strategy Representative Hours: 20 Invoiced: \$5,000 <ul style="list-style-type: none"> Tekau plus strategy TVNZ, FTA, Radio NZ, Symposium, Meetings, Sponsors and speakers, FoMA members

Period: July, August, September 2008 (Schedule of services memorandum meeting # 15, 22 October 2008)

Communications Representative Hours: 15 Invoiced: \$3,750 <ul style="list-style-type: none"> Stakeholder meetings with: Sealords, Aotearoa Fisheries, Maori export Council, Ngai Tahu, Parekura Horomia, Phil Goff, Tau Henare, Pete Hodgson, Tim Groser, Georgina Te Heuheu, Phil Heatley, Tariana Turia, Te Ururoa Flavell, MFAT Officials, NZTE, TPK CEO. 	
Analysis & Research Representative Hours: 0 Invoiced: \$0	Governance Meetings: 3 Invoiced: \$2,400 <ul style="list-style-type: none"> Preparation and attendance at board meetings x3
Clusters Representative Hours: 10 Invoiced: \$2,500 <ul style="list-style-type: none"> Cluster meetings with: AFL, Ngai Tahu, Sealords, Nutraceutical, Wairarapa Moana, Mangatu 	Strategy Representative Hours: 10 Invoiced: \$2,500 <ul style="list-style-type: none"> Feedback and work on sponsors and symposium; and reviewing documentation

Period: October, November, December 2008 (Schedule of services, memorandum meeting # 17, 29 January 2009)

Communications Representative Hours: 10 Invoiced: \$2,500 <ul style="list-style-type: none"> Meetings held with: PGG Wrightson CEO and Senior managers, Nick Smith, Pita Sharples, Georgina Te Heuheu, CEO TEC, NZTE, Tariana Turia, Leith Comer, MAF Officials, Dr Meto Leach, Kiwiwbank CE and Officials, Chris Finlayson 	
Clusters Representative Hours: 80 Invoiced: \$20,000 <ul style="list-style-type: none"> Cluster promotion meetings and road shows held in regions. Specific Cluster meetings with: Nutraceutical, Aquaculture, Crayfish, Kiwifruit, Agri Training Discussion with Chinese Company Manager around indigenous marketing and branding 	Governance Meetings: 2 Invoiced: \$1,600 <ul style="list-style-type: none"> Read papers and attend board meetings x2

COMMERCIAL IN CONFIDENCE

Period: January, February, March 2009 (Schedule of services, memorandum meeting # 19, 28 April 2009)

Governance
Meetings: 2 Invoiced: \$1,600
• Read papers and attend Board Meetings x2

Period: April, May, June 2009 (Schedule of services, memorandum meeting # 22, 28 July 2009)

Governance
Meetings: 3 Invoiced: \$2,400
• Read papers and attend Board Meetings x3

Period: July, August, September 2009 (Schedule of services, memorandum meeting # 25, 27 October 2009)

Governance
Meetings: 3 Invoiced: \$2,400
• Read papers and attend Board Meetings x3

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Annex 4: Schedule of Services in relation to Poutama Trust

1) Period: October, November, December 2007 (Schedule of services from memorandum meeting # 5, 25 February 2008)

<p>Communications Hours: 1, Invoiced: \$250</p> <ul style="list-style-type: none"> Meeting with CE and manager - NZTE 	<p>Governance</p>
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2) Period: January, February, March 2008 (Schedule of services from memorandum meeting # 7, 15 April 2008)

<p>Communications Hours: 3 Invoiced: \$750</p> <ul style="list-style-type: none"> Meetings with various stakeholders and potential speakers for 10+ symposium. Provided feedback on drafts of the following documents: E 10+ overview paper, 3 year overview milestone plan, Te Puna strategy, 10+ Offer & Request for Statement of Interest, 10+ Generic – Sponsorship paper 	<p>Governance Meetings: 2 Invoiced: \$1,600</p> <ul style="list-style-type: none"> Read papers and Chair Board Meetings x2
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We note that the Tekau Plus general ledger, as summarised in Table 4 of this letter, has categorised \$1,600 as "Meetings and Communications" and \$750 as "Governance & Systems".

3) Period: April, May, June 2008 (Schedule of services from memorandum meeting # 12, 25 June 2008)

<p>Strategy Hours: 4 Invoiced: \$1,000</p> <ul style="list-style-type: none"> Review and editing of reports Sourcing of speakers and review of reports for export symposium 	<p>Governance Meetings: 5 Invoiced: \$4,000</p> <ul style="list-style-type: none"> Read papers and Chair Board Meetings x5
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4) Period: July, August, September 2008 (Schedule of services memorandum meeting # 15, 22 October 2008)

<p>Communications Hours: 6 Invoiced: \$1,500</p> <ul style="list-style-type: none"> Te Arawa FoMA hui Uni Akld Business School Hui 	<p>Governance Meetings: 3 Invoiced: \$2,400</p> <ul style="list-style-type: none"> Read papers and Chair Board Meetings x3
<p>Clusters Hours: 2 Invoiced: \$500</p> <ul style="list-style-type: none"> Development of sheep/beef/dairy cluster 	<p>Strategy Hours: 2 Invoiced: \$500</p> <ul style="list-style-type: none"> Assistance at Tekau plus symposium

COMMERCIAL IN CONFIDENCE

5) Period: October, November, December 2008 (Schedule of services memorandum meeting # 17, 29 January 2009)

<p>Clusters Hours: 2 Invoiced: \$500</p> <ul style="list-style-type: none"> Meeting with interested sheep and beef farmers at FOMA conference Follow up arrangements for sheep and beef cluster hui 	<p>Governance Meetings: 1 Invoiced: \$800</p> <ul style="list-style-type: none"> Read papers and Chair Board Meetings x1
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6) Period: January, February, March 2009 (Schedule of services memorandum meeting # 19, 28 April 2009)

<p>Communications Hours: 1 Invoiced: \$250</p> <ul style="list-style-type: none"> Interview and story for KOHA magazine 	
<p>Clusters Hours: 5 Invoiced: \$1,000</p> <ul style="list-style-type: none"> Meetings with potential cluster businesses 	<p>Governance Meetings: 2 Invoiced: \$1,600</p> <ul style="list-style-type: none"> Read papers and Chair Board Meetings x2

7) Period: April, May, June 2009 (Schedule of services memorandum meeting # 22, 28 July 2009)

<p>Communications Hours: 4 Invoiced: \$1,000</p> <ul style="list-style-type: none"> Organisation of Mr Zenti visit 	
<p>Clusters Hours: 2 Invoiced: \$500</p> <ul style="list-style-type: none"> Meetings with potential cluster businesses; Awhina group 	<p>Governance Meetings: 3 Invoiced: \$2,400</p> <ul style="list-style-type: none"> Read papers and Chair Board Meetings x3

Period: July, August, September 2009 (Schedule of services, memorandum meeting # 25, 27 October 2009)

<p>Communications Hours: 10 Invoiced: \$2,500</p> <ul style="list-style-type: none"> Organisation and principal host to Mr Zenti during his visit to NZ 	
<p>Clusters Hours: 6 Invoiced: \$1,500</p> <ul style="list-style-type: none"> Meetings with potential cluster businesses: Big Picture wine, Big Picture and Ian Taylor 	<p>Governance Meetings: 3 Invoiced: \$2,400</p> <ul style="list-style-type: none"> Read papers and Chair Board Meetings x3

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Annex 5: Schedule of Services in relation to FOMANA Capital

Period: October, November, December 2007 (Schedule of services, memorandum meeting # 5, 25 Feb 2008)

This period includes fees incurred pre October 2007. These costs were incurred by FOMANA and approved for payment by the Board in October 2007. These costs totalled \$142,581.67 and have been allocated as \$50,000 to Strategy and Operations with the remaining balance to the categories in the analysis below as consistent with the General Ledger and noted as "Pre establishment fees".

<p>Communications</p> <p>Pre establishment fees: \$20,043.67</p> <p>Invoiced: \$40,000</p> <ul style="list-style-type: none"> • Plan developed • Stakeholder meetings with; • PGG Wrightson, NZTE, Victoria Uni, Ag Research, DPMC, FOMA Dairy Cluster, FORST, Morst, University of Auckland, Lincoln University, Massey University, Maori dairy cluster, Fonterra Manager, TPK, DPM&C, FOMA members AGM, • FOMANA Launch attendees, CRAG Board, Endeavour Capital, Lewin Strategies • Risk management program developed • Symposium outline arranged • Attended 20/20 PI Conference 	<p>Analysis & Research</p> <p>Pre establishment fees: \$45,000</p> <p>Invoiced: \$30,000</p> <p>Reviewed and Analysed:</p> <ul style="list-style-type: none"> • Paper- Structure and roles of the Peak Group and Working Groups • A model for commercialisation within research institutes - building common language procedures and partners • Maori Global Agribusiness Development- Tekau Plus Assessment Criteria (TPK Sponsored) • Maori Global Agribusiness Development Review paper (TPK Sponsored) • Strategic Foresight: Challenges and Opportunities - Draft report (Aug 2007) • Application of Technologies to Maori Agribusinesses (Aug 2006) • Maori Business Future Export Earnings (FOMA) • Cluster Guide: White Book • Economic Benefit Appraisal Tool NZTE • MoRST NZ Research Agenda Draft Oct 07 • MAF Future Focus (2007) <p>Research and briefing papers:</p> <ul style="list-style-type: none"> • NZTE- CEO • NZTE appointed Tekau plus manager
<p>Governance</p> <p>Invoiced: \$22,538.00</p> <ul style="list-style-type: none"> • Plan drafted and approved of 6 month implementation plan • Operating charter prepared and approved • Fortnightly project management meetings • Additional BAG membership report prepared 	<p>Clusters</p> <p>Pre establishment fees: \$5,000</p> <p>Invoiced: \$30,000</p> <ul style="list-style-type: none"> • Terms of reference agreed and consultant engaged

COMMERCIAL IN CONFIDENCE

Period: January, February, March 2008 (Schedule of services, memorandum meeting # 7, 15 April 2008)

<p>Communications</p> <p>Invoiced: \$25,000</p> <p>Communications plan implemented and stakeholder meetings held with:</p> <ul style="list-style-type: none"> • PGG Wrightson: 3x including sponsorship for first workshop, PGG research findings and strategy to approach potential speakers. • NZTE: Wayne attended Beachheads Conference 28 Feb; Programme and update on Overview panel: Liz Gibson meeting 8 Feb, BAG 27 Feb. • Victoria Uni: Meeting with Admin staff to arrange 2nd Workshop. • Ag Research: First workshop meetings. • Agmardt: First Workshop meeting; Steve Mcauley. • Te Puni Kokiri: Communication Meeting. • FRST: Overview of 10+ meeting. • MRST: overview of 10+ meeting. • University of Auckland: 10+ overview. • FOMA Executive: Strategy 10+ overview report. • Capitalising on Research & Dev Action Group: 10+ strategies. • Endeavour Capital. Lewin Strategies: Export strategies meeting. • Ministry of Foreign Affairs. Minister of Trade. Minister of Building and Construction. Minister of Maori Affairs. • NZ Maori Tourism Council. Te Ohu Kaimoana and Aotearoa Fisheries Ltd. Maori Export Fund. Crop and Food Research. FoMA Network of Maori Authorities. Fomana website. Kiwibank. Hui Tumata Board. Finister Capital. Maori Party. Wairapa Moana Incorporation. Kia Kaha Ltd. Scion. <p>FOMANA also canvassed many speakers for the symposium planned in May.</p>	
<p>Analysis & Research</p> <p>Invoiced: \$10,000</p> <p>Read and analysed the following documents:</p> <ul style="list-style-type: none"> • Prof Thomas Reardon "The Supermarket revolution in emerging markets: Implications for the produce industry." • Tom Reardon CV. Rod Oram "The value of Maori Assets" Sunday Star Times. • Rod Oram State of the Nation speech at Te Tii Marae "We're all in this together: The Treaty, the economy and NZ's future in the world." • Rod Oram Opinion "the Value Chain." "Reality Bites." • Sunday Start Times, 2 & 16 March. Bob Edlin Opinion "What is the Maori economy and how do we measure it?" • Corolis Research Report prepared for FAME "Tesco, A case Study in Supermarket excellence." • New Zealand Fast Forward Strategy in Dom Post 11 March "Ideas are capital, distance is nothing." • Tama Potaka, "Time for Maori to fly in formation." • Peter Hunter Internationally competitive Science in NZ." • Obtained a list of exporters that are registered by NZ Food safety Authority Register. • Research commissioned by PGG Wrightson supports 10+ strategy. • Reviewed Case studies by Vic Uni concerning NZ Businesses that have created value added products through RST, entrepreneurship and issues faced. • Circulate email notice of events of relevance. 	<p>Governance</p> <p>Invoiced: \$25,000</p> <ul style="list-style-type: none"> • 6 documents reviewed by FOMANA for consideration and approval by BAG. Documents are consistent with the parent documents (MoU, TPK contract, Project Plan, Operating charter) and will provide a transparent and accountable system for contract administration and financial reporting and payments. • FOMANA prepared information to assist BAG discussion on appropriate level of remuneration to fairly reflect the "Governance" work of individual BAG Members for Tekau plus project and keep within the original budget levels. • Advice on skills and Minimum attributes for additional BAG members. • Discussed membership with Mark Ahn, Victoria University. • Updated register of interests of BAG Members and Management. • Prepared Proposed Forward meeting schedule for BAG • Drafted contract accountability documents and input into Quarterly report for TPK • Prepared board and meeting papers for BAG meetings 18 Feb, 27 Feb, 26 March.

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<p>Clusters</p> <p>Invoiced: \$20,000</p> <ul style="list-style-type: none">• Develop 8 success factors for business case criteria and due diligence process to incorporate into ToR for consultant• Refine ToR and LoE for consultant• Analyse draft report and provide feedback to Consultant• Review and analyse final report and give to BAG• Adapt criteria and selection process for inclusion into 10+ offer and request for statement of Interest document.• Seek peer review and circulate drafts to BAG.	<p>Strategy</p> <p>Invoiced: \$40,000</p> <p>Developed:</p> <ul style="list-style-type: none">• 10+ overview paper• 3 year overview milestone• Te Puna strategy• 10+ offer and request for statement of interest• 10+ generic – Sponsorship paper
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COMMERCIAL IN CONFIDENCE

Period: April, May, June 2008 (Schedule of services, memorandum meeting # 12, 25 June 2008)

<p>Communications</p> <p>Invoiced: \$25,000</p> <ul style="list-style-type: none"> Updated communications plan Lewin Strategies Meetings and engagement with; EDNZ – CEO. MED Officials. Wellington Chamber of Commerce. MAF Officials. MFAT Officials. Tourism NZ CEO. Ministerial Officials. NZTE CEO. Ministerial Officials. NZTE CEO. NZTE Officials. WCC Officials. Incubator Officials. News Articles. Crop & Food. Agresearch, IRL, Auckland University, Business NZ. Hui Taumata. Fast Forward Fund. FoRST. MoRST. Maori TV. TV 1-Te Karere. Briefing Stakeholders Briefing CRAG Committee Briefing Ministerial Advisory group. 	
<p>Analysis & Research</p> <p>Invoiced: \$40,000</p> <p>Plus expenses of \$2,800</p> <ul style="list-style-type: none"> Te Puna Research & analysis China FTA Roadshow, Submissions, and Bill analysis Review study group terms India FTA Research Korea FTA options Policy Development: Fundraising, Sponsorship, Associate system, networks. Fast forward fund FoRST- Analysis & Submission of Stable Funding Policy MoRST policy R&D Budget announcement analysis Meeting MoRST R&D Tax credit Analysis: R&D tax credit; Logo design; Website development; MAF policy; Hui Taumata workforce strategy. 6monthly report MAF- Emission trading papers MED "Backing our strengths Pastoral Farming China Document NZTE. 	<p>Governance</p> <p>Invoiced: \$15,000</p> <ul style="list-style-type: none"> Meeting and Papers x5
<p>Clusters</p> <p>Invoiced: \$40,000</p> <ul style="list-style-type: none"> Tekau Plus document – Cluster 10+10+10 Te Puna Document Cluster research Report Printing off documentation Cluster target group report Cluster meeting and correspondence with: Kiwi fruit group; Nutraceutical group; Fibre group; Maori creative sector; Forestry; Dairy group; Horticultural group; Educational group. Confidentiality deed NZTE documentation 	<p>Strategy</p> <p>Invoiced: \$35,000</p> <ul style="list-style-type: none"> International Economic Policy workshop: China FTA, MFAT international policy, FAME, NZTE Victoria university workshop planning and targeting key attendees Symposium plan Symposium project management: Sponsor engagement; Speaker engagement; Venue management; Web registration.

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COMMERCIAL IN CONFIDENCE

Period: July, August, September 2008 (Schedule of services, memorandum meeting # 15, 22 October 2008)

<p>Communications</p> <p>Invoiced: \$17,000</p> <p>Meetings and engagement with:</p> <ul style="list-style-type: none"> Export Symposium Officials, Speakers, Sponsors Government Departments, Stakeholders industry, KOHA magazine, MAF Officials. MFAT Officials. Maori Tourism CEO. Hon. Minister Goff and Officials, NZTE CEO, NZTE officials, WCC officials, EDNZ – CEO, MED Officials, Wellington Chamber of Commerce, Tourism NZ CEO. News Articles. Crop & Food. Agresearch, IRL, Auckland University, Victoria University, Business NZ. Hui Taumata. FoRST, MoRST, Maori TV, TV 1- Te Karere, Radio – Watea, Meetings with clusters Briefing CRAG Committee Briefing Ministerial Advisory group. <p>Web and Launch:</p> <ul style="list-style-type: none"> Website fully established on 7 July at Exhibitions gallery. 40+ people attended. A successful evening and an accord was reached with Victoria University. Links have been made to Poutama, FOMANA and FoMA sites. Two Regional Hui have occurred in this timeframe. One was in Rotorua and the other in Auckland. Three presentations were provided: Tekau plus strategy & Cluster framework; Mary Boyd Tekau Plus Presentation; and Maori farm investment study in China. Another workshop is planned. 	
<p>Analysis & Research</p> <p>Invoiced: \$20,000</p> <p>Following Documents have been reviewed/ Analysed:</p> <ul style="list-style-type: none"> Food and Beverage taskforce paper; TPK contract review; MFAT – Meeting- Korean FTA, Indian FTA, MAF – Emissions trading proposal; Awatoru Maori Design; Pastoral farming China document NZTE; Pastoral farming Turkey; NZTECH documentation; Grow Wellington documentation; Economic Credit crunch reports; PGG Wrightson and Silver Fern Farms; Maori Aquaculture settlement valuation; Mfish Maori aquaculture consultation paper; Wool Company Launch; Six monthly report and P4; Quarterly report, TEC primary industry training paper. 	<p>Governance</p> <p>Invoiced: \$20,000</p> <ul style="list-style-type: none"> Preparation and distribution for Meeting Papers, Minutes, Input into Six monthly report and meetings with TPK.
<p>Clusters</p> <p>Invoiced: \$35,000</p> <ul style="list-style-type: none"> Cluster commitment documents drafted Cluster meetings with CEO Ngai Tahu Holdings, CEO Sealords, CEO AFL, FoMA Te Arawa, PKW Chair/CE, Nicholson Fisheries, Wakatu- Horoirangi marine group, Cluster research report, Wi Pere, Mangatu, PKW. Cluster correspondence with on beef, sheep and dairy clusters: Tiroa, Te Hape, Aohanga, Wairarapa Moana, Atihau Whanganui, Marino Nutraceutical group, Beverage Waituna Breweries, CNI forestry, Ngati Awa Holdings Corp, Ngati Ruanui, FoMA Dairy group, Horticultural group, Agri Training Cluster. Arranged Hui With: Northland groups, Nelson groups, Ngati Awa Board, Tauranga Moana collective. Kiwifruit, Seafood, Sheep and Dairy Meetings being arranged. Cluster meetings taken place as well as regional Hui 	<p>Strategy</p> <p>Invoiced: \$27,000</p> <ul style="list-style-type: none"> Symposium (11-12 September) – Project Management, Implementation and Follow up. Incubation development programme. Centres of Excellence: Dairy, Sheep, Beef, Marketing, Aquaculture, Horticulture, Channel, Fishing, Forestry. Victoria University accelerating. Maori High Value: FAME programme Maori Exporters Council Workshops.

Contract Payments

Invoiced: \$30,000

The Tekau Pus Board approved payment of \$30,000 of the approved \$70,000 budget for Symposium expenses at Board Meeting #15. The Maori Business Symposium was held in Wellington in September 2008 with 132 attendees. The Tekau Plus \$30,000 was used to promote workshops and communicate Tekau Plus through media and the KOHA magazine.

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COMMERCIAL IN CONFIDENCE

Period: October, November, December 2008 (Schedule of services, memorandum meeting # 17, 29 January 2009)

<p>Communications</p> <p>Invoiced: \$15,000</p> <ul style="list-style-type: none"> Stakeholder Meetings with: Mark Ahn, Tiaki Hunia (Ngati awa), Matt Crawford, Alana Hudson (MFAT), Alan Haronga (Mangatu/ Wi Pere), Tem Hall (Taupo Moana Group/ Putake), Manuka Henare (UoA), Te Horipo Karaitiana (Wairarapa Moana & TWOA), Peter Charleton, Jamie & Dion Tuuta (PKW Farms), Greg Harwood (Paihamu), Ali & Kingi Hui (Babu), Jane Kennedy (Horoirangi), FoMa executive, Tom Rogers and Steven Tuawhare (IRL), Alan Groves, Hugh King (FAME), Greg Sitters (Venture Capital), NZTE, Adrian Orr – Matt Whineray NZ Super Fund, Tumanako Wereta (Tuaropaki), Tu Wyllie (AFL), Adrian Lockhart (Tohu), Simon Burney (Waituna Brewing Co.), Phil O'Reilly (BusNZ), Will Wilson (Nga Puhi), Reece Moores (FRST), Karl Wilcox (Awatoru), Ngatata Love (Wellington Tenths), CRAG, Taari Nicholas, Waka Vercoe, Brian Ward (Smesynthes) Draft article for Tu Mai KOHA Magazine Communication promoting tekau plus and video interviews prepared for: Tohu Wines, Waituna Brewing, Tuaropaki Trust, Tekau Plus chair, Richard Jones, AFL Maori Fisheries, Awatoru, ASL Maori aquaculture. 	
<p>Analysis & Research</p> <p>Invoiced: \$60,000</p> <p>Reports/ documents reviewed/ analysed</p> <ul style="list-style-type: none"> BERL economic update – December 2008, Awatoru Programme, Goldman Sachs – Bric and Beyond, NZ institute “NZ on the edge: Swan dive or Belly Flop? A draft strategy for coming out of the crisis stronger.” BERL Quarterly report, KPMG Australia, MFAT business link update, The National Business review “Maori/ Iwi Sector – The search for exciting companies.” NZ Listener best brightest and boldest power lists of the year’s most influential people. Joint venture quota investment company: 3 year plan summary presentation, “Quota Valuation – The driving factors.” NZ Herald, “Farming systems Uruguay capital raising put on hold.” Science and innovation policy statement. “New Zealand winegrowers is celebrating a double-record breaking month for worldwide exports.” New CRI- plant and food research institute. MAF briefing for incoming ministers. Tim Groser, Minister of Trade elect addresses NZ China Trade Association. NZ Insitute Essay, “The end of the golden weather, December 2008- Decade of subdued global growth.” 2008 Deloitte/ Unlimited Fast 50 awards list. NZTE monthly market report. Development High growth companies and NZ high case studies 	<p>Governance</p> <p>Invoiced: \$10,000</p> <ul style="list-style-type: none"> Preparation and distribution of 2 x Board Meeting papers and minutes. Update project operating charter and Register of Interests Draft 2009 Work programme and variation to contract schedules Contract management and meetings and email communications wit TPK on contract variations and payments.

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<p>Clusters</p> <p>Invoiced: \$80,000</p> <p>Documents developed or updated:</p> <ul style="list-style-type: none">• Due diligence question form & assessment form,• Indigenous Leverage Beverage Cluster overview document,• International study programme ToR,• Draft letter of Authorisation,• Confidentiality agreement. <p>Cluster development across following sectors:</p> <ul style="list-style-type: none">• Nutraceuticals, Honey & Wellness; Wool & Fibre products; Wine and ale products; Beef, Sheep, Kiwifruit, Dairy and offshore Investment; Aquaculture and Seafood; Agribusiness training Systems <p>Cluster meetings with:</p> <ul style="list-style-type: none">• Ngati Awa, Fibre Businesses, Tauranga Moana collective, Waituna Brewing co., Horticulture business, CEO Tohu Wines, Marino Nutraceutical group, Omega 3, Cosmeceticals, Primary industry training group.	<p>Strategy</p> <p>Invoiced: \$2,500</p> <p>Research and preparation of environmental scan paper to:</p> <ul style="list-style-type: none">• Provide an overview of the current economic setting• Leverage from the current situation and reports such as NZX & NZ institute.• Draft terms of engagement for consultant to undertake due diligence, develop commercial plans and advice on RS&T.• Meeting with NZ investment fund• Meeting with creative HQ, Grow Wellington Business incubator• Methodology developed for cluster participants.
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COMMERCIAL IN CONFIDENCE

Period: January, February, March 2009 (Schedule of services, memorandum meeting # 19, 28 April 2009)

<p>Communications</p> <p>Invoiced: \$30,000</p> <p>Meetings and engagement with;</p> <ul style="list-style-type: none"> MFAT, NZTE, Mark Ahn, Tiaki Hunia (Ngati awa), Matt Crawford, Alana Hudson (MFAT), Alan Haronga (Mangatu/ Wi Pere), Tem Hall (Taupo Moana Group/ Putake), Manuka Henare (UoA), Te Horipo Karaitiana (Wairarapa Moana & TWOA), Peter Charleton, Jamie & Dion Tuuta (PKW Farms), Greg Harwood (Paihamu), Ali & Kingi Hui (Babu), Jane Kennedy (Horoirangi), FoMa executive, Tom Roger and Steven Tuawhare (IRL), Alan groves, Hugh King (FAME), Greg Sitters (Venture Capital), NZTE, Adrian Orr – Matt Whineray NZ Super Fund, Tumanako Wereta (Tuaropaki), Tu Wylie (AFL), Adrian Lockhart (Tohu), Simon Burney (Waituna Brewing Co.), Phil O'Reilly (BusNZ), Will Wilson (Nga Puhi), Reece Moores (FRST), Karl Wilcox (Awatoru), Ngatata Love (Wellington Tents), CRAG, Taari Nicholas, Waka Vercoe, Brian Ward (Smesynthes) Wayne Mulligan has been attending several meetings and conferences. KOHA magazine released. 	
<p>Analysis & Research</p> <p>Invoiced: \$30,500</p> <ul style="list-style-type: none"> Reports/ documents reviewed/ analysed & circulated BERL economic update; Awatoru programme, Goldman Sachs Bric and Beyond; "Angling for Fortune with Omega-3 fish waste venture." NZTE Market intelligence survey. NZ Institute "The emperor has no clothes: NZ's vulnerability in the face of the global economic crisis." "Heavy Mountain Weather: Funding risks for NZ and proposed solutions." NZTE Market intelligence briefing; Programme and Tekau plus presentation for Waiariki Maori economic Seminar; On the boil, Food trends document. Analysis of ASEAN FTA Documentation. Reports on Emerging Markets in China. Due Diligence conducted by independent reviewer for Tohu, NONO, Waituna and Taa Kawa international. 	<p>Governance</p> <p>Invoiced: \$15,000</p> <ul style="list-style-type: none"> Preparation and distribution of Board meeting and minutes Update project operating charter and Register of Interests Draft 18 month Forward work Programme with focus on cluster development an funding allocations Contract management Review and preparation for six monthly report
<p>Clusters</p> <p>Invoiced: \$55,000</p> <p>Cluster Development:</p> <ul style="list-style-type: none"> Agricultural Cluster, Beverage cluster, Seafood Cluster, Sheep and Beef cluster, Horticulture cluster, Value add RS&T Cluster, Fibre cluster, Market Cluster. Negotiations and research into these clusters Cluster design and development meetings. 	<p>Strategy</p> <p>Invoiced: \$6,000</p> <ul style="list-style-type: none"> Cluster focus: Continue to build networks, work on developing clusters and strengthening communications to promote cluster propositions. NZ business delegations Wayne Mulligan attended ASEAN FTA in Thailand to promote Tekau plus Wayne to accompany PM to China

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COMMERCIAL IN CONFIDENCE

Period: April, May, June 2009 (Schedule of services, memorandum meeting # 22, 28 July 2009)

<p>Communications Invoiced: \$24,375</p> <ul style="list-style-type: none"> Wayne Mulligan part of business delegation with PM Business trip to China Preparation of background information and drafting programme for Mr Gianluigi Zenti and Academia Barilla, to be hosted by Tekau Plus. Wayne Mulligan speaks at an economic development conference in Alberta, Canada Stakeholder meetings with: Primary industry taskforce, Awhina group, Tiroa Te Hape Trust, Toku Foods NZ Ltd, Mareroa C inc, NZTE, Earth 174, Aotearoa and Waituna Breweries, AgResearch, Scion and Biopolymer Network Ltd, NZ China trade association, Uniservices, Aotearoa Fisheries Ltd & Awatoru, Auckland Business school, IRL. 	
<p>Analysis & Research Invoiced: \$33,500</p> <p>Cluster development research:</p> <ul style="list-style-type: none"> Establishing soft network clusters; Working through issues with potential cluster participants; Developing a strategy for a clear strategy forward; Working through a detailed research and study programme; Developing the programme to meet the needs of stakeholders; Working on a business network approach to manage communication between cluster participants; Bigger picture value proposition; Ensuring offshore studies add value. <p>Documents reviewed/ analysed:</p> <ul style="list-style-type: none"> BERL forecasts, BERL "Gently does it" NZTE documents, NZ institute documents, Economist intelligence unit, Media articles distributed to Tekau plus board. 	<p>Governance Invoiced: \$28,250</p> <ul style="list-style-type: none"> Preparation and distribution of Board meeting and minutes Preparation and distribution of confidential cluster documentation to Board to support approval process. Prepare briefing paper for board meeting with Leith Comer. Prepare paper on role of overview panel Prepare documents to support Maori Trustee response to investment manager re: conflict of interest Contract management with TPK Meeting with TPK investment manager Update project operating charter and Register of Interests Provide Background papers to Rino Tirikatene
<p>Clusters Invoiced: \$53,130</p> <p>6 clusters:</p> <ul style="list-style-type: none"> Beverages Gourmet food and ingredients Horticulture and Fibre Apiary Dairy organic cluster Bio-activities cluster 	<p>Strategy Invoiced: \$4,750</p> <p>Tekau Plus Business plan strategy document developed and presented in draft to board</p> <ul style="list-style-type: none"> Goal and value proposition Clusters and cluster proposition Timelines and resource allocations Summary and contact details <p>Review added value benefits and prepare Report to board outlining 'Added Value' provided to date to Tekau Plus project and to Cluster participants</p>

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COMMERCIAL IN CONFIDENCE

Period: July, August, September 2009 (Schedule of services, memorandum meeting # 25, 27 October 2009)

<p>Communications</p> <p>Invoiced: \$47,375</p> <ul style="list-style-type: none"> Wayne Mulligan speaking at an Economic Development Conference in Alberta. Mr Gianluigi Zenti visit to Wellington; Co-ordinated Tekau Plus meeting and lunch hosted by Leith Comer and Te Puni Kokiri Senior Management., Organise dinner with invited Ministers and other Maori Business leaders. Co-ordinate workshop and lunch with E Tipu committee and members of staff and board of Te Ohu Kaiwana. Go global conference- co-ordinated board meeting. Continuing stakeholder relationship meetings and position Tekau Plus cluster participants to FHC Pathway to China: eight companies going to China for the pathway package and food- Hotel China program. <p>Stakeholder meetings:</p> <ul style="list-style-type: none"> Industrial research Ltd, AgResearch, Uniservices & Auckland business school, Seafood/Aquaculture cluster, Intergrated foods, Wi Pere Trust, Mangatu Inc, Tuaropaki, Tamarapa Lloyd, Project Manager of Primary Sector Committee, Awhina group, PKW, Te Wai Maori trust, E Tipu Task Force, Waituhi Kuratau, IRL-CEO, Tohu Wines, Big Picture Wine, FoRST, Minister of Trade, Aotearoa Breweries, NZ China trade association, TPK, Therapeutic foods, Israel ambassador, NZVIF, Niwa, Te Awe Wellington Maori Business Network, Grow Wellington, CEO Icehouse. 	
<p>Analysis & Research</p> <p>Invoiced: \$35,000</p> <p>Cluster Development Documentation:</p> <ul style="list-style-type: none"> Working through issues with potential cluster participants to develop clearer picture of Tekau Plus fit. Detailed research and study programme. Business network approach to multiple cluster communication "Cycle of Innovation" to be presented to the Board. <p>Following Documents reviewed / analysed:</p> <ul style="list-style-type: none"> NZTE: New Zealand Organics Sector Profile, Organics Sector overview, Indigenous Branding. BERL Monthly monitor. Dr Malcolm Cone: Presentation to Tekau Plus Board. Watson & Son : Buzz word newspaper. Economist Intelligence Unit: China Forecasting & China stimulus package 6 month report card. Documents relating to food and Hotel China Pathway package. NZ Middle East Business Council Newsletter. Various media articles and press releases 	<p>Governance</p> <p>Invoiced: \$23,250</p> <ul style="list-style-type: none"> Preparation and distribution of 3x Board meeting and papers and minutes Preparation and distribution of Confidential Cluster documentation to Board to support approval process Contract management with TPK Email communications with Overview Panel Work with Maori Trustee to prepare 6 monthly report, including a section on Added Value as requested by the Board.
<p>Clusters</p> <p>Invoiced: \$83,500</p> <ul style="list-style-type: none"> Communicated Board decisions to all approved cluster participants and completed confidentiality agreements. Engaged independent reviewers to conduct due diligence reports for: Natures country gold Ltd., Maraeroa C Inc, Toku foods NZ Ltd, Aotearoa Seafoods Ltd, Navigator Tours Ltd, Earth 174 degrees, Tafamea Ltd, Biopolymer Network Ltd. Biofarm Products Ltd, Watson and Murray Ltd, Watson & Son Ltd. Due Diligence commissioned: Waituhi Kuratu Trust, Waituhi Kuratu Ltd, Matatoki Farm Cheese Ltd. 	<p>Strategy</p> <p>Invoiced: \$10,000</p> <ul style="list-style-type: none"> Tekau Plus Business plan strategy document updated to reflect additional cluster participants approved for programme. A final and professionally designed public document will be available in the next quarter. Following comments by TPK investment manager on budget bids, reviewed Tekau plus programme to date and is preparing a programme continuation paper for consideration by the board for discussion with TPK.

Annex 6: Quantitative Contractual Outputs

(up to contract suspension on 13 November 2009)

Key:

Green = Quantitative measures for contract outputs satisfied

Amber = Quantitative measures for contract outputs unclear

Red = Quantitative measures for contract outputs not achieved

Programme	1 st 6 months	2 nd 6 months	3 rd 6 months	4 th 6 months
Governance	Governance structure	Networking with key stakeholders	12 month work programme	6 monthly report
	BAG members and project management and contract complete	6 monthly report	Project governance and management	Networking with key stakeholders
	Hui key stakeholders	Project governance and management		Project governance and management
Key milestone	Programme completed and structure finalised	Completion of 6 month report	Work programme completed	Completion of 6-month report
Strategy	Concept proposal	Hui with agribusiness, exporters, CRI, NZTE and private investors	Agribusiness workshop with CRR, NZTE and private investors	Strategy reviewed
	Plan prepared			Think piece developed to enhance strategy
	Strategic framework drafted			
Key milestone	Approved plan	Strategic players agree to support	Strategic workshop	Strategy updated
Comms	Communications, risk and stakeholder plan developed	Hui	Hui to illustrate research data and promote One Channel & Brokerage system	One Channel & Brokerage System brochure and Q&A
	Hui promotion material planned	Roadshow with Maori agribusiness		Media release
	Website planned	Web update and media release		
Key milestone	Approved communication, stakeholder and risk plan	Marketing to Maori agribusiness	Pool of key Maori agribusiness commit to participate	Key message for One Channel & Brokerage System established

Programme	1 st 6 months	2 nd 6 months	3 rd 6 months	4 th 6 months
<p>Analysis & Research</p> <p>Scoping contracts for One Channel/ Brokerage system</p> <p>Export market data</p> <p>Scope value chain and business case terms</p> <p>Key milestone <i>Scoping document completed</i></p>	<p>Approved criteria and policies</p> <p>One Channel and Brokerage System finalised</p> <p>Research data and business case complete</p> <p>Criteria, policy and One Channel & Brokerage system formed</p>	<p>Further market research</p> <p>Key niche studies implemented</p> <p>Market research and key niche studies implemented</p>	<p>Research projects and niche studies completed</p> <p>Business investment plans scoped</p> <p>Investment planning underway and niche markets identified</p>	
<p>Clustering</p> <p>Scoping and cluster identification</p> <p>Hui</p> <p>Diligence on likelihood</p> <p>Key milestone <i>Scoping and clusters identification, hui and diligence on likelihood</i></p>	<p>1-2 pilots implemented</p> <p>1-2 pilots implemented</p>	<p>Structural systems finalised for first cluster group</p> <p>1-2 new clusters formed</p> <p>Cluster systems finalised</p>	<p>2-3 clusters ready for structural and strategic development programme</p> <p>2-3 clusters implemented</p>	

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