



Hon Stuart Nash

PRESS RELEASE

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Minister for Economic and Regional Development
Minister of Tourism
Minister for Small Business

Unleashing business potential across NZ

- A new Business Growth Fund to support small and medium sized enterprises (SMEs) to grow
- Fully funding the Regional Strategic Partnership Fund to unleash regional economic development opportunities
- Tourism Innovation Programme to promote sustainable recovery
- Eight Industry Transformation Plans progressed to work with industries, workers and iwi to transition to a high-wage, low-emissions economy

A new fund to improve access to finance for small and medium businesses is included in a package of Budget 2022 initiatives to drive economic security, innovation, and low-emissions growth.

“SMEs are a core part of our economy, contributing about 30 percent to New Zealand’s GDP. Many are poised to grow if given the opportunity and can play a key role in our economic security and transition to a low emissions economy,” Stuart Nash said.

“The Government is committed to improving SME’s access to finance, and to establishing a Business Growth Fund. The Budget has set aside \$100 million over the coming year for Crown investment as a minority shareholder in a Business Growth Fund, alongside private banks.

“It is intended the Fund will help fill a gap in the capital market for SMEs that require growth capital not available through current market providers. The Fund is an investment model already established in the UK, Ireland, Canada, and Australia.

“These funds are generally collectively owned by private banks, while the Australian version also has the Commonwealth Government as a shareholder. Since 2011, the UK Business Growth Fund has invested around £2.5 billion (\$4.9 billion NZD) in a range of sectors and in 399 companies.

“In the UK, the investment has led to an estimated growth in job numbers of 11,500 for the companies receiving investment, and an estimated revenue growth of £1.9 billion (\$3.7 billion NZD). Since 2018, the Canadian fund’s investment in 25 companies has resulted in 1,510 jobs in Canada.

“I see this as a crucial but underserved segment of the capital markets. This initiative allows the Crown to take a minority shareholding in a privately operated and independently managed Business Growth Fund, investing alongside banks.

“Banks that own the Fund could refer SMEs to it where equity finance would be more appropriate than debt finance. The Fund would be an active investor focused on providing growth capital, and wraparound capability support, like strategic support and access to a talent network, to SMEs.

“The Fund would always be a minority investor with a seat on the board, offering guidance and expertise but always leaving owners in control. As such owners are less worried about takeovers, leaving more solid businesses open to investment and expansion.

“Traditional private equity funds don’t typically invest in the SMEs this Fund is likely to target – they push for control of a business, aggressive growth plans, and short-term results. Business Growth Funds have more modest return expectations and no hard exit deadlines allowing business owners to set their own growth targets and identify the most appropriate time and path to exit. This will be a new development here, but not internationally.

“The Government has discussed the proposal with the Reserve Bank of New Zealand (RBNZ) and private retail banks. The RBNZ will consult publicly, and the Government is confident a Business Growth Fund will gain the private sector support needed to bring this model to New Zealand.

“Budget 2022 delivers on the Government’s manifesto commitment for a \$200 million Regional Strategic Partnership Fund (RSPF), with \$110 million of new investment over the coming year to settle the balance of the RSPF.

“Our vision for a more sustainable tourism sector is also supported with a \$54.2 million Innovation Programme for Tourism Recovery.

“We have a strategic priority to reset and rebuild tourism on a more sustainable footing. The new programme is subject to further detailed design work, and will prioritise innovation and low-emissions projects, and support tourism recovery.

“We will work alongside tourism businesses to develop new innovative ideas that improve sustainability and productivity of eligible businesses.

“The Government has agreed to reallocate funds from previous tourism support programmes that were not drawn down by eligible businesses.

“We are also boosting the Industry Transformation Plan (ITP) programme, with further investments in Agritech and Advanced Manufacturing, Digital and the various Primary Sector plans to further develop our partnerships with businesses, workers and iwi to transform industries to the high wage low emissions economy that New Zealand needs.

“We are prioritising support for small businesses, regional New Zealand, industries, workers and the visitor and hospitality sector to provide economic security, as we continue to deal with the global impact of COVID-19,” Stuart Nash said.

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Editors Note:

There are eight Industry Transformation Plans underway across government. ITPs are developed in partnership between business, workers, iwi, and government to transform the productivity and performance of key sectors of the economy, while also improving sustainability and labour market conditions.

They are focussed on the following sectors:

- Advanced Manufacturing
- Agritech
- Construction
- Digital Technologies
- Fisheries
- Food and Beverage
- Forestry and Wood Processing
- Tourism