

In Confidence

Office of the Minister for Economic Development
Office of the Minister of Social Development

Chair, Cabinet

COVID-19 Response to Economic Impact

Proposal

1. Cabinet discussed a response to COVID-19 on 24 February (CAB-20-MIN-0054 refers). Cabinet invited me, in consultation with relevant portfolio Ministers, to report back to Cabinet on 2 March with further advice and details on the options for
 - Augmenting the Regional Business Partner programme
 - Redeploying displaced workers
2. This paper proposes an initial step to provide:
 - 2.1. up to \$4 million to augment the Regional Business Partners programme so that more businesses are able to access business advisory services in response to the COVID-19.
 - 2.2. up to \$10 million to MPI for *Wilding Conifer Control Redeployment Programme*
 - 2.3. up to \$2.6 million for MSD to establish Rapid Response Labour Market teams in specific regions in 2019/20 to support employers and displaced workers in specific regions as a result of COVID-19
3. Further advice on possible scenarios and intervention options is being prepared by Officials. This advice will be provided to Ministers on 4th March and will be an input to a Cabinet paper on 9th March which will seek agreement to a common framework for guiding decisions on the Government response to COVID-19.

COVID-19 is having a significant impact on local economies

4. The overall economic situation is still highly uncertain and while some industries have started to face disruption and are taking action, for others it is still too early to predict the level of disruption they could face. We are advised that while COVID-19 has had significant impact on specific sectors of the New Zealand economy, there is not yet evidence of impacts across the broader economy.
 - 4.1. Many sectors in the primary industries continue to be impacted in their trade with China. The live rock lobster sector are the most severely impacted. MPI has consulted on options to enable rock lobster fishers to defer harvest until the next fishing year (which begins on 1 April). The Minister of Fisheries intends to take a paper to Cabinet in March proposing an Order in Council to allow carry forward of some uncaught rock lobster catch entitlement in order to alleviate economic impact on the industry.

- 4.2. The meat industry is facing increased disruption to its supply chains due to the lack of available cool chain storage in New Zealand and China, and has scaled back exports to China, resulting in more pressure on-farm and to meat processing.
- 4.3. MSD Regional Commissioners have also indicated that the most heavily affected workers are in the forestry sector, with disruption across the East Coast, Northland, Taranaki and Bay of Plenty regions. Te Uru Rakau is working closely with the forest industry, based on current surveys (as at 24 February) there are 381 people without work and 876 people affected by reduced hours
- 4.4. Both Tourism and International Education these sectors are being affected by the restrictions on the movement of people across borders. We have responded to the Tourism effects with a \$11 million fund to help identify new markets and opportunities, and we continue to have discussions with respect to the international education sector
5. Whilst concentrated in specific sectors of the economy, this disruption is having a significant effect in regions where those sectors are a major part of local economies. For example, Forestry is the largest driver of GDP in the Tairāwhiti region, estimated at over 6% of regional GDP of approximately \$2 billion. Economists estimate one in four families are connected to the forestry supply chain in the Tairāwhiti region and for every job in the harvest supply chain there are three indirect jobs in the region
6. Between 6 and 26 February the Government Helpline had received 386 COVID-19 specific calls which has included queries from people whose employment has been impacted, and people self-isolating following return from China and other countries with confirmed cases of COVID-19. In addition to the Government Helpline, MSD has set up a reporting system to record people calling MSD's 0800 numbers and visiting service centres with COVID-19 related queries. Since 12 February, 88 people have called Contact Centres and 36 people have visited service centres. As at 25 February, 24 hardship assistance payments had been made to 17 MSD clients – of these payments 17 were for food¹.
7. It is prudent to plan for scenarios that have a bigger impact than we are currently seeing, as the situation is developing quickly and we have incomplete information. Further advice on possible scenarios and intervention options is being prepared by Officials. This advice will be provided to Ministers on 4th March and will be an input to a Cabinet paper on 9th March which will seek agreement to a common framework for guiding decisions on the Government response to COVID-19.

Immediate measure to support those affected

8. There are some immediate measures we can take to assist those affected by COVID-19 and mitigate further impact on their businesses. As noted in our discussion on 24 February (CAB-20-MIN-0054 refers) our response should be:
 - 8.1. **Balanced and proportionate:** Proposals should be appropriately targeted to the problem and take a balanced and economy-wide view of the issues, including broader economic conditions (e.g. impact of droughts).

¹ While it is likely that these payments are related to the event, this data has not been strictly validated and should be treated as indicative only at this stage.

- 8.2. **Aligned with broader Government direction:** Proposals should align with, and not undermine, existing government strategy, such as the Economic Plan.
- 8.3. **Sustainable:** Proposals should take a coordinated approach to avoid introducing precedent for interventions that cannot be extended across the economy. Consideration should be given to the outcome if downside risks materialise and increased demand for support sees the expense of a policy initiative rise markedly.
- 8.4. **Implementation ready:** Extending existing programmes means that the underlying systems are already in place. This means networks exist to support uptake and extension is relatively straightforward.
9. Our Cabinet discussion on Monday 24th February considered three immediate options. We agreed to consider further advice and details on an augmentation to the Regional Business Partners programme and on redeploying displaced workers. We set that advice out below.

Additional Resources for Regional Business Partners

10. The Regional Business Partner programme is a central government business advice and capability initiative deployed regionally through 16 regional partners. The programme was established in 2010 and is administered through New Zealand Trade and Enterprise (NZTE) and Callaghan Innovation. It offers management capability and R&D support to small and medium sized businesses (those with less than 50 FTE). We currently invest \$15.2 million per year into this programme.
11. The Regional Business Partners programme seeks to address barriers to increasing productivity and growth. One of these barriers is a relatively low level of management capability in New Zealand. The programme aims to improve management practices by helping growth-oriented SMEs identify and co-fund their capability development needs. Small businesses are diverse, hard to reach and generally lack expert advice. Consequently they often miss out on support intended for them, or waste time trying to access this support.
12. The regional delivery structure allows the regional business partners to focus on the firms and industries particular to their respective regions, tapping into local knowledge in a way that central government cannot. **Annex One** contains a map of the Regional Business Partners.
13. These regional partners are contracted to provide business growth advisors in their region to help businesses understand their capability gaps and assist with identifying appropriate sources for addressing these gaps. In some instances, the business growth advisor can help by co-funding capability development with the business for an identified need. The capability development can include access to specialist business advisory services, such as financial, payroll, or employment services.
14. NZTE advise that that Regional Business Partners are reporting different impacts in their regions. All regions are experiencing an uplift in requests for support on issues related to cashflow and the ability to pay staff and taxes. Some businesses are downsizing now. Some regions are seeing significant impacts with particular industry impacts and concern about retraining or redeploying staff. Other regions are just starting to see increased concern but without quantifiable impact at this stage.
15. We are proposing that we provide additional resources for the Regional Business Partner network to quickly get support to those businesses that are being impacted by COVID-19. My rationale for such an intervention uses the following framework.

Principles	Assessment
Balanced and proportionate	Augmenting the Regional Business Partner network leaves plenty of room should more industry or region specific responses be required. Should the economic impact of COVID-19 prove especially severe or prolonged, government is unlikely to regret increased spending on business capability, and likewise, should the impact prove short-lived, an augmented service is likely to speed recovery.
Aligned with broader Government direction	The Regional Business Partners programme seeks to address barriers to increasing productivity, sustainability and growth The programme is likely to appeal most to firms with growth aspirations
Sustainable	It can be scaled up further if necessary, and its deployment does not preclude a larger macro fiscal response should this become necessary
Ease of implementation	The benefit of using these local Regional Business Partners is that they have solid networks across their local communities Extending the programme to engage more firms (and, in particular, those that are being disrupted by COVID-19) is relatively straightforward.

16. A significant benefit of using the Regional Business Partner programme is that we can tailor our response towards the specific needs of individual regions. We propose that we provide NZTE with sufficient flexibility to adjust their contracts with each Regional Business Partner as appropriate for that region, while considering the overall national approach. This would enable NZTE to agree to support a region to:
- 16.1. Provide extra advisors where there is demand and the capability is available to quickly deploy capable advisors 'on the ground'
 - 16.2. Provide extra administrative support, so that the existing advisors can spend more time 'on the ground' supporting businesses
 - 16.3. Adjust co-funding levels, so that the Regional Business Partner can meet more of the capability development needs funding for impacted businesses
 - 16.4. Enable the Regional Business Partner to fund workshops that support many businesses (without individual businesses finding equivalent co-funding). These workshops could include cashflow management, managing through adversity, resilience and mental health.
17. The Regional Business Partner (RBP) programme is a light touch intervention. Businesses can expect to get about an hour of engagement with a business growth advisor, which will help to expose the immediate needs of that business and where they might go for further assistance. Following that engagement, the business will have a plan for further action.
18. The RBP programme is not resourced to support the delivery of that plan, to aggregate business needs into comprehensive regional or industry responses, or to fund specific further activities, such as new marketing, exporting or financing requirements. Table 2 explains the types of activity that this programme could deliver for two hypothetical businesses affected.

Table 2 Case studies of what this augmentation of RBP could look like

RBP process	In this context of a response to COVID-19	
A firm registers its details at regionalbusinesspartners.co.nz	<i>Geoff's Tours</i> (Tourism business in Rotorua that has large Chinese tourist base)	<i>Steve's Takeaways</i> registers.
A business growth advisor is allocated the firm and will engage the firm	The RBP will triage these firms and determine priority for engagement.	
The business growth advisor discusses the firm's concerns and challenges	<ul style="list-style-type: none"> • its inability to pay for leased operating materials, • to pay staff, and • to meet tax obligations due to drop in customers/revenue 	<i>Steve's Takeways</i> is worried that a lack of tourists means they have too much stock and not enough turnover.
The business growth advisor will prepare an action plan and key priorities	<p>Builds connections for financial support, so that <i>Geoff's Tours</i> can understand its payment obligations and potential funding sources.</p> <p>Advises on (or identifies a mentor to support) re-deployment, including alternate tourist markets (linking with new travel agents/tourism operators) and/or alternate transport activity (shuttle services for non-tourism activity)</p> <p>Timing is urgent, so this specialist financial advice is provided at a fully-funded workshop delivered by the Rotorua Chamber of Commerce and potentially re-directing marketing.</p>	<p>Quickly links to local support for stock management.</p> <p>Helps make connections to local marketing resources.</p> <p>Identifies a mentor for <i>Steve's</i> owner to test ideas with.</p>
The firm follows the plan	<p><i>Geoff's Tours</i> finds the right capability advisor, which turns out to be a local accountant, and works with them on a financial plan.</p> <p><i>Geoff's</i> also identifies two new customer bases, including school excursions and an Australian inbound tour operator</p>	<i>Steve's</i> seeks out the support identified.
The business growth advisor follows up to check on progress	Checks in and determines new plan to respond to changing needs.	Checks in with <i>Steve's</i> on a regular basis.

19. Officials consider that, at this time, additional funding for the Regional Business Partner programme would provide an initial response with no regrets that does not constrain Ministers to any future path for industry or regional support or expose us to significant fiscal risk.
20. There are trade-offs with implementing an interim response which is light touch. It may be perceived as too little for many impacted businesses – especially if there is limited messaging about more comprehensive options being considered. This is clearly a risk and we may prefer to consider any support as part of more comprehensive discussions.
21. However, on balance we consider that the benefits of augmenting the Regional Business Partner network to get more support to those businesses that are being impacted by COVID-19 outweigh the concerns highlighted above. This should not be seen as a silver bullet, more of an initial action to provide a short term response to managing through the impact.
22. We therefore propose that we initially deploy \$4.000 million to scale up the Regional Business Partner programme.

Options for redeploying displaced forestry workers to special projects

23. Ministers have requested options for more actively intervening to redeploy unemployed workers to government-funded special projects, with a particular focus on forestry workers.
24. Officials have identified the following criteria for assessing potential redeployment options:
 - there is good match between workers' skills and the proposed alternative jobs;
 - the alternative jobs are local (avoiding disruption to individuals, families/whānau and communities, along with avoiding complex transport and accommodation considerations);
 - the alternative jobs are inherently worthwhile, and "shovel ready";
 - people volunteer to undertake alternative jobs; and
 - the projects are scalable, can be implemented quickly and can manage fluctuating numbers of people (both up and down) to accommodate rapidly changing circumstances;
 - level of impact (value for money, supports most vulnerable workers, helps maintain capability within the forestry sector).
25. Based on these criteria, official's assessment is that there are some immediate opportunities that could be progressed within the Wilding Conifer programme. There are trade-offs to be considered as these options will only be suitable for some workers and some regions in the short term and require additional funding. However, as the programmes are scaleable it is possible to fund some immediate measures and then to adapt to the rapidly changing circumstances.
26. Work is ongoing to further identify opportunities in relation to Department of Conservation (such as pest control and track maintenance). We will report back to Cabinet on other initiatives as they are developed. To assist this work, we seek

Cabinet's agreement to ask local government in significantly affected regions whether there are local projects that we could support them to undertake.

Wilding Conifer Control Programme

27. The Wilding Conifer Control programme has a budget of \$21 million over two years and aims to contain the spread and reduce areas of wilding pine infestation. \$14.1 million has been committed and the remainder is ear marked for existing projects. There is also a Budget Bid for 2020 which would expand the programme. Under the programme eight Regional Councils have active control plans in place, and manage and prioritise projects through regional steering groups. Projects involve a variety of jobs including helicopter spraying, operating heavy machinery, and ground crews (e.g. operating chainsaws) and currently employ an estimated 250 people across New Zealand. There are a range of projects in the Wilding Conifer Control programme where detailed planning has been completed but no funding is currently available.
28. If additional funding was allocated to the programme this would enable:
 - local project co-ordinators to employ additional workers into existing projects; and
 - regional steering groups to start new projects, which would enable local programme co-ordinators to contract for additional workers and crews.
29. MSD and MPI could use information from their local and regional networks to help connect forestry contractors and individual workers to wilding control projects. Contracts would be established using the standard practises and conditions already in place. Officials estimate that up to 30 people could be accommodated into existing projects across New Zealand. Depending on the number of new projects that were established, up to 240 additional people could be employed in these.
30. The following table provides a high level assessment of this option

	Assessment
Skills match	Majority of the available work is for field workers, this requires physical fitness so will not suit some people who operate heavy machinery. There are limited opportunities for heavy machine operators, mainly in the South Island high country.
Location	As there are projects across most regions, it would be possible to identify options that did not involve workers having to relocate (avoiding additional accommodation and transport costs). However, there are no 'shovel ready' projects in Taranaki and the East Coast (where large numbers of forestry workers are located) and greater lead-in times would be needed for these regions.
Jobs are worthwhile	Work would contribute to broader Government goals to manage the spread of wilding conifers, with flow-on environmental benefits (eg preservation of eco-systems)
People volunteer	Currently uncertain how many people will want to take up offers.

Scaleable and can be implemented quickly	<p>Projects could be scaled up and down relatively quickly.</p> <p>Programme has demonstrated it is nimble in scaling up.</p>
Impact	<p>An estimated maximum of 270 jobs (250 field workers and 20 excavators) could be provided at a cost of \$10 million. This is based on an estimated cost of \$3,000 per person per week for ground crews and \$10,000-15,000 per unit per week for excavator operators. This includes operational overheads but not accommodation as it assumes workers will be employed locally.</p> <p>Will not support unemployed people in some regions, where there are no shovel ready projects. As opportunities for heavy machinery are limited, it will have only limited impact on maintaining capability within the forestry sector.</p>

31. On balance, officials consider that it is worthwhile bringing forward expenditure on the Wilding Conifer projects. We propose that Cabinet agree to set aside up to \$10 million to fund additional Wilding Conifer projects. This funding would be appropriated to the Wilding Conifer Control Programme, and would be allocated to specific projects, subject to more detailed proposals being fully developed and costed by officials.
32. We propose that Cabinet agree to delegate decisions on funding to the Minister of Finance, Minister of Social Development, Minister of Biosecurity and the Minister of Forestry.

Income support for affected workers

33. MSD has a standard range of financial assistance that is already available to individuals and families who have been impacted. Depending individual and family circumstances, this may include ongoing assistance such as Jobseeker Support for those who no longer have income or one-off payments such as Special Needs Grants or Advances that are available to help with food, rent and other essential needs.
34. MSD has already been liaising with industry and frontline staff to support those affected by the economic impacts of COVID-19. MSD have set up a reporting system to record people calling their 0800 numbers and/or visiting our Service Centres related to COVID-19. The reporting system was set up on 12 February and extended to service centres on 17 February. Since 12 February, 88 people have called MSD Contact Centres and 36 people have visited service centres. As at 25 February, 24 hardship assistance payments had been made to 17 MSD clients – of these payments 19 were for food.
35. Guidelines have been provided to staff on how we can help when a person calls. MSD have also set up an interim phone based case management team to support people who are in self-isolation, that have no other options assistance and need housing and food.
36. For workers who lose employment as a result of the economic impact of COVID-19 and are entitled to a main benefit, they will not face a thirteen week stand down prior to receiving income support. Depending on their personal and family circumstances

we anticipate that they would be entitled for Job Seeker Support payments one week after their employment is terminated.² There is some misunderstanding of these rules in the community and we have instructed officials to work with affected communities and unions to ensure this is properly understood.

37. We have already received some initial advice on whether this one-week stand down could be removed for affected workers. The Social Security Act 2018 and the associated regulations require a stand down period to be applied.³ Officials' preliminary advice is that we would need to clearly define affected workers within an industry's full supply chain and ensure consistency of support for those with similar need from other less-affected industries in order to make regulation changes to remove the one week stand down period for those affected.
38. We are advised that during the initial one week stand down period a client, or their partner, may be able to receive a recoverable Special Needs Grant if they meet the qualifications.
39. To further expand MSDs support in response to COVID-19, we have asked officials to provide advice on what other support might be needed and how we could address that. This will be informed by economic advice on possible scenarios and intervention options is being prepared by Officials. The next phase of MSDs response to COVID-19 will consider further income support options. Ministers will be provided with this further advice on 4th March and this will be an input to a Cabinet paper on 9th March which will seek agreement to a common framework for guiding decisions on the Government response to COVID-19.

Rapid response labour market teams

40. At a regional level, in particular the East Coast, MSD is working directly to support people affected by the economic impacts of COVID-19. A wide range of operational leads meet from Central Government, NGO, Employers, Iwi, to respond to employer and employee needs. This group are working to determine what collective work needs to be undertaken and what our individual response should look like.
41. At a ground level our MSD team including Manager, Work Broker, PC and case managers are contacting employers and employees on a daily basis. They are responding to their immediate needs and escalating to others when MSD is unable to meet this need e.g. referrals to IRD re GST breaks, referrals to Kāinga Ora re rent review process.
42. Currently MSD's Regional Labour Market Teams⁴ are proactively engaging with impacted employers and assisting people to move into employment when they are at risk of losing their current job by utilising established networks with businesses and employers in their local communities and regions. MSD are providing advice to employers and employees on what to do if an employer needs to consider redundancies or reducing people's hours.
43. MSD will continue to provide this support alongside any new initiatives that may be required over the coming months.

² 97% of the approximately 130,000 stand downs applied annually are for one week.

³ There are some exception, such as for those who are entering a refuge after a relationship breakdown.

⁴ Regional Labour Market Teams include Regional Labour Market Managers and Advisors, Work Services Managers, Work Brokers and Employment Coordinators.

44. As a next step, we are proposing that a number of rapid response labour market teams are established to support impacted businesses and employees at the regional level. Similar responses have been used in the past on an adhoc basis, with a team set up to support approximately 360 staff who were made redundant with the staged closure of the Cadbury factory in Dunedin from 2017 to 2018.
45. These dedicated MSD teams will take the lead at a regional level, supporting those impacted by COVID-19. They will play a central co-ordination function with other agencies, ensuring that displaced workers are matched into suitable government-funded special projects. They will also be responsible for identifying further regional employment opportunities with other industries, creating a future pipeline of potential employment options.

Further initiatives

46. We have also asked for advice on whether:
- 46.1. the Government could provide temporary relief through the provision of loans to enable forestry owners to contract harvest crews earlier than usual to undertake pre-harvest work such as road lining. This would enable foresters to retain their skilled workforce; and/or
- 46.2. the Government could provide support to retrain workers in affected businesses. For example, we could consider supporting heavy machinery forestry operators to retrain as heavy machinery roading operators to support the Government's recently announced roading package.

Consultation

47. Treasury, Ministry of Social Development, Ministry of Primary Industries and New Zealand Trade and Enterprise have been consulted on this paper.
48. Department of Prime Minister and Cabinet has been informed.

Financial implications

49. The recommendations in this paper seek approval for \$4.0 million of new funding for Vote Economic Development to fund additional resources for the Regional Business Partner programme, \$2.6 million for MSD to establish rapid response teams in targeted areas and \$10 million to MPI for a programme for support workers affected by Covid-19 into alternative work opportunities.

Publicity

50. We propose to co-ordinate with the Prime Minister's Office in making announcements about the decisions taken as a result of this paper.

Proactive release

51. This Cabinet paper will be proactively released, with redactions made consistent with the Official Information Act.

Recommendations

The Minister for Economic Development recommends that Cabinet:

1. **Note** that Cabinet discussed a response to the COVID-19 response on 24 February 2020.
2. **Note** that Cabinet will discuss a paper on 9th March which will seek agreement to a common framework for guiding decisions on the Government response to COVID-19 and identifies upcoming policy decisions.
3. **Note** that we have asked for the following initiatives to be included in that advice:
 - temporary relief through the provision of loans (for example to enable forestry owners to contract harvest crews earlier than usual to undertake pre-harvest work such as road lining)
 - support to retrain workers in affected businesses.
 - further support that MSD could provide
4. **Note** that the Regional Business Partner (RBP) programme is a light touch intervention which helps business identify their capability development needs and where they might go for further assistance
5. **Note** that the RBP programme is **not** designed to support regional- or industry-level responses, or to fund specific further activities, such as new marketing, exporting or financing requirements.
6. **Agree** to augment the Regional Business Partners programme to complement other measures underway to quickly get support to those businesses that are being impacted by COVID-19
7. **Note** that the augmentation of the programme will incur \$4 million of costs
8. **Note** that this augmentation would provide a response that does not constrain Ministers to any future path for industry or regional support or expose us to significant fiscal risk
9. **Approve** the following change to appropriations to fund an augmentation of the Regional Business Partners programme with a corresponding impact on the operating balance:

	\$m - increase/(decrease)				
Vote Business, Science and Innovation	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears
Minister for Economic Development					
Multi-Category Expenses and Capital Expenditure:					
Support the Growth and Development of New Zealand Firms, Sectors and Regions MCA					
Non-Departmental Output Expenses:					
Services to Support the Growth and Development of New Zealand Businesses	4.000	-	-	-	-
Total Operating	4.000	-	-	-	-

10. **Agree** that the proposed change to appropriations in recommendation 9 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.
11. **Agree** that the expenses incurred under recommendation 9 above be charged against the between-Budget contingency, established as part of Budget 2019
12. **Note** that New Zealand Trade and Enterprise will negotiate with each Regional Business Partner to deliver this augmentation
13. **Note** that Officials will provide further advice on whether additional RBP funding is appropriate if the impacts of COVID-19 are more longer term
14. **Note** that MSD is already monitoring the impacts of COVID-19 at the regional and national level and providing existing products and services to individuals in need who qualify for support
15. **Note** that MSD will continue to develop its advice on other income support and employment products and support that may be needed in response to COVID-19, developing actions that can respond to the Treasury's scenarios
16. **Note** that there is some misunderstanding of MSD rules in the community, particular around stand down periods
17. **Direct** officials to work with affected communities to ensure correct information about MSD products, support and entitlements are properly understood.
18. **Note** that MSD is already working with employers on the ground and supporting workers affected into other employment where possible
19. **Note** that given the impact that is being seen by MSD Regional Commissioners that MSD considers it needs to augment its current Employment Service
20. **Agree** to MSD establishing 'Rapid Response Teams' targeting regions that have been most impacted because of COVID-19
21. **Approve** the following changes to appropriations to give effect to the policy decision in recommendation 20 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m - increase/(decrease)				
Vote Social Development	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears
Minister for Social Development					
Multi-Category Expenses and Capital Expenditure:					
Improved Employment and Social Outcomes Support					
Departmental Output Expenses:					
Improving Employment Outcomes (funded by revenue Crown)	2.610	-	-	-	-

Total Operating	2.610	-	-	-	-
------------------------	--------------	---	---	---	---

22. **Agree** that the proposed change to appropriations in 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply
23. **Agree** that the expenses incurred under recommendation 19 above be charged against the between-Budget contingency, established as part of Budget 2019
24. **Note** that that MSD will require additional funding in 2020/21 to support the implementation of the rapid response teams (estimated at \$4.8 million at this stage)
25. **Agree** that the Minister of Social Development will come back to the Minister of Finance with detailed estimates of the ongoing costs of this initiative and other responses to COVID-19
26. **Approve** the following changes to appropriations for funding a programme to support workers affected by Covid-19 to move into alternative work opportunities, with an initial focus on forestry harvesting workers

	\$m - increase/(decrease)				
Vote: Agriculture, Biosecurity, Fisheries and Food Safety	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears
Minister of Biosecurity					
Multi-Category Expenses and Capital Expenditure:					
Biosecurity: Border and Domestic Biosecurity Risk Management MCA					
Departmental Output Expenses:					
Biosecurity Incursion Response and Long Term Pest Management	10.000	-	-	-	-
Total Operating	10.000	-	-	-	-

27. **Agree** that the proposed change to appropriations in recommendation 23 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.
28. **Agree** that the expenditure incurred under the above changes in appropriations be charged against the between-Budget operating contingency, established as part of Budget 2019.
29. **Agree** to delegate decisions on funding (including potentially moving funding between appropriations to support other initiatives) to the Minister of Finance, Minister of Social Development, Minister for Biosecurity and the Minister of Forestry
30. **Note** work is ongoing to further identify opportunities in relation to Department of Conservation (such as pest control and track maintenance).

31. **Agree** that the Minister for Local Government will ask local government in significantly affected regions whether there are local projects that we could support them to undertake

Approved for lodgement

Hon Phil Twyford

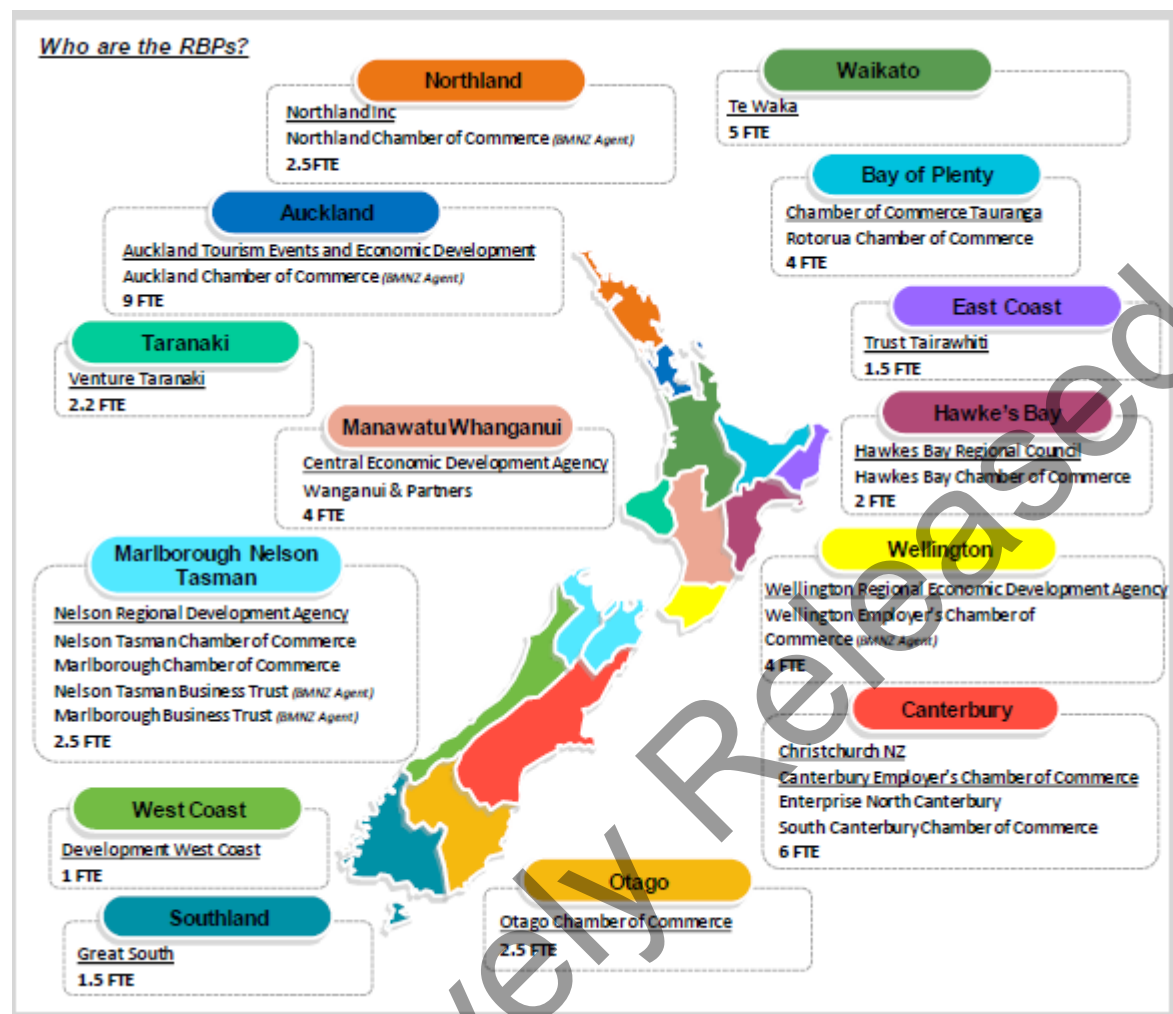
Minister for Economic Development

Hon Carmel Sepuloni

Minister for Social Development

Proactively Released

Annex 1: Who are the Regional Business Partners?





Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

COVID-19 Response to Economic Impact

Portfolios **Economic Development / Social Development**

On 2 March 2020, Cabinet:

Background

- 1 **noted** that on 24 February 2020, Cabinet noted a submission on the proposed options for responding to the economic impact of the COVID-19 outbreak [CAB-20-MIN-0054];
- 2 **noted** that a further paper will be submitted to Cabinet on 9 March 2020 seeking agreement to a common framework for guiding decisions on the government response to COVID-19 and identifying upcoming policy decisions;
- 3 **noted** that the Minister for Economic Development and the Minister for Social Development have asked for the following initiatives to be included in that advice:
 - 3.1 temporary relief through the provision of loans (for example, to enable forestry owners to contract harvest crews earlier than usual to undertake pre-harvest work such as road lining);
 - 3.2 support to retrain workers in affected businesses;
 - 3.3 further support that the Ministry for Social Development (MSD) could provide;

Regional Business Partner programme

- 4 **noted** that the Regional Business Partner (RBP) programme is a light touch intervention that helps businesses identify their capability development needs and where they might go for further assistance;
- 5 **noted** that the RBP programme is not designed to support regional-level or industry-level responses, or to fund specific further activities, such as new marketing, exporting or financing requirements;
- 6 **agreed** to augment the RBP programme to complement other measures underway to quickly get support to those businesses that are being impacted by COVID-19;
- 7 **noted** that the augmentation of the RBP programme will incur \$4 million of costs;

- 8 **noted** that this augmentation would provide a response that does not constrain Ministers to any future path for industry or regional support, or expose the government to significant fiscal risk;
- 9 **approved** the following change to appropriations to fund an augmentation of the RBP programme, with a corresponding impact on the operating balance:

	\$m - increase/(decrease)				
Vote Business, Science and Innovation Minister for Economic Development	2019/20	2020/21	2021/22	2022/23	2023/24 & outyears
Multi-Category Expenses and Capital Expenditure: Support the Growth and Development of New Zealand Firms, Sectors and Regions MCA					
Non-Departmental Output Expenses: Services to Support the Growth and Development of New Zealand Businesses	4.000	-	-	-	-
Total Operating	4.000	-	-	-	-

- 10 **agreed** that the change to appropriations in paragraph 9 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 11 **agreed** that the expenses incurred under paragraph 9 above be charged against the between-Budget contingency, established as part of Budget 2019;
- 12 **noted** that New Zealand Trade and Enterprise will negotiate with each Regional Business Partner to deliver this augmentation;
- 13 **noted** that officials will provide further advice on whether additional RBP funding is appropriate if the impacts of COVID-19 are more longer term;

Support provided by MSD

- 14 **noted** that MSD is already monitoring the impacts of COVID-19 at the regional and national level, and providing existing products and services to individuals in need who qualify for support;
- 15 **noted** that MSD will continue to develop its advice on other income support and employment products and support that may be needed in response to COVID-19, developing actions that can respond to the identified scenarios;
- 16 **noted** that there is some misunderstanding of MSD rules in the community, particularly around stand down periods;
- 17 **directed** officials to work with affected communities to ensure correct information about MSD products, support and entitlements are properly understood;
- 18 **noted** that MSD is already working with employers on the ground and supporting workers affected into other employment where possible;
- 19 **noted** that given the impact that is being seen by MSD Regional Commissioners, MSD considers it needs to augment its current Employment Service;

- 20 **agreed** to MSD establishing 'Rapid Response Teams', targeting regions that have been most impacted because of COVID-19;
- 21 **noted** that the Minister for Social Development will keep the cost implications of this proposal under review and will report back to Cabinet if necessary;
- 22 **invited** the Minister for Social Development to provide further advice to Ministers on 4 March 2020 on whether the stand down period could be removed for workers who lose employment as a result of the economic impact of COVID-19;

Alternative work opportunities

- 23 **agreed in principle** to a programme to support workers affected by COVID-19 to move into alternative work opportunities, with an initial focus on forestry harvesting workers, subject to paragraph 24 below;
- 24 **invited** the Minister for Economic Development, in consultation with the Minister for Biosecurity, Minister of Forestry, and Minister of Conservation to report back to Cabinet with a more detailed plan and budget to give effect to the proposal in paragraph 23 above;
- 25 **noted** that work is ongoing to further identify opportunities in relation to Department of Conservation (such as pest control and track maintenance);
- 26 **invited** the Minister of Local Government to ask local government in significantly affected regions whether there are local projects that the government could support them to undertake.

Michael Webster
Secretary of the Cabinet

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister for Economic Development
Minister for Social Development