

Infrastructure New Zealand Position Paper: **Simplifying Capital Funds**



Current problem

Central government investment has been spread over multiple funds

Over the last decade, central government has invested over \$32 billion in the direct provision of infrastructure through around 17 different infrastructure-related capital funds. Some of the largest funds have included the \$1b Housing Infrastructure Fund (2016), the \$3b Provincial Growth Fund (2017), the \$14b New Zealand Upgrade Programme (NZUP) (2020), the \$3b COVID-19 Response and Recovery Fund: (2020), the \$3.8b Housing Acceleration Fund (HAF) (2021) and the recent \$1.5b Better Off Funding (2024).

There are significant duplication and inefficiencies

While this investment has resulted in many successful infrastructure projects, each fund established has had its own: administration bodies who are responsible for the funds; application process (including forms, information requirements, assessment processes); repayment terms (such as grants versus loans); and reporting requirements.

Agencies, sometimes with limited initial capability, have had to establish and disestablish teams/units and systems to administer these funds. Cross government sharing of expertise and resource has not been effectively harnessed. As a result, we have seen infrastructure expertise spread thinly across agencies where these funds are located.

There is no strategic approach to central investment

More fundamentally, these different funds are cutting across the same areas of investment but with different priorities and criteria. There has been no strategic approach from central government towards this investment, rather it has been ad hoc and led by different whims of the day.

For example, housing and urban development infrastructure has been a large recipient of different one-off government funding through various funds. Between 2020 and 2022 a total of \$13.6 billion has gone directly towards housing and urban development infrastructure across three different funds with different priorities and approaches (the HAF, NZUP and the COVID-19 Response and Recovery Fund).

Recipients (often local government) are left navigating the myriad of potential funding options, spending large amounts of money on various applications.

Infrastructure New Zealand's Position

Strategic approach to central government investment

As we can see, central government is allocating significant spending to infrastructure across New Zealand. However, we need to start being strategic about how it is allocated. We cannot continue to see various funds being established with different approaches.

Aligned with Te Waihangā's recommendation in the New Zealand Infrastructure Strategy, INZ recommends that a consolidation occurs, and a set of clear infrastructure capital funds is established. This would enable the Government to prioritise investments based on agreed priorities, with a focus on national significance and net benefits and enable greater public transparency of infrastructure capital funding decisions.

This approach has been taken overseas

A strategic approach to central government investment has occurred overseas. In Australia and New South Wales, the **Restart NSW Fund** enables the delivery and funding of high-priority infrastructure projects that improve the state's economic growth and productivity. The fund:

- is paid for by the NSW government's asset recycling programme
- is administered by Infrastructure NSW who assess and recommend projects.

In Canada, the **Investing in Canada Infrastructure Program** delivers funding to communities to support the Investing in Canada Plan. The programme:

- is delivered by Infrastructure Canada
- is funded through bilateral agreements between Infrastructure Canada and each of the Canadian provinces and territories.

Set infrastructure funds administered by one agency

A set of infrastructure funds should cover areas such as transport, housing, and urban development, and like the international examples, should be administered by one agency. These funds should have standardised application forms and assessment criteria.



Key Recommendations

- A set of infrastructure capital funds are established to ensure a strategic approach is taken to central government's capital infrastructure spend.
- These capital funds should be administered by one central agency.