

REVIEW OF PREDATOR FREE 2050 LTD – FOUR YEARS ON

FINAL REPORT

27 April 2022



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PREFACE

This report has been prepared for the Department of Conservation by Andrew Burns, Renee Burt, Michelle Hancock, Sargam Shah and Jason Webber from MartinJenkins (Martin, Jenkins & Associates Limited).

MartinJenkins advises clients in the public, private and not-for-profit sectors. Our work in the public sector spans a wide range of central and local government agencies. We provide advice and support to clients in the following areas:

- public policy
- evaluation and research
- strategy and investment
- performance improvement and monitoring
- business improvement
- organisational improvement
- employment relations
- economic development
- financial and economic analysis.

Our aim is to provide an integrated and comprehensive response to client needs – connecting our skill sets and applying fresh thinking to lift performance.

MartinJenkins is a privately owned New Zealand limited liability company. We have offices in Wellington and Auckland. The company was established in 1993 and is governed by a Board made up of executive directors Kevin Jenkins, Michael Mills, Nick Davis, Allana Coulon, Richard Tait and Sarah Baddeley, plus independent director Sophia Gunn and chair David Prentice.



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SUMMARY

Scope and purpose of this review

This review by MartinJenkins set out to determine:

- 1 the impact that Predator Free 2050 Ltd has had to date on conservation outcomes
- 2 the trajectory that the company is on towards meeting the goal of a Predator Free New Zealand by 2050, and
- 3 what changes (if any) are needed to the structure of the company or to its operating environment in order to maximise the efficacy of the Crown's contribution towards the eradication of introduced predators.

We examined a wide range of documents and interviewed staff and Board members of Predator Free 2050 Ltd, staff of the Department of Conservation, and other stakeholders.

We have also considered whether the company is achieving the purpose agreed by Cabinet in 2016, and considered what variations or external influences have influenced the company's work and achievements.

Our assessment included:

- understanding the level of Crown funding received by Predator Free 2050 Ltd (or supported projects), directly or indirectly, through any source since the company was established
- understanding the effectiveness of the company's contracts, project management, and reporting, given that the company was intended to provide an entrepreneurial focus, value for money, innovation, urgency, and an investment focus, and
- analysis of the core skills and capabilities required of the company's Board and operations team, so that this analysis could inform future appointment processes.

We also tested the hypotheses that an independent company:

- would provide improved governance of investment in conservation and Predator Free outcomes and be aligned with government policy
- would be able to attract private-sector, philanthropic and local government investment to support the Predator Free movement
- would stimulate more predator suppression through investment in local and regional initiatives
- would support breakthrough science and technical developments at a reduced cost, and transform predator suppression and eradication, and
- would provide increased support for community-led projects.



Background and purpose of the company

In July 2016, a paper was put to Cabinet seeking approval to establish a new independent Crown Company or equivalent Crown entity, with the proposed name 'Predator Free New Zealand Ltd', to support the Predator Free 2050 movement.

The context for the proposal was the need to attract more investment into the movement and to better coordinate and align this investment with the Predator Free 2050 Strategy.

The Cabinet paper set out the following functions for the company:

- Provide advice to project consortia so that they develop high quality, technically feasible projects
- Foster investment in conservation projects
- Assess proposals against investment criteria to select the optimum schemes and establish durable commercial structures
- Manage co-investments in accordance with the Crown's investment requirements
- Exit projects when conservation objectives have been achieved and there are long term arrangements to sustain the gains
- Raise funding at a rate of 2:1 with funds set aside for scientific research, and establish a subsidiary company to oversee investments in long-term predator science
- Work with the Biological Heritage Science Challenge to coordinate investment in long term predator science research.

The company's contribution to conservation outcomes

Predator Free 2050 Ltd has had a positive impact on conservation outcomes

The company has contributed significantly to predator control across more than 700,000 hectares

It is sometimes difficult to attribute a specific quantum or portion of results to the company's involvement and funding, because many landscape projects involve multiple stakeholders and funders. Furthermore, significant non-financial contributions (such as obtaining permissions and social license) can't easily be quantified.

Nevertheless, it is clear the company has enabled and made significant contributions to predator control in more than 700,000 hectares (ha).

And while success is much more than about area, this includes suppression across more than 200,000 ha, and with more than 300,000 ha targeted for eradication of at least one species.



The company has also been building important tools, knowledge, and relationships

The company has also done important work developing the tools, knowledge, and relationships necessary for achieving the long-term Predator Free 2050 goal:

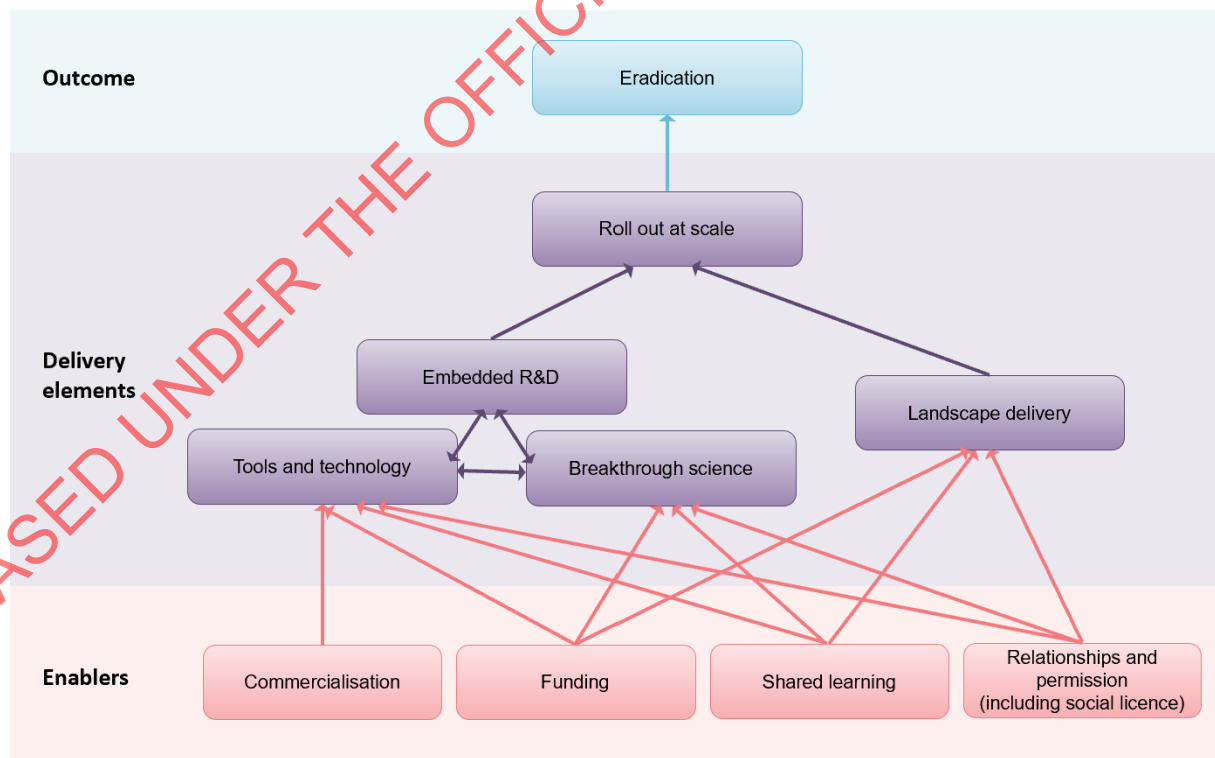
- The company has helped to develop effective tools and knowledge for eradication through the Products to Projects investment and helped develop the ability to rapidly test and refine tools in the field.
- The South Westland project, at 96,000 ha, is intended to demonstrate that eradication can be achieved at a scale of more than 20,000 ha and defended without the use of fences.
- The company has developed a research strategy to drive breakthrough science.
- It is working with and funding whānau-, hapū- and iwi-led projects with Ngāti Awa and Tūhoe.

Understanding the Predator Free movement's value chain

When considering the company's impact on conservation outcomes, it is important to consider the full range of activities that are necessary to achieving those outcomes.

We have set these out in a model value chain below.

Figure 1: Overview of the Predator Free movement's value chain



This value chain incorporates key elements that are not included in the company's goals or KPIs but that are necessary to achieve these goals.

For example, the ability to obtain permission to carry out predator control on private land is critical: if landowners and mana whenua do not permit control activity, or are unwilling to participate in it, then other activities the company carries out, such as funding and research, cannot deliver value.

The company's operating model has proven effective in building both the enablers and the delivery elements of the value chain for eradication

The company has been able to quickly build and leverage effective relationships on the ground. It has shown agility and a willingness to learn and innovate in its approaches to landscape projects, so that there are opportunities to trial products and tools for predator control. It has generated and catalysed funding for landscape projects and brought capability to those on the ground.

Some elements of the company's performance have not been optimal

The way the company has managed funding from the *Jobs for Nature / Mahi mō te Taiao* programme has at times shown a lack of strong risk management, strategic financial management, and some weaknesses in governance systems and processes.

The company has also had disagreements with DOC over what contributes to co-funding (for example, whether volunteer hours can be counted as part of co-funding).

So far the company's approach to its fundraising role has been to use and leverage local funding for landscape projects. This was in order to make rapid progress and demonstrate proof of concepts for landscape projects, so that fundraising would be easier at a later point in time.

We acknowledge the logic of that approach, but in our view greater consideration and planning for the fundraising and philanthropic functions was required at the outset to fulfil Cabinet's intentions.

How the company has operationalised the use of the 2:1 funding ratio has also limited the company's ability to invest in strategic projects that demonstrate suppression and eradication capability in practice.

The company has also applied the co-funding ratio requirement to individual projects rather than across its full project portfolio.

In our view, the overall requirement for the company to seek co-funding detracts from its ability to achieve eradication outcomes and should be reconsidered. We discuss this later in the report.

Conclusion: The company has achieved significant results, and identified difficulties can be addressed relatively easily

Our conclusion is that although it could have performed better in some areas, Predator Free 2050 Ltd has achieved significant results so far and the difficulties discussed above can be addressed relatively easily.

The company has developed valuable capabilities, IP and relationships, and these can provide further value to shareholding ministers and the Crown.



The company's trajectory towards the Predator Free 2050 goal

A clear implementation plan for the strategy and long-term financial certainty for the company is required

Although the company has made good initial progress since it was established, it is difficult to assess the trajectory towards the goal of predator free New Zealand by 2050. This is because there is not a clear and agreed national implementation plan or pathway to eradication against which to assess current progress.

It is also difficult to assess the company's trajectory towards eradication given the lack of long-term financial certainty for the company. Although the company currently has 'normal' operating funding of \$5.9m per annum, the majority of its funding, from all sources, remains relatively small given the outcomes it is seeking. Portions of its funding are also time-limited.

To achieve eradication, long-term collaboration and agreements need to be in place with local communities, councils, landowners and mana whenua. Investors, both philanthropic and commercial, are more likely to invest capital and other resources only if there is greater certainty of funding and activity.

The company's poor relationship with DOC puts future progress at risk

The relationship between the company and DOC has recently been very poor, and although this has recently improved, this is placing the trajectory towards the Predator Free 2050 goal at risk. The lack of clarity about the two sides' respective roles, which are sometimes seen as in conflict or competition, and the tension that was created by an increased monitoring regime means that at a strategic and operational level, progress is being delayed.

More specific roles and responsibilities between the company and DOC could be agreed to help improve clarity. Both parties need to commit to stronger relationships and invest in building those at multiple levels.

The value of establishing a Schedule 4A company

Predator Free 2050 Ltd is a Crown entity company under Schedule 4A of the Public Finance Act 1989. For this review we were asked to consider five hypotheses for the value that a Schedule 4A company would bring and determine whether these had held true.

These hypotheses are different from the objectives provided to the company through its letters of shareholder expectations, and most of these hypotheses did not feature in the original assessment that determined the most viable form for the company.



Five hypotheses on the value of a Schedule 4A company

HYPOTHESIS 1: An independent company will improve governance of investment in conservation and Predator Free outcomes and be aligned with government policy

Our conclusion is that, in this, the company has been **partially successful**.

HYPOTHESIS 2: An independent company will be able to attract private-sector, philanthropic, and local-government investment to support the Predator Free movement

Our conclusion is that in this the company has had **limited success**.

HYPOTHESIS 3: An independent company will stimulate more predator suppression through investment in local and regional initiatives

Our conclusion is that in this the company has been **largely successful**.

HYPOTHESIS 4: An independent company will support breakthrough science and technical developments at a reduced cost, and transform predator suppression and eradication

Our conclusion is that, in this, the company has been **largely successful**.

HYPOTHESIS 5: An independent company will provide increased support for community-led projects

Our conclusion is that, in this, the company has been **largely successful**.

In our view, there is value in the company being a Schedule 4A company. It allows for the expertise and relationships of a board; it provides a degree (both real and perceived) of independence from the Crown and provides a strong focus on the outcomes being sought.

Factors such as culture, expertise and relationships are more significant drivers of performance than the form of the company itself, but the form of the company has enabled these to a degree.

Recommended changes

Summary of our recommendations

To maximise the efficacy of Crown funding towards the eradication of predators by 2050, we make the following recommendations to the Department of Conservation and Predator Free 2050 Ltd:



- 1 The Predator Free 2050 Strategy and implementation plan needs to be presented in a way that sets out strategic choices and investments at a national level. It should clarify roles and responsibilities across the movement. This will enable the company to develop a clear strategy and build on existing capabilities.
- 2 Both the company and DOC need to work collaboratively and constructively to re-set the expectations and targets for the company's Jobs for Nature (J4N) funding and to re-set any co-funding requirements for the company. The expectations and targets should be based on data and evidence and should refer to comparable approaches to funding the eradication of pests.
- 3 The requirement for co-funding should be removed. It is in tension with best practice in terms of selecting landscape projects. It does not provide sustainable, predictable funding, is not likely to be achieved at a significant scale, and is likely to discourage, rather than attract, philanthropic investment.
- 4 If the Crown wished to reduce its cost to deliver eradication outcomes, we believe that a requirement for 'innovative financing approaches' would be more appropriate than a focus on co-funding alone.
- 5 The company should determine a financial strategy based on the strategic focus selected. As part of this task, DOC, the company and the Board need to work to identify a clear plan and pathway to financial sustainability once the company's time-limited funding expires, at the end of FY 24/25.
- 6 The company needs to bolster its strategic financial management, and government relations capabilities to ensure that shareholders can understand financial and non-financial performance.
- 7 The company, the Board and DOC need to fundamentally re-set their monitoring relationship and base this re-set on the core principles of '*It takes three: Operating expectations framework for statutory entities*'.¹
- 8 The company and DOC need to agree a policy on how in-kind contributions are valued. In-kind contributions and volunteer hours will be a crucial part of the success of the Predator Free movement, and it will be important to recognise the value that these contributions bring.

A clear strategy and role are required for the company

In 2017, in the absence of a sector strategy, the company focused on providing proofs of concepts and building momentum by establishing landscape projects. This was sensible as it provided the ability to learn how to establish and scale up landscape projects, including as places to test new products, and how to build relationships with key stakeholders such as councils, iwi and landowners. The landscape projects also enabled the company to demonstrate to potential investors and donors what they would be investing in.

The company chose locations using a range of criteria (see page 34) but because of the focus on speed and momentum and the requirement for co-funding, the company only considered sites that had existing funding and capability.

¹ It Takes Three: Operating Expectations Framework for Statutory Crown Entities, <https://www.publicservice.govt.nz/resources/it-takes-three-operating-expectations-framework/>



Our view is that the company can choose from a range of strategic models in deciding its focus and future capability requirements. These are only indicative models – we use them to show the kinds of choices the company might make and to illustrate the implications of each one.

The company will need to place these strategic choices in the context of the overall strategy for the Predator Free 2050 movement.²

We set out some of these potential strategic choices for the company, in Table 1 below.

Table 1: Potential strategic choices for the company

Option	Measuring success	How to deliver (key operating model considerations)	Benefits	Risks & challenges
<p>OPTION 1: Proof of Concept approach – developing the eradication model</p> <p>5 or fewer targeted sites – with stronger focus on defensibility and ability to test products as a criterion</p> <p>Embedded R&D</p> <p>Focused on learning, and developing and testing eradication models</p>	<p>Proven eradication model(s)</p> <p>Eradication proven through surveillance</p>	<p>R&D embedded</p> <p>Philanthropists brought into project</p> <p>governance to inform innovation but with appropriate risk management</p> <p>Selection criteria focused more on site attributes, such as defensibility</p>	<ul style="list-style-type: none"> • Proven eradication model developed sooner • Lower reputational risk • Lower costs at the outset • If an eradication model is not successful, lessons can still be applied to suppression projects • Would probably be able to support a 2:1 co-funding requirement 	<ul style="list-style-type: none"> • Progress is less visible, and therefore doesn't generate the same level of interest and buy-in • Less predictable results • Less immediate commercialisation of products

² Towards a Predator Free New Zealand, Predator 2050 Strategy, Department of Conservation February 2020



Option	Measuring success	How to deliver (key operating model considerations)	Benefits	Risks & challenges
<p>OPTION 2: Broad suppression coverage approach (essentially the status quo)</p> <p>15+ sites, significant hectare coverage</p> <p>Focused on mobilising many projects and increasing community engagement</p>	<p>Hectare coverage</p> <p>Public engagement / social licence measures</p>	<p>Research and tool development occurs separately from landscape, projects but with some cross-over in testing</p> <p>Selection criteria focus strongly on community engagement and support</p>	<ul style="list-style-type: none"> • More predictable progress that can be easily evidenced • More community engagement and therefore more likely to build social licence • More players benefit from funding from day 1 • Faster and wider commercialisation of products 	<ul style="list-style-type: none"> • Larger upfront and ongoing investment requirements • Less focus on innovation and therefore greater risk that an eradication model will not be developed • The separation of research and landscape delivery means science investment is largely focused on known gaps • Greater reputational risk • Risk that gains cannot be maintained • Unlikely to support a 2:1 co-funding requirement



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Option	Measuring success	How to deliver (key operating model considerations)	Benefits	Risks & challenges
OPTION 3: A focus on eradication 5-10 geographically continuous and defensible swathes of landscape projects	Eradication achieved across swathes of defensible land Focus on partnerships and being able to secure agreement across swathes of land	Philanthropists brought into project governance to inform innovation but with appropriate risk management Selection criteria focused more on site attributes, such as defensibility Selection criteria also focused on a continuous geographic location (for example, 'We will focus on eradication in South Westland')	<ul style="list-style-type: none"> A focus on eradication and significant suppression in a continuous geographic area Potentially lower ongoing financial risk to the Crown Focuses on building the capability and relationships needed to secure agreement to eradicate across wide swathes of land If eradication is not successful across the country, this approach could still achieve eradication in a particular location 	<ul style="list-style-type: none"> Progress may be less visible across the country with a more geographic focus Less of a focus on innovation compared to the embedded R&D model Unlikely to support a 2:1 co-funding requirement

The company needs to further build capability

The capabilities the company needs will be driven by the strategic choices discussed above, but we recommend additional capabilities in the following areas:

At Board level

- Expertise in developing commercial and investment opportunities
- Public-sector governance and strategic financial management

Within the company

- Strategy development
- Governance and compliance with public-sector reporting and other requirements – this will also require a re-set in the monitoring relationship with DOC. The company will need to balance the need for compliance with the need for a culture of innovation and agility. DOC needs to establish a clearer monitoring framework and a better understanding of the company's performance and its drivers.



- Finance and investment management – this needs to go beyond financial accounting to include expertise in commercial, investment, and portfolio management.



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PURPOSE AND SCOPE OF THE REVIEW

Purpose

The purpose of this review is to assess:

- 1 the impact that Predator Free 2050 Ltd has had to date on conservation outcomes,
- 2 the trajectory that the company is on towards meeting the goal of a predator-free New Zealand by 2050, and
- 3 what changes (if any) are needed to the structure of the company or to its operating environment to maximise the efficacy of the Crown's contribution towards the eradication of introduced predators.

Specific questions this review addresses

To achieve that purpose, the review addresses the following specific questions:

- 1 Is the company and its structure achieving the purpose agreed by Cabinet in 2016? If not, what variations or external influences have occurred; how have any variations or external influences, if any, impacted on delivery against the Predator Free Strategic opportunity – 'Melding conservation excellence and entrepreneurial investment', and have the variations delivered value for money to the Crown?
 - This assessment includes an
 - understanding of the level of Crown funding received by Predator Free 2050 Limited (or supported projects), directly or indirectly, through any source since the company was established;
 - understanding of the effectiveness of the company's contracts, project management, and reporting, noting the key attributes that the company was intended to bring included an entrepreneurial focus, value for money, innovation, urgency and an investment focus; and
 - analysis of the core skills and capabilities required of the board and the operations team to inform future appointment processes.
- 2 Has the hypothesis held that an independent company:
 - would provide improved governance of investment into Conservation and Predator Free outcomes and be aligned to government policy
 - would be able to attract private sector, philanthropic and local government investment to support the Predator Free movement



- would stimulate more predator suppression through investment in local and regional initiatives
 - would support breakthrough science and technical developments at a reduced cost and transform predator suppression and eradication
 - would provide increased support for community-led projects?
- 3 What impact has the COVID-19 pandemic had on the ability of the private, philanthropic and local government sectors to partner with Predator Free 2050 Ltd to leverage 2:1 funding?
 - 4 Is the operational model positioned optimally to achieve the purpose anticipated and agreed by Cabinet and the current Predator Free 2050 strategy?
 - 5 What additional or unexpected value has the company provided to its partners to date?

Within this scope, we have attempted to remain forward-looking and to set out how best to take the company forward.

Scope of this review

This review has not duplicated the review conducted by Deloitte at the same time, which looked at how Predator Free 2050 Ltd defined and managed its funding or how FTE were defined and counted as part of the Jobs for Nature funding that it received.

We have, however, used the findings from the Deloitte report as evidence in our review.

Approach to the review

Our approach to the review comprised stages for information gathering, assessment and analysis, and reporting.

Information gathering

- Desk research of key documentation to provide understanding of the context, legislative and operating environment of Predator Free 2050 Ltd. This included developing understandings of the current strategy, operating model and key organisational arrangements, including relationships that are in place. It also included a review of documents such as Annual Report, Statements of Intent, Statement of Performance Expectations and other documents (including Board minutes and reporting) to understand how well Predator Free 2050 Ltd was meeting the expectations it has been set.
- Conduct of structured interviews with key stakeholders within the Department of Conservation, Predator Free 2050 Ltd, and others (listed in the appendix to this report).
- Conduct of two focus group meetings with key stakeholders from local authorities, iwi representatives, Predator Free 2050 Ltd staff and other relevant parties (listed in the appendix to the report).



Assessment and analysis

- Our review team triangulated the insights gained from the documentation review, interviews and focus groups to inform their judgements on conclusions and recommendations.
- They also applied a structured framework to the assessment of the Predator Free 2050 Ltd operating model – a proven framework that MartinJenkins has used in previous reviews.

Reporting

There were iterations of reporting to provide opportunity for feedback from both the Department of Conservation and Predator Free 2050 Ltd, which included senior members of both organisations.



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THE ROLE OF PREDATOR FREE 2050 LTD

There is not a shared understanding of the company's role: competing narratives have obscured Cabinet's intentions

Cabinet clearly intended the company to attract and govern investment into the Predator Free movement

In July 2016 a paper was put to Cabinet seeking, among other things, approval to establish a new independent Crown Company or equivalent Crown entity, with the proposed name 'Predator Free New Zealand Ltd', to support the Predator Free 2050 movement (PF2050). The context for the proposal was the need to attract more investment into the movement and to better coordinate and align this investment with the Predator Free 2050 Strategy.³

As the lead agency for PF2050, the Department of Conservation (DOC) would be responsible for developing the overarching strategy.

"An essential component to achieving the strategy will be the formation of 'Predator Free New Zealand Ltd' to govern project investments in regional predator control initiatives and long-term science research. The company would be governed by a board made up of government, private sector and philanthropic investors. Predator Free New Zealand (PFNZ) Ltd would bring entrepreneurial focus and investment discipline to the initiative."

The company's Constitution, SOI and SPE do not clearly specify the investment leadership and governance role discussed in the Cabinet paper

The Constitution of Predator Free 2050 Ltd describes the company's purpose as 'contributing to the eradication of possums, rats and stoats from New Zealand by 2050'.⁴ Although it does include some reference to investment and fund-raising, the Constitution does not continue the strong narrative about the company being responsible for governing and coordinating investment into the movement (see below for a comparison of the functions in the Constitution with those in the Cabinet paper).

Similarly, the company's Statement of Intent (SOI) and Statement of Performance Expectations (SPE) describe it as a 'significant contributor to the Predator Free New Zealand 2050 programme', but are unclear on the exact nature of that contribution. Although the SOI includes as a key function the

³ Towards a Predator Free New Zealand, Predator 2050 Strategy, Department of Conservation February 2020

⁴ Constitution of Predator Free 2050 Limited p9, section 3.1



'raising of funds for co-investment by other parties', it does not clearly state that the company's central function is attracting and governing investment across the Predator Free movement.⁵

Comparing the functions in the Cabinet paper with those in the Constitution

Table 2: Cabinet paper functions and Constitution functions

Cabinet Paper functions ⁶	Constitution functions ⁷
<ul style="list-style-type: none"> • "Provide advice to project consortia so that they develop high quality, technically feasible projects; • Foster investment in conservation projects; • Assess proposals against investment criteria to select the optimum schemes and establish durable commercial structures; • Manage co-investments in accordance with the Crown's investment requirements; • Exit projects when conservation objectives have been achieved and there are long term arrangements to sustain the gains; • Raise funding at a rate of 2:1 with funds set aside for scientific research, and establish a subsidiary company to oversee investments in long-term predator science; • Work with the Biological Heritage Science Challenge to coordinate investment in long term predators science research" 	<ul style="list-style-type: none"> • "To identify, invest in, and monitor, regionally significant predator control and eradication projects that offer significant conservation benefits; • To identify, invest in, and monitor, break-through research to develop new predator control and eradication tools and techniques; • To provide advice to project consortia to support the development of technically feasible and financially sound predator control and eradication projects; • To attract financial and non-financial resources for predator control and eradication projects, and for research into predator control and eradication tools and techniques; • To promote support for, and involvement in, predator control and eradication in conjunction with other organisations; • To align its investment with other organisations involved in predator control and eradication and related research; and • To carry out such other lawful activities which are incidental or conducive to attaining the purpose for which the company is established."

⁵ Predator Free 2050 Limited Statement of Intent 2018-2022; Predator Free 2050 Statement of Performance Expectations 2020-21

⁶ CAB-16-MIN-0335

⁷ Constitution of Predator Free 2050 Limited p9, section 3.1



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The Board made efforts in its establishment phase to understand Cabinet's intent and be clear on the company's role and responsibilities relative to DOC

The Minister of Conservation was invited to the first Board meeting in January 2017, where she set out her perspective on the Government's goals for Predator Free 2050 and her expectations of the company. The meeting included a session on the PF2050 strategy and system. The then-Deputy Director General (DDG) Strategy and Innovation from DOC had had a central role in developing the Cabinet paper and business case and presented to the meeting about the PF2050 system and facilitated a discussion with the Board about the company's role within the system.

In March 2017, the Board raised concerns that "there was considerable confusion as to the roles and responsibilities between those involved in activities towards 'Predator Free 2050', and that there did not appear to be an overarching strategy or leader". Board members believed that Predator Free 2050 Ltd should be the lead entity and should therefore manage the PF2050 brand and the budget for the programme. The Board assigned an action of working with DOC's DDG Strategy and Innovation to discuss expectations in relation to the PF2050 brand, brand ownership, and the coordination of communications.

Today, various players have competing interpretations of the company's role

Despite the initial efforts to clarify the company's role, there is still significant confusion and misalignment in different parties' understandings of what the company is here to do.

The company's view

In the company's eyes, it is a lead entity in the PF 2050 movement, and it has been tasked with accelerating progress towards PF2050 goals. The company is focused in particular on achieving eradication in the two-thirds of New Zealand that is not DOC Estate.

The company sees its role as having three main parts:

- 1 **Landscape scale projects** – mobilising and supporting the delivery of location-based projects, with a focus on driving the shift from suppression to eradication
- 2 **Breakthrough science** – investing in science, both national and international, to enable and fast-track the achievement of PF2050
- 3 **Corralling communities** – growing community support and activity.

The company also sees a key part of its role as being to attract funding into the movement. It currently achieves this through co-funding projects, leveraging \$2 for every \$1 that it invests; however, it intends to increase its fundraising efforts over time. It says that its strategy in its first years was to prove the eradication model so that it could then use that success to attract philanthropic investment.

The company had expected to own the PF2050 Strategy and to be able to play a greater leadership role across the movement.



Views of the landscape project teams

Landscape project teams have described the role of Predator Free 2050 Ltd as being 'the enabler'. The company's founding financial contributions have enabled them to attract a package of funding for their project that they wouldn't otherwise have been able to. The company's support for the projects has also helped them to bring in the right people at the right time and to plan more rigorously so that they are better able to attract funding and achieve their aims.

Project teams also said the more recent work done to facilitate collaboration across the movement has helped to accelerate the sharing of lessons and therefore success.

"The company has played a really important role... They are a funder but they also symbolise the government taking this seriously and strengthens the coalition of the willing."

"I see PF 2050 Ltd being the enabler, not just in funding. They are higher level than a lot of the other parties we see. They enabled us, a small team, to get our technology out to a lot more people than we otherwise would have been able to. They shared our technology across the broader movement."

Project teams thought the company should play a bigger role in the following areas:

- **Social** – It should provide more support around community engagement, to ensure that communications are aligned and to help with building social licence.
- **Connection and learning** – The company has recently increased its efforts in this area, but project teams think it needs to do more to accelerate and broaden information-sharing across the movement.
- **Strategic leadership** – Many project teams thought that the company is better placed to own the PF2050 leadership role, with DOC moving to be a key partner rather than owning the overall direction. They thought that the company is better placed for this role because it is 'independent and unencumbered' and solely focused on the mission. It is therefore less likely to be affected by changing government priorities. The company has also proven to be more agile and through the Board is able to access the private-sector thinking that is essential for driving innovation and achieving the PF2050 goal.

"For New Zealand to be successful in achieving the vision, there needs to be leadership and the Crown needs to own that. But PF2050 Ltd is the key party to do that – it's still a Crown body but it's got enough independence, it's got real opportunity for the appropriate governance to be sitting at the table. Their evolution in their approach – including the workshops and hui that they organise – they are taking steps that show the leadership that is needed."

"This PF2050 goal is not going to be achieved by DOC and existing institutions. That was why the company was set up. The Company's role in making it easier for us to get stuff done is critical. If we do end up getting bureaucratized then we won't get there."

Views within DOC

Within the Department of Conservation there are a range of views on what the current role of Predator Free 2050 Ltd is and should be.



The DOC monitoring team

The current monitoring team refers to the intent as set out by Cabinet. The team describes the company's role as being to drive an accelerated response for PF2050 by sourcing funding that would not otherwise have been available to the movement, and to then invest this in line with the PF2050 Strategy.

"The third party funding was key. They do have a role in the mission of, and being party to the implementation of, the PF strategy. But they are just one party to it. They weren't meant to be the conductor, just a participant. To be able to shape where that funding went – that was their role. The investment arm."

The DOC Predator Free team

The DOC Predator Free directorate developed the PF2050 Strategy, which was published in February 2020.⁸ The Strategy includes a description of the key players in the movement, with the company positioned mainly as administering the Crown's investment in the movement.

"Predator Free 2050 Limited is responsible for directing a significant amount of Crown investment into the Predator Free 2050 programme. The company is focused on investing in large, high value, landscape-scale predator removal initiatives and breakthrough science."

However, in interviews the Predator Free team described the company as having become a delivery agency focused mainly on landscape projects, but with some focus on breakthrough science. The team said this was largely what the Company was set up to do, along with gaining philanthropic investment, a role that the company has failed to fulfil.

"I think they are doing what they were set up to do, apart from gaining the philanthropic investment and business investment that we were hoping. They were supposed to be an opportunity to bring new funding in."

DOC's senior leadership

In an interview for this report, a senior leader from DOC who was involved in developing the Cabinet paper described the role of Predator Free 2050 Ltd as having two key parts:

- Funding large-scale landscape projects
- Investing in breakthrough science and innovation to achieve the Predator Free goal.

They said a key driver for establishing the company was "to bring a different perspective, new energy and purpose to the cause". The company was intended to leverage the opportunity that high net-worth philanthropists present, while also bringing in different perspectives through Board members who have:

"a wide range of skills in project management, experiences from their individual commercial success, and valuable relationships to attract investor funding".

This senior leader thought that "Government was not a practical investment vehicle for these kinds of projects."

⁸ Towards a Predator Free New Zealand, Predator 2050 Strategy, Department of Conservation February 2020



The lack of clarity around the company's role has contributed to many of the challenges it has experienced; a shared understanding of its role is needed for it to succeed

From the outset, it appears the role of Predator Free 2050 Ltd has been unclear, and this has constrained the company's ability to succeed. A clear role and remit would have provided a strong foundation from which to engage with, support, and influence the movement.

Questions around the company's remit and the scope of its leadership role have created difficulties with several of its relationships – most notably with different parts of DOC, but also at times with other players in the system.

This has also led to disagreement within the movement about the company's focus and strategy, with some parties wanting the company to focus on some parts of its role more, or ahead of others in time.

A clear role needs to be decided and widely communicated so that all players are clear on the company's focus, scope and remit. Without a shared understanding, the company will be limited in its ability to craft an operating model that is purpose-driven and that supports the broader movement in the right way.



THE COMPANY'S OPERATING ENVIRONMENT

This section sets out key contextual factors affecting the work of Predator Free 2050 Ltd. We have sought to take these factors into account in reaching the findings set in this report.

There are many players in the Predator Free movement and this adds to confusion around roles

Part of the confusion around roles and responsibilities is due to the movement having many parties involved, and with many of these having the words 'Predator Free' in their name. As well as Predator Free 2050 Ltd there is also for example:

- the Predator Free Trust (which existed before the company and is largely focused on supporting connections between community groups and making information about the movement better and more accessible)
- the Predator Free directorate within DOC
- various projects with "Predator Free" in their title.

"People get confused because you've got the Trust, the Company, DOC, and then us too"

This may be confusing for people new to the movement, or for the public or other external parties who are engaging with the movement, but it was felt that the relative roles were generally clear within the movement.

The challenges emerge around responsibilities and there being no clear agreement about who is responsible for what.

"I think all of those parties have a view of their role but I don't think we've necessarily all sat down and had a discussion about that. Now's a good time to do it. There's obviously significant overlaps between what the company thinks it's doing and what the department thinks it's doing."



The company has been operating in an unstable environment, with many changes in key players and therefore in expectations

Predator Free 2050 Ltd has experienced a lot of change since it was established. The past 18 months have been particularly turbulent, with the company:

- losing its Chair and two Directors
- having two Chief Executives resign
- having three different Ministers, and
- experiencing changes in the composition of the DOC monitoring team.

This level of change wasn't necessarily a problem in and of itself.

However, the company was still relatively young and had no documented and agreed strategy, and there was not a documented monitoring framework from DOC. The company was therefore not well positioned to manage these changes and to navigate the new expectations that the new players brought.

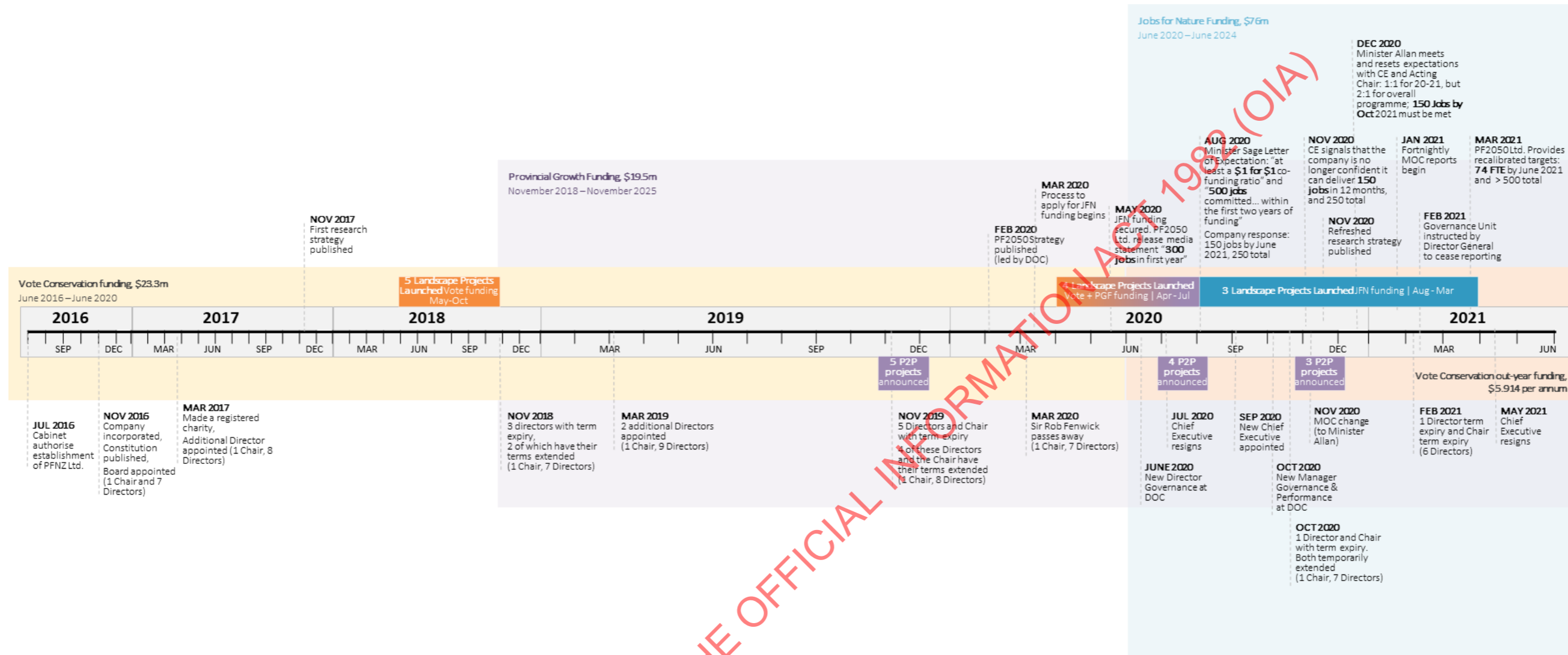
Those changes also happened in a period when the company was dealing with the impacts of Covid-19 and rapidly making strategically significant decisions around Jobs for Nature funding.

Having continuity in leadership on both sides would have made both the company and the monitoring agency better able to discuss and proactively manage the associated risks together.

Figure 2 below provides an overview of these changes and of key funding activity across the life of the company.



Figure 2: Timeline of key changes and funding activity across the life of Predator Free 2050 Ltd



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Covid-19 has introduced further complications, which have affected the company's ability to progress key initiatives and secure co-funding

Covid-19 has made it more difficult to attract co-funding, particularly at the 2:1 level required. Councils have lost non-rateable income and have shifted their priorities towards infrastructure and higher social impact initiatives.

"Elected members are saying to staff that we need to be spending our money on more important matters, like infrastructure. People are saying while tourism is down, they can do more infrastructure work and get more people employed."

Similarly for community programmes and those that receive philanthropic contributions, there appears to be less funding available in general. This has been coupled with a shift in priorities, with funders preferring to invest where there is greater and more direct social benefit. This is not to say that philanthropic activity is not possible, but it is now more difficult.

"Philanthropists are either saying we haven't got it or we haven't got as much, and/or they want to invest it where it has a greater social benefit."

The impact of the pandemic has not been limited to funding. Lockdowns and the closed borders have impacted on the delivery of some landscape projects and internal initiatives. For example, one landscape project has had problems with securing site access, as the owner of a large property was stuck overseas and unable to engage. The closed border has also made it more difficult to attract overseas talent for the company's Philanthropic Director position.



THE COMPANY'S PERFORMANCE SO FAR

Predator Free 2050 Ltd has made a positive contribution to the PF2050 interim outcomes

The company's Letters of Expectations, Statements of Performance Expectations, and Statement of Intent consider the company's performance in relation to the broader movement's interim outcomes.

The seven interim outcomes

The interim outcomes were first set out in the Cabinet paper and business case. Initially there were four interim outcomes for the movement to achieve by 2025, and these were later refreshed and broadened in the Predator Free 2050 Strategy (published in February 2020), with three new interim outcomes added.⁹

The updated interim outcomes are as follows:

- 1 Increase by 1 million hectares (from 2016 figures) the area of New Zealand Mainland where predators are suppressed, through Predator Free 2050 projects.
- 2 Demonstrate predator eradication can be achieved in areas of mainland New Zealand of at least 20,000 hectares and that these areas can be defended from reinvasion without the use of fences.
- 3 Eradicate all mammalian predators from New Zealand's uninhabited offshore islands
- 4 Whānau, hapū, iwi will have identified sites of importance for predator eradication and at least five eradication projects led by whānau, hapū and iwi will be underway across the country
- 5 Eradicate possums or mustelids from at least one NZ city
- 6 Effective tools and knowledge will be available to achieve predator free eradication on farmland
- 7 By 2025, we will have developed a breakthrough science solution that would be capable of eradicating at least one small mammal predator from the New Zealand mainland

The company's contribution towards the interim outcomes

Table 33 below details the contribution that the company states it is currently making towards the six interim outcomes.¹⁰

The challenge in assessing the company's performance is that the interim outcomes are intended to be achieved by the movement as a collective; there is no clear delineation of who owns and/or is expected to contribute to which interim outcomes. Therefore, while we might conclude that the

⁹ Towards a Predator Free New Zealand, Predator 2050 Strategy, Department of Conservation February 2020

¹⁰ Predator Free 2050 reporting



company is making a significant contribution to the movement's progress, we cannot assess its specific contributions to each of the interim outcomes.

Table 3: PF2050 interim 2025 goals and PF2050 Ltd's contribution

2025 goal	PF2050 contribution
By 2025, we will increase by 1 million hectares (from 2016 figures) the area of New Zealand mainland where predators are suppressed, through Predator Free 2050 projects.	<i>Our co-funding will enable predator control work across 729,936 ha for a suite of predator species. This includes suppression across 211,397 ha and expect this to increase to approximately 400,602 ha through JFN funding. Importantly around 329,334 ha is targeted for eradication of at least one predator species. This is driving technological and operational innovation and building capacity for achievement of the following goal.</i>
By 2025, we will have demonstrated that predator eradication can be achieved in areas of mainland New Zealand of at least 20,000 hectares and that these areas can be defended from reinvasion without the use of fences.	<i>At 96,000 ha the South Westland project is designed to pass this threshold by 2023, building on the Perth Valley's 12,000ha and ZIPs 'remove and protect' operational advances.</i>
By 2025, we will have developed a breakthrough science solution that would be capable of eradicating at least one small mammal predator from the New Zealand mainland.	<i>Our first research strategy drove the underpinning outcomes (e.g., predator genomes) needed to enable the most likely research pathways that will achieve this goal (e.g., cost-effective specific toxins, chemical reproduction suppressants, biocontrol, genetic control). Our second research strategy will continue building on this foundation to provide the sought-after breakthroughs.</i>
By 2025, whānau, hapū and iwi will have identified sites of importance for predator eradication and at least five eradication projects led by whānau, hapū and iwi will be underway across the country.	<i>We will contribute through funding agreements with Ngāti Awa and Tūhoe and are actively pursuing other opportunities.</i>
By 2025 we will have eradicated possums or mustelids from at least one New Zealand city.	<i>Our support for Predator Free Dunedin and Predator Free Wellington is creating a pathway to achievement.</i>
By 2025, effective tools and knowledge will be available to achieve to achieve predator eradication on farmland.	<i>The transfer of methodologies from our large landscape projects and technologies from the Products to Projects investment are expected to make a significant contribution to this goal.</i>



The lack of clarity around the company's role makes it difficult to specifically assess its performance

As set out in 'The role of Predator Free 2050 Ltd' section of this report, the exact role of the company and its intended contribution to the broader movement are unclear. This creates challenges for assessing the company's performance and impact, as there is no intervention logic map and purpose-driven measurement framework against which to assess success. This lack of clarity has led to questions about whether current measures are appropriate.

For example, there are different views on whether hectare coverage is the right measure for the company to focus on. Some have concerns around attribution and believe that the company should only be able to use the proportion of each project that it directly funds (for example, one-third of the project's total coverage).

Others argue that number of hectares is the wrong measure altogether.

If the company's primary role is to be a delivery arm and to increase the pace and scale of landscape project delivery, then number of hectares is an appropriate way to measure success. However, if the company's primary role is to drive innovation, to develop breakthrough methods, tools and technologies, and to develop and test eradication models, then focusing on hectare coverage may not be appropriate, as it could risk creating an incentive to use traditional methodologies to ensure that coverage targets could be predictably met.

"Their focus on investment is about hectares covered, not about finding the nugget that is actually going to solve the problem."

"...trying to move away from the hectare driver as it's hard to measure and we want something that is more specific and aligned to the strategy... there are challenges in attribution."

Until the role of Predator Free 2050 Ltd is clear and widely agreed, the company will continue to be limited to performance frameworks that are unable to specifically measure whether it is delivering its intended impact.

It would be more meaningful to consider the company's role and performance in the context of the movement's value chain

Figure 3 below visualises the movement's value chain, setting out the key enablers and delivery elements that contribute to achieving the PF2050 goal.¹¹ Our view is that to meaningfully assess the company's performance, a decision is needed on what the role of the company is in relation to each of these value chain elements and what its contributions are expected to be compared to other players.

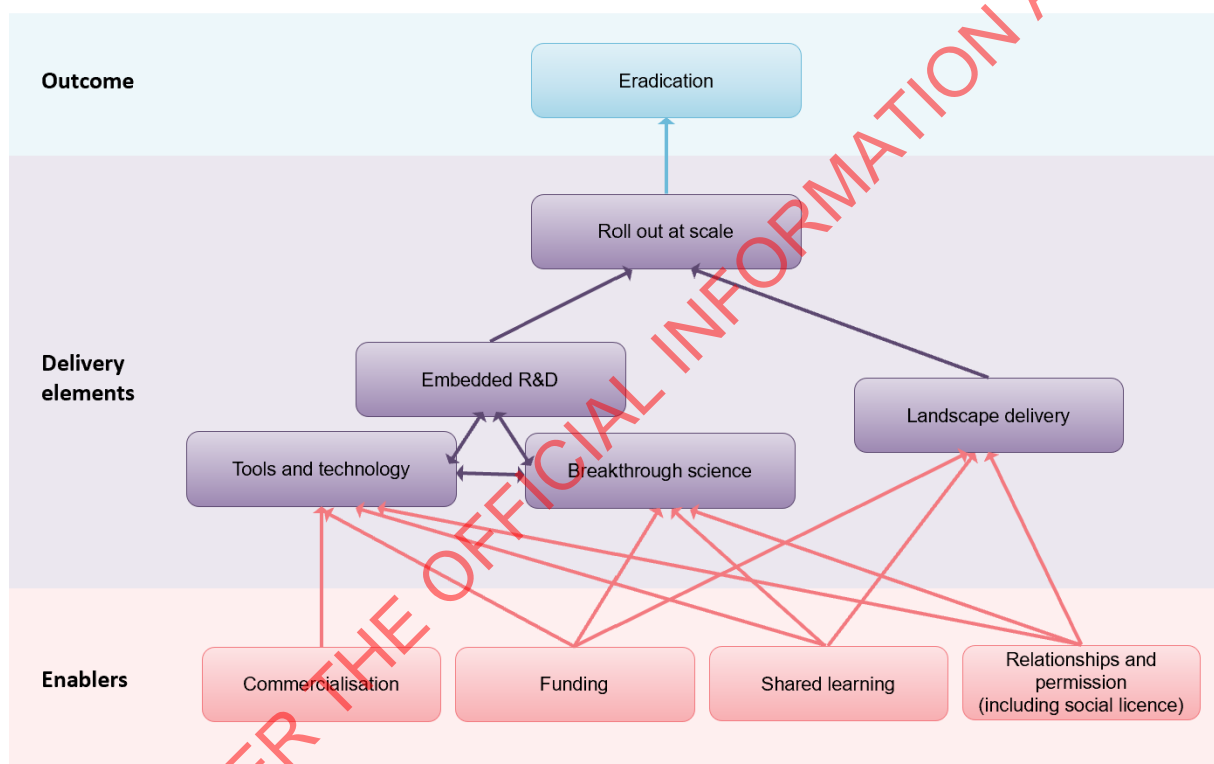
¹¹ From our analysis during the course of the review



Only if the company's roles across this system are clear can one meaningfully determine what its measures should be and what good performance looks like.

This section explores the company's current contributions across the different value chain elements, including any additional or unintended value that it has provided. It also explores opportunities where the company might be able to do more, or contribute differently, in relation to each of the elements.

Figure 3: Overview of the movement's value chain



Enablers

The company's funding role has largely involved managing the Crown's investment, and attracting co-funding at a project level

Predator Free 2050 Ltd has managed the Crown's investment into the Predator Free movement using Expressions of Interest processes and applying investment assessment criteria in alignment with the direction set out in the founding Cabinet paper.

The use of the investment criteria indicates that the company has approached projects strategically, thinking about their longer-term success (including the geophysical defensibility of the area, and the biodiversity benefits gained) and ensuring that each project is aligned with the PF2050 interim goals.



Some stakeholders told us they were concerned that the company's selection of projects didn't take enough account of the long-term ability to defend the relevant area. It appears that defensibility was a key factor in the selection of initial projects. The competing priorities of the Provincial Growth Fund and Jobs for Nature funding may have diluted other factors in later EOI processes, such as the biodiversity benefits and geophysical attributes.

The company has sought to attract funding for the movement at a project level, through the 2:1 co-funding requirement.

Cabinet intended that the company would do more to raise funds for the movement

So far, Predator Free 2050 Ltd has not prioritised its fundraising function. We understand that this is because the company decided to focus first on proving the eradication model through establishing a group of exemplar projects, and then later using this to attract philanthropic interest and investment.

We acknowledge the logic of that approach. However, in our view the company still needed to invest greater focus and effort in its fundraising function at the outset to fulfil Cabinet's intentions.

The company's strategic approach, including its approach to philanthropy, is set out in detail in the 'Strategy' section of this report, on page 52.

Predator Free 2050 Ltd has been recognised for supporting the commercialisation of tools and technology; there is an opportunity to do more in this area

Commercialising tools and technologies is key to supporting the success of the Predator Free movement. It helps to ensure a steady revenue stream for product providers, which puts them in a better position to invest in improving and scaling up their products – both of which will benefit the movement as a whole.

Strong commercial opportunities also help make the movement more resilient financially, as providers become less reliant on government for their primary funding.

Several projects have shown that Predator Free 2050 Ltd is already doing well in supporting them to commercialise their products.¹² For example, the company has:

- worked with providers to ensure that appropriate business and commercialisation plans were developed at the outset
- helped to push products out across the landscape projects that the company is funding, and
- endorsed products to support providers' marketing efforts.

Several project teams also compared the company's Product to Projects to DOC's Tools to Market. They described the company as having a better understanding of commercial pressures and as being more proactive and adopting more of a partnership approach to support their commercialisation work.

¹² From interviews with stakeholders



“Our good month used to be building 20 traps for small projects, and after PF2050 funding, we were building about 400 traps a month... even still we can't keep up with demand!”

“We have had to put business and commercialisation plans in for the P2P funding before we even got it. I think that's the right way to do it in comparison to DOC... PF2050 have some people on their board with business acumen and that knowledge just streams through.”

“They have even considered Australia's market and PF2050 has been supportive of that case to get better economies of scale and bring the price down for the product. They said to us that we are happy to endorse this with the Australian government.”

Some project teams felt the company didn't do as much as it could have to help take their product wider. They valued the support the company provided and were keen to see it do more.

“Our product wasn't pushed out as much as we expected with PF2050, we still hoped to get wider coverage with the product.”

In our view, the company should further embed commercialisation considerations into its business practices and approach.

By this we mean creating and facilitating commercial opportunities for companies or investors, rather than the Predator Free 2050 company itself. For example, consideration could be given to pricing eradication, scientific, or technological contributions or utilising other mechanisms to incentivise commercial investors to participate or invest in the movement.

The company is independent and unencumbered, which makes it well placed to broker relationships and build social licence

Project teams talked about Predator Free 2050 Ltd as being 'independent and unencumbered' and described this as being a real asset. Because the company's sole focus is the success of the PF2050 mission, there is less room for parties to second-guess its motives. As a result, the company can bring parties together and increase their buy-in in a way that government agencies cannot.

Independent and unencumbered – they don't have the same baggage and background that comes with central and local government. This is a benefit in raising funds and interest... We aren't here to charge you rates etc. This is all mission focussed.

As the company's support model has evolved towards a partnership approach, the company's impact in making social connections has increased. Project teams talk about the impact the company has had, particularly at the outset of the project, in helping them understand who they might need to partner with (for example, mana whenua and community groups) and what funders they might want to engage with (for example, the NEXT Foundation). Facilitating connections at the outset in this way helps to ensure that projects have the strong social foundations they need to succeed.

The company has also improved how it facilitates connections and shared learning between projects. It held its first Collaboration Workshop in early 2019 and since then has facilitated several collaboration hui.

Establishing additional support resources for projects also contributed to improving information sharing across projects. These team members, through working across multiple projects, can share practical insights and examples of what has worked well.



Project teams believe there is an opportunity to accelerate and broaden this shared learning and connection across the PF2050 movement. They also thought Predator Free 2050 Ltd should play more of a role in the area of social connections, such as community communications, or developing social licence with the general public. This is discussed further in the 'Business practices' section of this report, from page 67.

Delivery

Landscape delivery has been focused on scale – although this increases community interest, it may not be the best strategy for achieving eradication

Predator Free 2050 Ltd has co-funded 19 landscape projects since it was established. These projects have achieved predator control in over 700,000 hectares. Mammalian predators have been suppressed in more than 200,000 hectares, and this is forecast to increase to over 400,000 hectares with Jobs for Nature funding.

This achievement reflects the company's strategic decision to focus on first establishing a group of exemplar projects that could be used to quickly show far-reaching progress. This approach has two key benefits:

- **It builds support from the public and landowners** – The interest and engagement helps to secure and maintain support from the general public: the more the public can see the benefits of projects, the more likely they are to support them. It also makes it more likely that landowners will engage with the predator control activities and allow them to operate on their land.
- **It increases the confidence that potential investors have in the movement** – By showing quick, far-reaching progress, the company is better able to increase wider confidence in the movement and in the model, and is therefore better positioned to attract investment. This is the logic the company describes when it talks about its strategic approach.

There is still a need for the science, tools, and technology work that happens outside of landscape projects, and the company has done well in this work so far

As already discussed, the work that Predator Free 2050 Ltd supports in the Product to Projects area is critical for the financial sustainability of the movement. The commercialisation of tools and technologies enables the movement to achieve economies of scale and to reduce the reliance on Crown and philanthropic funding.

The company has also been a leader in the science field, providing strategic direction around what underpinning outcomes need to be pursued in the short term to enable the most likely research pathways that will take the movement to PF2050.

For example, the company has prioritised the sequencing of predator genomes in the short term, as this is necessary to enable research around chemical reproduction suppressants and biocontrol in the longer term.



THE COMPANY'S STATUS AS A SCHEDULE 4A ENTITY

The initial decision to establish an independent company or Crown entity

On 11 July 2016, Cabinet authorised the Ministers of Conservation, Primary Industries and Finance to establish 'Predator Free New Zealand Ltd' as an independent company, or equivalent Crown entity, with a target establishment date of 1 November 2016 (CAB-16-MIN-0335 refers).

Following this agreement, officials from the Department of Conservation, the Treasury, and the Ministry for the Environment made recommendations on the appropriate form of this entity.

The decision to establish a 'Schedule 4A' entity

Officials from DOC, the Treasury, and MfE provided additional advice to Joint Ministers on 9 September 2016 and recommended establishing a Crown entity company under Schedule 4A of the Public Finance Act 1989.

That briefing paper set out five main reasons for this:

- The entity would be sufficiently independent of government, but government could still influence it and hold it accountable through one or more Responsible Ministers
- As establishing a Schedule 4A entity requires only an Order in Council; the entity could be established by the target date of 1 November 2016, which was only two months away when this analysis was done
- The entity would be able to obtain and maintain charitable status and an exemption from income tax
- Schedule 4A status would limit the Crown's ability to require any surplus dividends to be returned to it, and
- Schedule 4A status would provide flexibility for future shareholding, so that other stakeholders or investors could later obtain shares.



We have been asked to assess five hypotheses about the merits of Schedule 4A status

The terms of reference for this review require us to comment on whether five specific hypotheses about the benefits of a Schedule 4A entity held true, and whether we were able to assess the success or otherwise that the company had had in achieving those benefits.¹³

Although the structure of the company is an important consideration, our review finds that how roles, responsibilities and capabilities were brought to bear within this structure was as significant as the structure of the company itself.

Our primary finding is that there are clear benefits to the company being a Schedule 4A entity in terms of supporting components of the value chain that we outlined earlier in this report.

These hypotheses were as follows:

- **Hypothesis 1:** An independent company would improve governance of investment into Conservation and Predator Free outcomes and be aligned with government policy
- **Hypothesis 2:** An independent company would be able to attract private sector, philanthropic and local government investment to support the Predator Free movement
- **Hypothesis 3:** An independent company would stimulate more predator suppression through investment in local and regional initiatives
- **Hypothesis 4:** An independent company would support breakthrough science and technical developments at a reduced cost and transform predator suppression and eradication
- **Hypothesis 5:** An independent company would provide increased support for community-led projects.

We discuss each of these hypotheses and our findings, below.

HYPOTHESIS 1: An independent company would improve governance of investment into Conservation and Predator Free outcomes and be aligned with government policy

Our conclusion

Predator Free 2050 Ltd has been **partially successful** in achieving this goal.

The company made decisions about what to invest in, based on criteria that align with the Crown's criteria for investing in Predator Free 2050

From the early EOI development processes, the company developed a set of key investment criteria (set out below) to use for assessing proposals from potential partners.

¹³ Terms of Reference - Predator Free 2050 Limited - 4 years on



Table 4: The investment criteria used by Predator Free NZ Ltd

Investment criteria	Description
Scale and geophysical attributes	Projects should be ambitious and seen to be so. As a guide, a minimum scale of 20,000 ha unless the project is a critical exemplar of an approach or behaviour that can be quickly extended or replicated at a larger scale if successful. Geophysical attributes will include 'defensibility' of the area once predators are eradicated, and representation of different land environments across New Zealand.
Biodiversity gain (dividend)	The project should contribute to substantial biodiversity gains across the land area under consideration.
Alignment with PF2050 mission	The proposal should clearly indicate how it will assist achievement of PF2050 interim (2025) goals.
Timing and measurability of gains	The proposal should offer credible evidence of the timeframe in which the goals are to be delivered. Specific intermediate milestones that the proponents believe will provide compelling evidence of progress of the plan, and against which they are willing to be measured, should be specified.
Land owner support and participation	Projects should show evidence of collaboration between all relevant landowners and interested parties i.e. adjoining landowners, Māori, DOC, Local Councils, and others, that will ensure multiple landowner support across the target landscape.
Māori partnerships	Where a Māori entity is not the project lead, relevant Māori hapū or iwi should be involved in the formation of the project and be collaboratively engaged in the ongoing delivery. Where applicable, Predator Free 2050 Limited is seeking projects that have, or are proposing to have, a strong emphasis on Māori collaboration and partnerships.
Management (expertise and capacity)	The project management team should have proven experience and capacity given the scale and complexity of the proposal and demonstrate that they have access to the technical resources required to deliver the project.

The investment criteria indicate that the company was thinking about the longer-term success of projects (the geophysical defensibility of the area, and biodiversity benefits gained) as well as alignment with the PF2050 interim outcomes.

Some stakeholders told us they were concerned that the company's selection of projects didn't take enough account of the ability to defend the relevant area in the longer term. It appears that this was a key factor in the selection of initial projects. It may be that the competing priorities of the Provincial



Growth Fund and Jobs for Nature funding, and the later focus on job creation, diluted other factors such as the biodiversity benefits and geophysical attributes.

As the company matured, it expanded its engagement and support model with projects, leading to more collaborative relationships that improved project outcomes

When the company's new CEO started in her role in mid-2020, Predator Free 2050 Ltd canvassed its partners to see how it could improve. This resulted in the company taking more of a partnership approach to working with the projects.

Project stakeholders we talked to were very supportive of this approach and felt that this has been a major change in how the company and project teams work together.

The partnership approach enables the company to work with the projects to share knowledge and advice. The approach also allows the company the flexibility it needs in order to support types of work that have not been tried before. Stakeholders see the company as being more responsive and flexible than larger organisations like DOC.

"The company has become a delivery agency in a way. They coordinate an investment predominantly focussed on partnering with councils on landscape project delivery, and some focus on breakthrough science."

Stakeholders said the company listens when they have problems and comes up with solutions. For example, some thought some of the Crown's reporting requirements were unreasonable for community-run projects with limited resources and substantial volunteer workforces, and they felt the company "went into bat" for them in working with DOC to design something more manageable.

HYPOTHESIS 2: An independent company would be able to attract private-sector, philanthropic, and local-government investment to support the Predator Free movement

Our conclusion

Predator Free 2050 Ltd has had **limited success** in achieving this goal.

The company pursued a deliberate strategy of demonstrating success in landscape projects first, before pursuing investment from the private, philanthropic, and local-government sectors

Predator Free 2050 Ltd acknowledges that philanthropy has not been a priority to date because of its conscious decision that the eradication model needed to first be tested and proven before the organisation could attract philanthropic interest and investment.

"We also knew that we were wanting to bring in more philanthropic funding but you can't do that until you have some projects on the ground running. Our energy in the first 12 months was therefore all about launching those initial projects."



However, the company did not ignore the philanthropic fundraising component of its role and we understand has been discussing and exploring opportunities in this area since the first year of its life.¹⁴

As early as October 2017, the Board discussed the requirements of the 2:1 ratio and noted that “it will take time to raise awareness with corporates before they will commit funding”. It was in this meeting that the Board first considered setting up a dedicated fund that people could donate directly to. The Chair and CEO were tasked with progressing an investment fund strategy for the Board to consider.

It was not until August 2019 that the company began to build real momentum in its philanthropic fundraising. By then it had had numerous conversations with philanthropic and fundraising entities to understand more about its fundraising potential. The company met with the founder of Jasmine Social Investments, the retiring CEO and founding managers of Foundation North, the CEO of the Auckland Foundation, and two directors from the Nature Conservancy (a US-based environmental fundraiser and conservation agency).

We recognise the efforts the company has made and that Covid-19 had some impact on its ability to progress philanthropic fundraising.

However, we believe (with the benefit of hindsight) the approach taken to date has not been as strategic or as comprehensive as was needed to meet Cabinet’s intentions. Dedicated capability and capacity for philanthropic fundraising should have been brought into the company at the outset to work in parallel with the “proof of concept” approach that they were taking.

Finally, however, as we note later in the review, we are not convinced that the company will ever be an attractive vehicle for private philanthropic donations and may in fact compete with other organisations seeking this same funding for the movement. We describe this later in the report.

Local government investment has also declined, as a result of council revenues dropping and investment priorities shifting because of Covid-19

Predator Free 2050 Ltd acknowledged that finding significant third-party funding would become increasingly important if the company were to continue to meet the 2:1 contribution requirement. It noted that, as the PGF funding round showed, achieving 2:1 was likely to become increasingly challenging, particularly in regions that have less affluent councils or that are less well-developed.

The emergence of Covid-19 and councils’ response to it has made this even more challenging. Council revenues have declined, and their investment priorities have also shifted substantially in this current long-term planning cycle to focus on ‘core’ council infrastructure and priorities, such as water networks and roading.¹⁵

“Elected members are saying to staff that we need to be spending our money on more important matters, like infrastructure. People are saying while tourism is gone, they can do more infrastructure work, and get more people employed this way.”

¹⁴ From interviews with company stakeholders

¹⁵ From interviews with external stakeholders



As time has gone on this has had a substantial impact on the company's ability to attract co-funding at even 1:1 levels.

We discuss the feasibility of a 2:1 funding model, and compare it to other, similar eradication and suppression activities later in this report.

Hypothesis 3: An independent company would stimulate more predator suppression through investment in local and regional initiatives

Our conclusion

Predator Free 2050 Ltd has been **largely successful** in achieving this goal.

The company has pursued a partnership strategy with local and regional teams, and this has proven successful in progressing and expanding landscape projects where suppression and eradication are viable

As we noted above, the company has recently invested in a more collaborative and 'hands-on' role with local and regional projects, and stakeholders have seen the benefits of this approach. This partnership and new 'get stuff done' mentality has shone through – to the point that many of those we interviewed said they strongly preferred working with the company compared to DOC.

*"I would have a **massive** preference towards the PF2050 programme to the point that we haven't even bothered submitting ideas to DOC because we would rather have it funded by PF2050."*

"A big part of that is that PF2050 are much more independent, DOC has way too many vested interests, biases and conflicts in what they feel like they should be funding".

The company's ability to bring together a broad range of stakeholders, across both conservation land and private land, has been seen as a key enabler to progressing and expanding projects that may otherwise not have progressed. We have heard that the company's perceived independence has been a strong factor in achieving this.

The company's Products to Projects approach is also seen by stakeholders as a more collaborative, nimble, and effective effort at trialling and testing new suppression and elimination products, products that are unlikely to have been funded otherwise.

"I see PF 2050 Ltd being the enabler, not just in funding. They are higher level than a lot of the other parties we see. They enabled us, a small team, to get our technology out to a lot more people than we otherwise would have been able to. They shared our technology across the broader movement"



Hypothesis 4: An independent company would support breakthrough science and technical developments at a reduced cost, and transform predator suppression and eradication

Our conclusion

Predator Free 2050 Ltd has been **largely successful** in achieving this goal.

Stakeholders see the company as a more nimble and innovative partner than the Department of Conservation

Many of the on-the-ground community groups, partners, and stakeholders that we interviewed commented on the company's 'get stuff done' mentality, and also the collaborative and supportive working style that the company's team brought to both landscape and science projects using their Products to Projects approach. The interviewees saw these as key cultural advantages that the company has compared to DOC.

Stakeholders and project teams saw the company's approach as far more collaborative and supportive through the Products to Projects approach, and appreciated the 'on-the-ground' nature of testing and learning that the company's model encouraged.

Many stakeholders thought that DOC's approval and testing approaches were slow, bureaucratic, and not well-suited to encouraging true innovation.

"We don't know what we don't know. It's not until you're embedded in the problem that you can solve it in a practical, holistic way. [DOC] solve for gaps, in a laboratory, away from the real constraints, the real problems, the human factors."

"Which means that you get something that's nearly good enough, or good for one small part of it, but which ends up not working in practice. They need to move from the Labs to operating in the Proof of Concept environment."

Hypothesis 5: An independent company would provide increased support for community-led projects

Our conclusion

Predator Free 2050 Ltd has been **largely successful** in achieving this goal.

The move to a partnership and collaboration strategy, and an involved local presence, has driven significant support and goodwill for the company

Over 2019 and 2020, as we noted earlier, the company adopted a more collaborative and supportive approach to projects, and this has led to much stronger working relationships with councils, community groups, and others working locally on predator eradication and suppression. Partners and



stakeholders see this partnership strategy as a key ingredient of the company's ability to both support community-led projects and also engage with a wide range of stakeholders.

"When we joined the funding conversation, the company was highly focussed on contracts and contractual delivery as the model for delivering things. In the last 6-9 months that model has gravitated more to the partnership model where contracts are still important but they no longer underpin the relationship. It's been a positive and constructive shift."

The company is seen as sufficiently independent from the Crown, and can bring together stakeholders that are often difficult for DOC to reach

Stakeholders and community groups also see Predator Free 2050 Ltd as critical to securing agreements on projects across a broad range of stakeholders, covering conservation land, iwi land, and private land.

A strong theme from our discussions with project leads was that the company was a true 'neutral' arbiter, and didn't come encumbered with a large bureaucracy or historical ways of working that would make it more difficult to progress partnerships.

"One of the biggest differences between the company today and DOC is that the company is there to enable and support communities to do things. Whereas DOC is still very much 'I know best'. DOC doesn't have the institutional knowledge and track record to give communities and mana whenua that they know what they're doing and will work well. We have mana whenua saying they don't want to work with us because 'You're working with DOC and we don't trust them'."

The company has provided funding and support to catalyse projects that clearly would not otherwise have happened

A number of project stakeholders stated that without the initial funding from Predator Free 2050 Ltd, their project would quite simply not exist. The funding was a necessary catalyst for community projects to 'get started', but the funding also functioned as a 'vote of confidence' that then later catalysed additional private and in-kind contributions to projects in these communities.

"Without PF2050 Ltd's foundational funding our projects wouldn't exist. PF2050 is a key enabling funding. That's enabled us to build packages of funding around our projects. [We] can then go to other organisations, individuals and councils to build up our projects from that base."

Having the company operate as a Schedule 4A entity is appropriate; however, we believe there are challenges with progressing philanthropic fundraising from the existing company

Independence (both perceived and real) from the Crown and from DOC is crucial to generating support from communities

Our review has borne out that an entity needs to be seen as independent from the Crown so that it can engage successfully with communities and secure support across DOC land, iwi land, and other



private land such as farms and communities. Without this support, eradication activities on private land will not be possible.

In our interviews and discussions with those who have done research on potential philanthropic investors, a consistent theme was that being at 'arms-length' from the Crown wasn't enough to convince many philanthropists to invest. Philanthropists often thought they could have more influence and impact through investing in private organisations.

Investors, both philanthropic and commercial, will be wary of a company that has a short financial and strategic horizon or that is perceived to change direction whenever there is a change of government or Minister.

Given that there are existing charities and entities who work in this space already (such as the NEXT Foundation) it is also possible that the company is merely competing with existing philanthropic organisations.

In light of all this, we have not been convinced of the original theory that a Schedule 4A entity would be seen as sufficiently independent of the Crown to attract philanthropic funding.

While we have concluded that requirement for co-funding should be removed, given the scale of activity required, serious consideration should still be given to the benefits of pursuing philanthropic funding through the company. This should not affect the current form of the company.



THE IMPACT OF ACCEPTING JOBS FOR NATURE FUNDING

Accepting additional Crown funding from the Jobs for Nature programme created mixed objectives for the company

The additional funding received through the Provincial Growth Fund and later the Jobs for Nature programme created more objectives for the company to meet

We discussed some of these issues in an earlier section (see page 34), where we commented on how far Predator Free 2050 Ltd had succeeded in fulfilling various hypotheses about the value that a Schedule 4A company would bring.

In search of additional funding sources, the company was able to secure additional funding from the Provincial Growth Fund (PGF) and Jobs for Nature (J4N) programmes. However, both of these placed additional requirements on the company, going beyond the company's original objectives.

These new requirements were noted in various letters of shareholder expectations to the company, and the MOU that was signed between DOC and the company covering the PGF funding. We summarise these below.



Table 5: Additional outcomes and requirements for PGF and J4N funding

Provincial Growth Fund requirements	Jobs for Nature fund requirements
<ul style="list-style-type: none"> • Creation of at least 77 permanent regional jobs • Benefits to the community by delivering opportunities for regional training institutes to provide new curricula in environmental management and field operations; • Increased utilisation and returns of the Māori asset base by increasing the productivity of Māori land by active involvement and support of Māori land owners • Environmental sustainability and/or the productivity of natural assets, by delivering regional economic and tourism benefits • Mitigation of climate change effects by the protection of trees and enhancement of ecosystems • Investment of \$12.0m in surge region projects • Investment of \$6.5m in products projects • \$1.0m to cover administration and project management 	<ul style="list-style-type: none"> • Delivery of 15 large-scale predator control projects • Further investment in breakthrough science • 500 jobs established over the term of the funding • 1:1 co-funding ratio¹⁶

The impacts of making the funding time-limited did not appear to be well-considered or understood when the decision was made

The additional funding provided by the Jobs for Nature (J4N) programme was \$19.0 million per year for four years only, for a total of \$76.0 million.

This differed from the original request in the Budget bid, which was for fully funded baseline funding in out-years. It also differed from the information originally presented in the prospectus to the Board, which requested funding over five years, not four.

Clearly, it is sensible for funding that was focussed on job creation to be time-limited, as it was intended to be counter-stimulatory to an expected economic recession as a result of the Covid-19 pandemic.

However, the funding provided was also used to achieve greater results in predator suppression and eradication and was tied to contracts that had mixed objectives.

We would therefore have expected a better analysis by all parties of the impacts that time-limited funding might have on the ability to negotiate contracts and to ensure that the investment in landscape projects and eradication outcomes was sustainable after J4N funding had ceased.

¹⁶ The requirement in the company’s letter of shareholder expectations for 2020–21 was for 1:1 co-funding.



In our view, this has become a problem, and led to the situation where some contracts could not be progressed, because of the inability to ensure a strong exit strategy for projects once the Jobs for Nature funding had been fully used.

The J4N funding has been used to create or retain jobs that would otherwise not have existed

The company has clearly funded the creation of jobs with the funding that it has been provided

Despite the problems discussed in the last section around clarity of objectives, the company has clearly funded the creation of jobs with its Job For Nature funding, albeit much more slowly than the forecasts initially communicated to DOC and Ministers.

We will not canvas the discussions that have occurred between the company, DOC, and the Jobs for Nature team on how a 'job' is defined. However, we note that the definition now used for the J4N programme is different from what the company initially understood to be the definition of a 'job' and has meant a reduction in the number of jobs recognised as being created through the investment over the first year.

It has clearly been more challenging for the company to kick off other projects identified in the pipeline because of co-funding and capacity issues

The co-funding and collaborative approach makes projects more enduring, but also makes it harder to get projects underway quickly

Because of the company's co-funding requirements and the need to contract with partners once this co-funding is found, the company will always be at a strategic disadvantage in creating jobs quickly compared to a government department or entity that is directly funded to create jobs and can hire FTEs directly.

Because the company is not a direct employer, and because its landscape projects involve multiple stakeholders, the start-up costs (mainly in time) are always going to be higher than for other projects that focus on creating jobs.

We also suggest this is why it is more difficult for the company to start up projects and achieve progress compared to other Jobs for Nature partners.

This issue doesn't appear to have been well-considered by the company, the Board, DOC, or the Treasury when they assessed the achievability of the bid as it was approved.



We also heard that the focus on job creation has led to sub-optimal selection of projects against the company's primary mission

We also heard from stakeholders and partners, including at the Department of Conservation, that the company's urgent focus on job creation in late 2020 and throughout 2021 has led to it making some sub-optimal decisions when assessing projects against the company's primary mission and overall investment criteria.

"Challenge is that we've invested in projects that may be a burden for us down the track, once the funding runs out, because they're not in places that we would have prioritised for investment."

This raises two issues: the time-limited nature of the J4N funding; and instances where job creation is at odds with the goals of suppression and eradication.

Several stakeholders told us that in certain cases the company was now preferring 'on the ground' methods (such as setting and re-setting traps or baiting operations on the ground), because this created jobs in the short term.

However, partners and stakeholders indicated that the best approach, for both suppression and eradication, may have been bait drops by helicopters; although they would not create as many jobs, helicopter drops would be both less expensive and more effective for the particular landscape project.

The unemployment picture is very different from that forecasted when J4N funding was provided, and this is probably affecting the ability to create jobs

On 4 August 2021, Statistics NZ released figures showing that New Zealand's unemployment rate was only 4%. This is the same as the rate just before Covid-19 emerged in December 2020, indicating that the employment market has fully recovered from the impacts of the pandemic.

This differs markedly from the forecasts available when the Jobs for Nature programme was funded. In April 2020, when Budget bids to the CRRF were being progressed, all major forecasts had unemployment peaking near 15% as a result of Covid-19, and the Treasury was forecasting that the figure could go as high as 25%.

Even in June, after the Government announced economic support measures, most economists and the Treasury were forecasting unemployment to peak at 10% by September 2020.

The unemployment rate in fact peaked at 5.3% in the September quarter. This tighter than forecasted labour market has undoubtedly made it more difficult to find suitable workers for many of the company's projects, particularly as many of the projects are highly seasonal.

Even in regions where unemployment has increased, many of the project locations relied on temporary or migrant labour that had returned home as the pandemic has progressed or as their visas have expired. The result is that unemployment rates have stayed lower in those areas because the workforce has shrunk.



Because the J4N funding is time-limited and it has funded mixed objectives, many of the company's landscape projects are approaching a fiscal cliff

The investment in landscape projects to create jobs has also created a more significant challenge for the company and the movement over the longer term.

The focus on hectare coverage and use of J4N funding to support this dual objective has meant that the company has certainly been able to expand landscape coverage now. But because the funding is time-limited, the funding available to the company will drop significantly after FY 24/25.

The company will therefore need to make some important decisions about how to invest, or scale down operations substantially, or identify alternative sources of funding for the projects.

We discuss this problem in more detail in the 'Funding and financing' section of this report (see page 47).



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FUNDING AND FINANCING

The current estimate of the cost of becoming predator free by 2050 is \$8 billion – that means there is a huge funding gap

A number of studies by Predator Free 2050 Ltd indicate that it will cost \$8 billion, or \$250 million a year for over 30 years, for New Zealand to achieve predator free status.

This estimate is reasonably consistent with the current costs of suppression and eradication activities across the current coverage. The estimate incorporates further efficiencies from future technological advances.¹⁷

That current estimate is significantly less than the \$20 billion estimated at the time the Predator Free 2050 programme was being set up, and the figure may decrease further as work progresses. However, there will still be a huge funding gap, even accepting that the company will not deliver all of the work to achieve this.

There is no clear plan for how the movement will fund this cost over the long term

DOC's Predator Free 2050 Strategy does not discuss how the movement will be funded over the next 30 years, or from which sources. The strategy does not include an estimate of the cost of becoming predator free, nor does the strategy identify who would be the necessary funding partners.

Stakeholders we canvassed felt that an implementation plan underpinning the strategy is needed to provide a better understanding of how to best achieve the strategy. The plan would cover funding requirements and potential sources of funding.

We understand that the Department has been working on a funding strategy to support the overall strategy, and we would support this work being completed as soon as practicable.

A lack of funding has contributed to Predator Free 2050 Ltd searching for additional funding from the Crown

The company quickly committed its initial funding

When it was established in 2017, the company was seeded with \$5.9 million per annum in Crown funding, through Vote Conservation. This funding was used to establish the company and progress the first round of EOI projects, which began in early 2017.

¹⁷ Predator Free 2050 Ltd's current costs of \$25 million per year contribute to funding the suppression or eradication of approximately 5% of New Zealand's total land area.



The initial EOI process was very successful, with 45 projects covering 1.7 million hectares of land submitting an expression of interest to the company. This led later to seven invitations to formally respond, and an initial portfolio of five landscape projects being funded from this initial EOI process. This resulted in predator suppression and eradication activities across 210,000 hectares.

This initial EOI process obtained substantial co-funding from third parties and the private sector. This is not surprising – there was significant pent-up demand in the conservation field, and a number of projects that were simply awaiting a small amount of Crown funding to get underway.

This meant the company's funding was quickly committed, and the company began to look for other funding sources for community projects.

This led to the successful application to the Provincial Growth Fund in 2019, with the company receiving additional funding of \$19.5 million in total over six years, focused on investment in six surge regions. This resulted in the company investing in a further four landscape projects, as well as developing 12 predator control products through its Products to Projects fund.

The company was slow to build its philanthropic funding base

Predator Free 2050 Ltd initially focused on getting projects up and running and building a track record of success. The company believed that this was needed in order to attract philanthropic funding later.

When the company was finally ready to staff up a team more deliberately focused on philanthropy, the COVID-19 pandemic began to accelerate across the globe, and recruiting the new team was put on hold throughout 2020.

This then resulted in the company having to identify funding sources other than the philanthropic sector to be able to invest further in landscape projects. This led to a further Budget bid in 2019, which ultimately resulted in the successful Jobs for Nature funding request as part of the COVID-19 Response and Recovery Fund in Budget 2020.

PGF and J4N funding has provided a short-term boost, but it has shifted the company's focus and created long-term challenges

With its entrepreneurial focus and strong belief in its core mission, the company has used the PGF and J4N funding to support the initial mission, taking the view that 'the jobs would follow' from investing in landscape projects.

The PGF and J4N funding also poses an additional financial, delivery, and reputational risk for the company, as a significant component of the company's funding that it used to expand the coverage of landscape projects is time-limited. The company will need to find a solution to enable the current portfolio of landscape projects to be funded beyond FY 24/25.



We believe the co-funding requirements need to be reviewed, to create a sustainable funding pathway for the Predator Free movement

Expectations of the philanthropic funding available may be too optimistic

The Crown initially expected that Predator Free 2050 Ltd would be able to find twice as much third-party funding as the Crown had invested. This was achieved for projects before the J4N and PGF funding, and DOC seemed to be happy with the company's performance in this area. However, more recently the company has found it harder to raise funding from third parties.

We were not able to sight the data or information that underpinned the original 2016 Cabinet decision to set the 2:1 co-funding requirements.

Even if we assumed that the company was to deliver a quarter of the required work to achieve eradication, the co-funding requirement would be very large. Assuming an \$8bn total, this would amount to up to \$65 million per year over the next 30 years. With 2:1 funding, the Crown would need to contribute up to \$22 million per year, and the philanthropic sector would need to contribute up to \$43 million each year until 2050. On a net present value basis, the philanthropic sector's contribution would represent \$605 million.

That level of philanthropic funding seems unlikely, particularly given the strong public-good elements that are associated with preserving and maintaining natural capital and biodiversity.

Besides the quantum of funding required, the lack of predictability of philanthropic funding also presents a real challenge. Large-scale, landscape eradication programmes require long-term activity and funding to be successful and to defend that success. This requires long-term commitment from landowners and long-term planning, and commitment from whoever is funding the activity.

The uncertainty and lumpy nature associated with philanthropic funding is at odds with these requirements.

Co-funding arrangements for other pest eradication programmes involve the Crown contributing a much larger proportion of funding

As we noted earlier, we were unable to source any detailed evidence that underpinned the original decision to set the company's co-funding requirements at 2:1. Several stakeholders and interviewees we met with questioned the achievability of this target.

As a counterpoint to the company's 2:1 funding requirement, we were given the example of OSPRI, who receive 40% of their funding from the Crown (through the Ministry for Primary Industries) and 60% from farming bodies, for a 1.5:1 funding ratio.

Another useful comparison is the programme set up to eradicate *Mycoplasma bovis* from New Zealand cattle. The farming industry, through DairyNZ, is being charged a biosecurity levy on each kilogram of milk solids produced in New Zealand. In the 2021/22 financial year, the industry



contribution for M bovis eradication is forecast as \$21.146 million. The Crown has committed \$66.080 million in FY 21/22, meaning that the expected third-party contribution for the M bovis programme in FY 21/22 is 0.32:1.

Both those eradication examples relate to an industry where there are strong private good benefits for the industry participants, and so we would expect third parties and private organisations to bear a stronger proportion of costs. However, these ratios are still below the ratios intended to be achieved by the company, in a sector that primarily delivers a public good.

In our review we often heard that the Crown will need to increase its investment if the Predator Free movement is to be successful, particularly in its early years, and particularly if the investment required is close to the current estimate of \$8 billion.

The company and the landscape projects now face a substantial fiscal cliff, beginning in FY 24/25

More than three-quarters (78%) of the company's funding now comes from time-limited funds through the PGF and the Jobs for Nature programme. This funding profile (see Figure 4 below) now means that the Crown and the company will soon need to make some potentially difficult decisions.

The company will need to either:

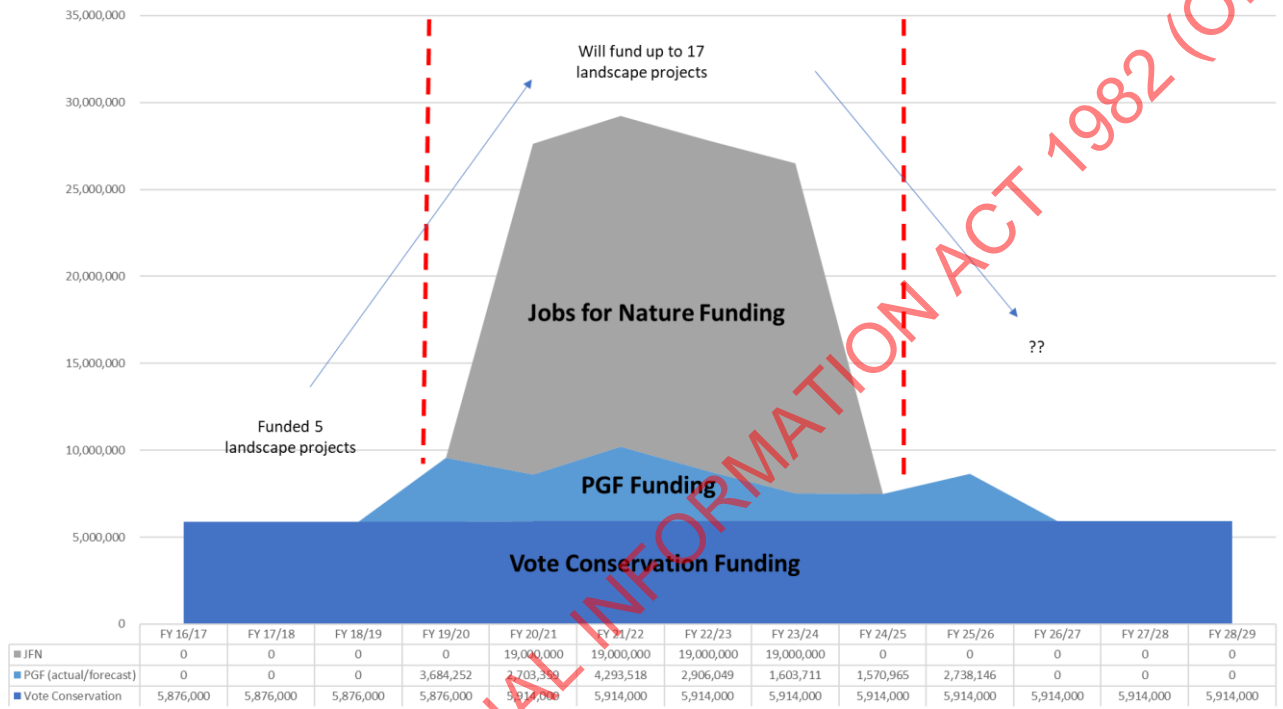
- obtain additional Crown funding to maintain investment in the current portfolio of landscape projects, or
- cancel several of the landscape projects once Jobs for Nature funding ceases following FY 23/24, or
- find other funding sources for the projects, such as through the philanthropic or private markets.

The company became aware of this problem as early as June 2020, and raised it with officials at DOC, noting that the time-limited nature of the funding would pose challenges for agreeing contracts and would create a financial challenge in out-years. A response from DOC officials in June 2020 to a company enquiry on whether the funding was time-limited noted that:

The \$76m is only for four years. After that we will need to seek further funding. This funding was part of the COVID-19 response so time limited.



Figure 4: Predator Free 2050 funding sources



Source: Vote Conservation, PGF Funding Agreement and J4N funding agreement



THE COMPANY'S OPERATING MODEL

Strategy

The company's strategic approach centred on proving the concept of elimination first, then pursuing philanthropic fundraising

Predator Free 2050 Ltd's strategic approach has been focused on first testing and proving the concept of elimination through specific projects, and then using this as a basis for attracting philanthropic interest and investment down the line.

"It was deliberate sequencing. The first couple of years were very focussed on getting traction, demonstrating success and then leveraging that to go to donors, local and international, to show them the projects and use that to motivate their investment. You couldn't do the philanthropic piece first if you didn't have anything to sell. Now we have great projects with which to tell the story."

There is merit to the logic that a proven model is needed to be able to attract investment. In our view, however, given the mandate from Cabinet, appropriate philanthropic expertise should have been brought into the Board and the company at the outset, to begin building relationships and interest and to develop a clear strategic plan for how the philanthropic approach would grow and evolve over time.

The company and DOC need to develop a much more long-term strategy for how to achieve eradication by 2050

The company's current strategic approach has a short-term focus. However, its mission centres around a long-term 'moonshot' outcome, and it needs greater clarity around what its long-term path to Predator Free 2050 looks like, and how that will be funded.

We note that in early 2021 the company began to map this out. This work was intended to set out the pathways or scenarios that would take the company to achieving eradication by 2050; however, with the significant focus, time and effort spent on J4N and with the recent resignation of the Chief Executive, this work has not progressed.

Importantly, DOC is responsible for the strategy and governance of the broader PF2050 movement (as set out in the Cabinet paper and business case) and in the first years of the company's life there was no clear national strategy or roadmap for the broader movement beyond the vision described in the Cabinet paper and business case.

The Predator Free 2050 Strategy was not formally published until February 2020. This meant that to some extent the company was restricted to short-term thinking, as it had no longer-term direction against which to align its work. The company faced the risk that if it pursued its own long-term strategy, this might end up being out of alignment with the broader movement's direction.



Even now, we do not believe that the PF2050 Strategy provides the level of clarity needed to successfully guide the movement. At the time of initially conducting this review between June and August of 2021, there was still a lack of clarity around:

- what the movement's roadmap to Predator Free 2050 looks like (or options for this)
- what the movement's short-term priorities are, and how these are expected to evolve
- what the specific programmes for delivery look like, including how any phasing (that is, Mobilise, Innovate, Accelerate) will work in practice
- the roles and responsibilities of the different parties involved (in particular, the company and DOC), and
- what level of funding is needed for the movement as a whole, and where that funding will come from and how investments will be prioritised.

Many stakeholders told us that the current PF2050 Strategy does not provide the overarching construct needed for achieving PF2050. Without this construct, it becomes challenging for players to map out their role and path forward.

"There is no clear construct of how to deliver PF2050. Roles and responsibilities within that strategy are unclear and there is no governance across the initiative."

"The key thing is being clear on what is NZ Inc's game plan for achieving the PF vision. We've got one that DOC came up with but it's not really what we need. . . To achieve PF we need to think outside the square and try new things technically, operationally, culturally and socially – a discovery phase in which we try new things in all of these areas and in a way that's well considered and woven together."

We recognise that since these discussions were held in August 2021, work has progressed to define five-year action plans for each of the six collaborative groups, and this has helped to crystallise a more formal roadmap and implementation plan.

In our view, there still remains a need to conduct more detailed implementation planning, in particular a plan for the necessary funding for both Predator Free 2050 Ltd and the movement.

Until there is additional funding certainty, decisions from the company will continue to be either constrained to short-term thinking or at risk of setting a long-term direction that ends up being poorly aligned with that of the broader movement.

Within the company's streams of work, there is some strong strategic planning and some opportunities for improvement

The company's work on its research strategy

Since the first Board meeting in January 2017, the company has been thinking about and developing its research strategy. The first research strategy was developed in partnership with the National Biological Heritage Science Challenge and was released in late 2017. An updated strategy was released in 2020 following consultation with a range of stakeholders, including DOC.

The company has done well in:



- adopting a collaborative approach to developing these research strategies
- aligning the research strategies with the 2025 intermediate outcomes
- making clear strategic choices on priorities for investment.

The company’s ‘working strategy’ for landscape projects

Similarly, since bringing on dedicated landscape project resource, the company has begun to progress its strategic thinking around its landscape project approach. It provided us with a ‘working strategy’ that sets out the ‘proof of concept’ approach and how this will evolve over three timeframes, as follows:

Table 6: Working strategy for landscape projects

First five years	Up to 2025	Post 2025
Establish 15 to 20 landscape projects in first 5 years to establish proof of concept Increase project size from patches (small landscapes) to swathes (multiple connected landscapes) Each project must be ambitious and different in its methodology and delivery approach Embed an eradication mindset (change from suppression mindset) Develop an eradication sector with a curious and agile mindset Embed precision and discipline in methodologies and deployment Develop a science strategy Invest in breakthrough science Invest in new research and development for effect tools and methodologies	Analyse and learn from initial projects to inform larger scale rollout Develop a national implementation strategy (jointly with national agencies, entities and iwi) Develop an eradication sector with a curious and agile mindset (including capability and capacity to ensure 2050 is achievable) Invest in breakthrough science Invest in new research and development for effect tools and methodologies Aspire to a price per hectare of \$250 --\$300 for eradication Aspire to a post eradication maintenance cost of \$10 per hectare per annum	National rollout in a prioritised strategic manner per implementation strategy

Gaps identified by stakeholders in this review

Aligning the company’s research and landscape approaches

One concern raised in the stakeholder interviews is that the traditional ‘gap analysis’ approach to strategy development could be limiting opportunities for innovation and holistic problem-solving.



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They felt there could be better alignment between the company's research and landscape approaches, and that research and development teams should be embedded in landscape projects so that they better understand the problem and can then solve it in a holistic and iterative way.

We recommend that the company explore that kind of model with its science and landscape partners.

The social element of the Predator Free movement

Stakeholders also felt that the company could do more in relation to the social element of the movement, by coordinating communication and engagement efforts with the community to grow and maintain awareness and social license. These stakeholders thought this gap needs to be addressed strategically and in a coordinated way across the movement.

"The area of growth I see for the company is in the social area. PF Ltd. could take a leadership role, and the Trust can feed in. It's the social role, the license to operate. We are all doing it at places in the ways that we can but it's expensive to do it ourselves. Someone has to own it and it's not DOC – the company has earned respect to do this."

Learning and collaboration across the movement

Similarly, some stakeholders thought a more strategic approach to facilitating learning and collaboration across the movement is needed.

"My question is at a senior operational level, could the company do a little more to help the system learn more quickly to maximise learning and impact? This is really about driving some of the key learnings like from the work ZIP is doing, doing more joint coordination of research, making other changes to facilitate faster learning."

Weaving these workstreams together

These different strategic approaches will all need to be clearly defined and well-aligned. In developing its long-term roadmap, the company will need to determine how best to weave these streams of work together in a meaningful way.

Governance and leadership

The Board's level of involvement in operations is unusual, but has been useful for building relationships and making the company more visible

The Board is more involved in the operations of the company than one would usually expect. Directors have hands-on involvement in a number of the projects, and several of them have connections with other organisations in the movement. For example, the Acting Chair is on the Biological Heritage National Science Challenge Board, one Director has connections with Predator Free Trust, and another is involved with the NEXT Foundation and ZIP.

Generally, it would be advisable for a board to keep an appropriate distance from operations, to protect its independence and ensure it operates at the governance level. However, it became clear



from our interviews with stakeholders that the Board's involvement in operations has been valuable to both the company and to the broader movement.

The Board's pre-existing awareness of the Predator Free landscape and of the programmes that were already underway or being developed helped the company to move quickly. The Board's well-established connections have been useful to projects in their establishment phase as the project teams identify who needs to be brought to the table (for example, mana whenua) and what opportunities there are for attracting co-investment (for example, from the NEXT Foundation or the Rātā Foundation). The Board's connections with players like the Biological Heritage National Science Challenge Board and Predator Free Trust have also been useful for ensuring that the company's work is aligned with the rest of the movement.

The Board's connections do pose risks of conflicts of interest, both real and perceived. Indeed, some of the stakeholders interviewed raised concerns about how these are managed.

"I think that there's too much focus on [one provider] – it's almost anti-competitive when there are a lot of other innovators in NZ."

"[One of the Directors] wears multiple hats and is not clear on [their] conflicts of interest... there's a real lack of transparency."

The Board papers indicate that these conflicts are generally well documented and well managed. There were several recorded cases of Board members abstaining from voting because of a potential conflict (for example, in the September 2020 Board meeting, three members abstained on the stimulus package because of potential conflicts).

The Board also appears to follow sound practices when it assesses members' applications for roles that could present a conflict. It appears to make proactive decisions about how, in the case of approval, these would be managed (for example, in May 2019, a board member sought approval to apply for a Predator Free project coordinator role – this was approved and it was agreed that there was no conflict unless funding was involved).

A stronger communication approach may help to alleviate concerns and proactively mitigate the reputational risks that perceived conflicts present.

Board skills and appointment criteria could be better aligned with the purpose of the company as set out by Cabinet

In our analysis of the company's performance and our interviews with key stakeholders, it has become clear that the company would benefit from additional capabilities and connections on the Board.

Some of the capability gaps are the direct result of losing two Directors and the Chair – these roles have not yet been replaced. However, our view is that other gaps existed even before this, and largely because the appointment criteria were not fully aligned with the role of the company as intended by Cabinet.

The original appointment criteria are as follows:

- Strong grasp of strategic vision for PFNZ Ltd and its role in achieving the goals of PF 2050



- Experience and understanding of public governance and machinery of government, including local government
- Proven relationships with Iwi
- Demonstrated skills in understanding and assessing business cases – particularly where investment returns and benefits are non-financial
- Strong networks and connections with conservation
- Relationships with and understanding of the primary industries
- Good understanding of science investment, and/or working with science
- Community engagement experience
- Marketing and communications experience.

The role of the Company, as envisioned by Cabinet, was to attract more investment into the Predator Free movement and to better coordinate and align this investment with the Predator Free 2050 Strategy. As set out in the Cabinet paper:

Governance of investment – Predator Free New Zealand Ltd.

The investment envisaged in large scale eradication will be considerable, and will come from a varied range of sources. An entity satisfactory to all parties will be required to ensure that this large and long term investment will be coordinated, in line with the Predator Free NZ Strategy, and spent responsibly.

With this in mind, we would have expected the Board appointment criteria to have focused more on investment management, and philanthropic fundraising, and for these criteria to be weighted accordingly.

As a comparison, New Zealand Green Investment Finance (NZGIF) is another Schedule 4A entity focused on a 'moonshot' science outcome – a zero carbon economy and a transition to a low-emissions economy. The NZGIF company was established with five objectives:

- 1 Enable public and private investment in domestic low carbon and other environmental projects
- 2 Display innovative financing approaches and specialised expertise in the sector to support capital deployment
- 3 Understand the needs of market participants and structure transactions, product and programmes to meet those needs
- 4 Demonstrate the feasibility and commercial success of emissions reduction investments
- 5 Publish and share information to support market creation and growth.

The capabilities on the NZGIF Board span audit, risk management, advisory services, international banking and finance, law, business transformation, accounting, decarbonisation strategies, sustainability, fundraising, portfolio management, governance, strategy and performance, and regulatory affairs.



Broader connections with iwi

The Board already has several members who have strong connections with iwi and who bring real mana to the table. However, we heard feedback from a number of stakeholders, particularly in the project area, that there is a need to bolster this capability and for the Board to provide greater direction on how to embed this capability in the company's engagement approach.

"They need to do a lot more in the mana whenua space... understanding how to engage and what that looks like."

"The Board has a lot of Māori capability but if it had a person with even greater mana in Māoridom that would be advantageous."

There is an immediate need to fill the Chair position; and additional board members will be helpful, provided they bring new skillsets and critical relationships

There is an immediate need to fill the Chair position. The company has gone through significant change and the Chief Executive recently resigned, and having a strong Chair will be critical for providing direction on the way forward and leadership across the movement.

We are aware there has been disagreement about whether the two Director positions need to be replaced. Our view is that additional board members could be useful, but only if they bring additional skillsets and relationships. Diversity is important on any board but it is particularly critical for Predator Free 2050 Ltd, given the complexity of what it is trying to achieve and the wide range of players the movement will need to involve in order to achieve the PF2050 goal.

Culture and relationships

A mission-oriented, 'get stuff done' culture was useful for getting the organisation underway and building momentum quickly

Many commended the effort that went into getting the company up and running quickly, which should not be overlooked. The company has been recognised by various project leads and by senior officials at DOC for the amount of movement it achieved in a short time.

"They were a start-up entity. [The CEO] was a bloody good leader for that stage in their evolution. It was a massive stretch. But I found that quite refreshing. It pushed for the local institutions. Much as it was a stretch and no one was able to have a weekend for 6 months, it was action. I think [the Company] with the limited resource they had did a bloody good job."

"They did a really good job of getting up and running. And [the CEO] was very good at getting other funders to come on board."



The company's culture centres around a drive to be 'entrepreneurial, fast moving' and fully committed to achieving the Predator Free 2050 mission. From the first year of its life there was a real push to "come in and get some runs on the board". Stakeholders, in comparing the company's culture with DOC's (for example, DOC's Tools to Market programme), have described the company as being much more responsive and flexible, and with a greater focus on "getting stuff done."

"When we run into a problem, they come in to see us and they are super responsive, in just 24–48 hours. In comparison if we need to change something with DOC it takes 6-12 months.... PF2050 are fast moving, way more accommodating."

"The Company was set up, in what I think is the best way to do it. DOC is a massive machine. It can't zig zag the way a small arm's length company can."

The 'get stuff done' culture has sometimes been problematic for the company's relationships with projects in the past, but the company has made progress in evolving to a more collaborative, partnership model

The focus on "getting stuff done" nevertheless came with its own set of challenges, particularly in the company's first years. Stakeholders describe the company's engagement model as a contract-for-services model, with significant pressure put on project teams to commit to clear milestones and outcomes. The company failed to recognise that elimination was a new challenge that projects are still learning how to do, and that this necessarily requires a more flexible approach, with room for trial and error and a greater tolerance of ambiguity.

The tight timeframes, the contractual model, and the lack of partnership were also significant barriers to collective projects. In particular, the company's approach failed to recognise the need for mana whenua to engage and spend the necessary time discussing and getting agreement on a path forward.

"When we joined the funding conversation, the company was highly focussed on contracts and contractual delivery as the principal model for delivering things."

"In the past the fund applications were not well suited to collective projects with multiple players. We asked for more time but the company didn't get that mana whenua need time to hold hui and get agreement."

However, all the project teams we met with were impressed at how quickly the company has changed over time. Project teams now described the company as very collaborative and more flexible in its approach, shifting from a contractual model to true partnership.

"The degree to which PF2050 have grown their relationship with us as projects has been phenomenal."

"There were two iterations of PF Ltd. The first model was one that was quite prescriptive and quite patronising. As the projects collectively represented that this was becoming inhibiting and that was communicated to the company, that has evolved remarkably."

Several stakeholders compared this partnership model to the approach that DOC takes with the Tools to Market programme. They said that the time the company spends at the outset is invaluable, as it



helps the project teams ensure their planning is following best practice, and it ultimately results in a better project because they have a strong foundation from which to get moving.

"[The Science Strategy Manager] helped us with the technical elements of the business. [The Finance Manager] helped us with our accounting. They really helped us to build a robust business plan."

"[DOC] liked our product and our invention however we ended up being told that our working plan and operations wasn't as good as it could be... Whereas you compare that to PF2050 Ltd who were very collaborative and helped us with our business plan."

The 'get stuff done' culture continues to hamper the company's relationship with the DOC monitoring team

Another challenge with the mission-oriented culture is that it can be at odds with the company's funding and reporting accountabilities. The company has structured itself in a very 'lean' way, and its resourcing had been geared entirely towards achieving the mission. The company's 'get stuff done' culture means that it sees time spent on reporting as time spent away from working on the mission.

"...the Board doesn't think reporting is a purposeful activity. I don't think they understand the reporting. They see it as a compliance activity rather than something they're accountable for."

This culture has had two key consequences:

- 1 Predator Free 2050 Ltd has not prioritised bringing in people with strong government experience and governance capability because it has not prioritised those areas. Without this capability, the company has not developed a strong understanding of its accountabilities, of what is required to deliver them, and of how to report in a way that maintains the confidence of the monitoring agency and the Minister.
- 2 The lean culture has meant the company has had limited flexibility in its capacity, so that when workload demands increase, reporting and monitoring requirements are more likely to be deprioritised.

These consequences became most apparent when the company secured Jobs for Nature funding. The funding brought with it heightened scrutiny from the monitoring agency because the company had a significantly expanded Crown-funded financial envelope and new, heightened accountabilities.

It quickly became apparent that the company did not have the capacity or capability to meet its job creation requirements and also to report on these as expected by its monitoring agency and the Minister. In early 2021, the company made changes to the reporting template and was late with its monthly reporting. While the changes to the template may well have been practical and intended to better support projects to focus on delivery, the company should have agreed on the changes with the monitoring agency in advance. In combination with the delays in reporting and the regular changes in FTE estimations, the monitoring agency's confidence in the company deteriorated.

We acknowledge that the Jobs for Nature challenges have taken up a significant amount of the company's time, and we recognise the effort the company has made to address and resolve them.

Project teams too have commended the company for its efforts to distance the projects from the reporting challenges the company experienced and to support them to continue to focus on project



delivery. However, the company needs to reframe its approach to reporting, and see that reporting is critical for a high-trust relationship with the monitoring agency.

People and resource

Predator Free 2050 Ltd has a ‘culture of lean’, which may have been to its detriment

The Cabinet paper and business case set out a clear expectation that the company must keep establishment costs and overheads to a minimum, and operate as leanly as possible.

“Keeping establishment costs and overheads low will be key to managing risks associated with costs under a company model. It is envisaged that initially the company would have a CEO, and one or two staff members focussed on business development and support.”

It is clear the company has kept this requirement front of mind in its budgeting processes, and that it has kept resourcing as lean as possible. Minutes relating to a draft budget presented to the Board in October 2017 state:

“The board agreed that PF2050 Ltd [m]ust have the capabilities and skillsets available to be able to achieve its goals; however, this must be balanced against the need to keep administration costs as low as possible. Where possible, PF2050 should retain as much flexibility as possible (i.e. a variable cost base) to enable it to be agile and innovative as needs change. The outsourcing of financial support was an example of this that was currently working well at a very reasonable cost.”

Table 7: Proportion of expenditure spent on salaries

	Actual 2018	Actual 2019	Actual 2020
Employee Benefits Expense	447,206	793,250	901,062
As % of total expenditure	13.8%	10.5%	7.5%
Operating Expenses	632,325	497,904	525,273
Investment in Projects	2,154,139	6,266,516	10,501,348
Depreciation	3,099	8,739	11,361
Total	7,566,409	14,524,137	11,939,044



Although the company reassessed its FTE requirements after securing PGF and then J4N funding, it seems it did not address capability requirements that came with new accountabilities

In May 2019, an FTE analysis paper was presented to the Board that estimated FTE requirements over the next five years. The paper came off the back of securing PGF funding, and while awaiting a decision on a recently submitted Budget bid. It set out a range of funding scenarios (such as BAU with PGF, full budget following successful bid, and scaled budgets) and set out what the likely FTE requirements would be and what these translated to in overheads as a percentage of total expenses.

The FTE estimations were based on a rate of 40–50 hours of management time per week for every five projects. That time consisted of an estimate of 40 hours from a Contracts Support Manager and 4–7 hours from a Finance and Business Administrator.

The analysis paper showed that estimates were based on the company's experience to that point. In our view, the company did not fully consider how its capability requirements might need to change.

In particular, the analysis did not consider the following issues:

- **Job creation** – The company has recently brought on a number of project support roles that bring a wealth of experience and capability in conservation work. However, the PGF and J4N funding brought with them a new accountability around job creation, which involves a very distinct skill, particularly as it relates to provincial areas (for PGF funding) and in facilitating skills transfer from tourism to conservation fields (J4N funding). The company should have given more thought to how it would change its approach to focus more on job creation, and what capability gaps it might need to fill to be able to do this.
- **Governance** – The increased funding also expanded the company's accountabilities into areas that were not core to the company's mission. The company should have recognised this, and the likely increase in interest and monitoring that would come with it. It should have brought in resource with government experience and the ability to understand these heightened requirements and manage them proactively, in order to protect the confidence of the monitoring agency and the Minister in the company.
- **Finance** – The company did increase its finance capacity by bringing on a Finance and Business Administrator; however, given the increased accountabilities and the substantially increased Crown-funded financial envelope, it would have been beneficial to bring in more senior resource, preferably with experience in government.

Although some of these capabilities would have been useful from the outset, the real need for them emerged with the decision to go for Provincial Growth Fund and then Jobs for Nature funding.



The company needed greater investment management and philanthropy capability from the outset

There are other capabilities we would have expected the company to have in order to deliver on Cabinet’s intentions. As with the Board, there are clear gaps in the company’s philanthropy and investment management.

We acknowledge that the company has established a Philanthropy Director role with recruitment pending, but we believe this capability should have been brought on at the outset.

Further, with Cabinet’s intention that the company play a leadership and governance role in coordinating investment in alignment with the PF2050 Strategy, we would expect the company to have brought in capability in this area also.

A comparison of the company’s capabilities with those of three similar organisations is set out in Table 8 below. Each of the counterfactuals have some fundraising capability, and two of the three have a strong investment management lens. We acknowledge that the company has a more hands-on delivery role than some of these counterfactuals, but in our view the company still needs to be stronger in this area.

Table 8: Company counterfactuals: Structure comparison

PF2050 Ltd	Tindall Foundation	Kiwis for Kiwi	NZ Green Investment Finance (Sch 4A with similar purpose)
Chief Executive	Manager	Executive Director	Chief Executive
Executive Assistant	Funding and Relationships Manager	National Predator Advisor	Chief Investment Officer
Science Strategy Manager	Office Manager	Communications Manager	Chief Operating Officer
Finance Manager	Donations Adviser (x2, one of which is a volunteer)	Administrator	Head of Communications and Government Relations
Communications Manager	Donations Programme Manager	Events and Account Manager	Office Manager
Large Landscape Manager	Regional Development and Donations Manager	Kaitautoko Kaupapa Kiwi (building relationships with tangata whenua)	Investment Manager
Project Support Manager (x3)	Communications Adviser	Organiser/Activist/Facilitator	Investment Analyst
Finance Administrator	Special Project manager	Conservationist (x2)	Portfolio Analyst
		Fundraiser	Finance Manager
			Acting Legal Counsel
			Executive Assistant
			Communications Advisor

There are other opportunities for growth that would require additional capability

Several opportunities for growth have been identified that would require additional capability:



- **Mana whenua** – Several stakeholders identified opportunities to improve cultural awareness and to bring in capability to inform and reshape how the company engages and partners with iwi. They recognised that the improvements made to the company’s broader project support model have been beneficial, but they thought more targeted improvements are needed.

“They need to do a lot more in the mana whenua space. Maybe something like a Māori liaison officer. We all need to celebrate and better recognise the role and contributions of mana whenua.”

“I think there are some obvious gaps right now... one in terms of their capability with mana whenua and understanding how to engage and what that looks like.”

- **Collaboration and learning** – Many stakeholders felt that there was an opportunity to do more to facilitate learning across the movement, and at the very least across the projects the company funds. They again acknowledged the progress the company has made here, and said they found the project hui useful; however, they said that this process needs to be applied more widely and more quickly, and needs to accelerate the adoption of lessons, approaches, tools and techniques.

“They need more capability in facilitating the learning in a more mature, nuanced way. System capacity and building – this could be resourced more effectively.”

“My question is, at a senior operational level, could the company do a little more to help the system learn more quickly to maximise learning and impact. This is really about driving some of the key learnings like from the work ZIP is doing, doing more joint coordination of research, making other changes to facilitate faster learning.”

- **Social licence and community awareness** – Stakeholders also thought the company could play a leadership role in the communications area, increasing community awareness and social licence to operate. Project leads noted that it is expensive for projects to each be doing communications work in isolation and that greater leadership and coordination would be beneficial. Several noted the key role the Predator Free Trust plays in this area, but thought that the Trust’s efforts could be bolstered with support from the company.

“There almost needs to be like a Products to Projects strand but for community and social. The same resources need to go into the community space.”

“I think the real thing that the company needs to focus on going forward is that this is a social project. Technical is important. But if we are going to fail it will be because of the social side.”

“The area of growth I see with the for the company is in the social area. PF Ltd. could take a leadership role, the Trust can feed in. The social role, the license to operate. We are all doing it in places in the ways that we can but it’s expensive to do it ourselves. Someone has to own it and it’s not DOC... The company has earned the respect and is well placed to do the social side.”

The priorities for recruitment lie in governance and strategic financial management capability

Of the capabilities explored in this section, there are two roles that we consider are an immediate recruitment priority for the Company:

- **Governance Manager**



It is recommended to recruit a senior governance manager who would be responsible for providing governance advisory, management, and reporting services to help keep the Company and Board safe. The role would be responsible for managing a productive relationship with the monitoring agency and would be tasked with minimising the impact of government reporting requirements on the business while maintaining appropriate levels of assurance and transparency. A successful candidate should hold significant government experience, for example, a Tier 3 or 4 role in the public sector with significant experience in government processes, systems, and Machinery of Government.

- **Chief Financial Officer**

Given the Company's substantially increased Crown-funded financial envelope and noting the level and complexity of financial management will likely only increase as the movement builds more momentum, we see it is critical to recruit a position with senior strategic financial management experience. A Chief Financial Officer would contribute to the strategic direction of the Company by providing sound financial vision and stewardship, and monitoring, advising on, and managing the organisation's financial performance.

A successful candidate should hold significant experience in a senior strategic financial management position, preferably in the public sector to ensure a strong understanding of the principles of public finance and accountabilities that come with Crown funding.

Risk and assurance

A strategic approach to risk management needs to be embedded in the Board's governance and decision-making processes

The Board papers we reviewed indicated that historically the Board has not discussed and managed risk in a consistent and strategic way. While board members have told us that they routinely discussed and managed risks, we found no documentation of focused risk-management discussions at the Board level during the company's first years. It was not until 12 November 2020 that a focused Board paper and draft risk register were first presented for discussion.

We have seen evidence of thorough risk management at a project level, with this being managed by company staff and reported to the Board. There is also evidence of sound management of health and safety risk, with this being a standing item for Board discussion. What was missing is the strategic risk management for the company as a whole.

The clearest example of this is J4N. We did not see any evidence that the Board discussed the risks that the new funding would present and how these could be proactively managed. For example, the Board does not seem to have discussed the strategic tension between PF2050 outcomes and job creation outcomes. It did not discuss how this tension could affect the company's relationship with and the level of monitoring from DOC, its ability to invest in the right projects to maximise eradication impact, its ability to manage and limit the reporting requirements for the projects it funds, or its ability to manage risks to achieving the job creation targets it originally set.



The limited consideration it gave to the risks associated with J4N funding meant that the Board was unable to make an informed decision about whether this was the right funding to pursue and about how, in pursuing the funding, these associated risks would be managed.

We recognise that progress has been made since the November 2020 Board meeting (where the draft risk register was first presented) towards strengthening risk management, with risk considerations being built into Board discussion papers. However, the company and the Board need to significantly lift their risk management approach, and ensure that risk becomes embedded in key decision-making processes, particularly at the Board level.

More regular ex-post audits are required to strengthen confidence in the accuracy of information provided by partners

DOC recently commissioned Deloitte to undertake an independent review of the Company, with a focus on the target outcomes expected from PF2050 Ltd as a result of the funding received from Budget 2020 JFN Funding.

In this report, Deloitte assessed the Company's governance and management practices including the sourcing, preparation, and reporting of the JFN outcomes.

Deloitte found that key aspects of the Company's governance, processes and controls need to be strengthened – notably risk management, assurance monitoring, and reporting controls.

They found that although the Company has a deliberate strategy of contracting certain obligations to their projects and requiring the regular provision of reporting against these obligations, they largely follow a high trust model and lack the detailed verification processes needed to ensure the information received is complete and accurate. The reliance placed on third party entities poses a risk to the Company in their ability to meet their accountabilities and the expectations of DOC and Cabinet. Indeed this risk has at times materialised, for example with errors in historic job numbers in February and March 2021, and projects reporting the same jobs to PF2050 as well as another JFN funder.

We support Deloitte's findings and recommendation that Company strengthen its governance, processes and controls, including implementing more regular ex-post audits to strengthen confidence in the accuracy of information provided by partners. We also support the finding that the Company will need to re-shape and expand its governance and reporting capability and capacity at both the Board and the organisation level – we comment on this in the 'Governance and Leadership' and 'People and resource' sections of this report.



Business practices

The company's project management and project support has been built on strong contractual practices; the evolution towards a stronger partnership model has been well received

The company has done well in seeking legal advice to ensure it has a rigorous approach to managing contracts.

As we said earlier in this report, in the first round of projects the company adopted too great a focus on contractual management, creating a restrictive environment for projects. The company's approach did not recognise the ambiguity that comes with trying to achieve eradication in contexts where it has never been achieved before. It did not recognise that some flexibility is needed, to allow for opportunities to change milestones, and to provide space for trial and error.

Many project teams, both landscape and Product to Project, have commended the company for how it has evolved its approach over time. Its greater flexibility and responsiveness has been critical for allowing projects to focus more on delivery. In particular, the company invested time at the front end to support the development of project plans and to connect projects with the right stakeholders and other potential funders and partners. Project teams described this as significant support that enabled them to achieve more.

"The uncertainty for our outcomes is enormous. There was a sense to begin with that the initial milestones were rigid, a burden. But these are now more flexible. It's been built into the relationship going forward. We are all going to have failures but in order to succeed we need to be able to openly discuss and share those. That places us in a much healthier place now."

"The response time is so much better. The support is much stronger. The way they have handled the projects is so non-bureaucratic compared to DOC. They are agile. DOC has been obstructive when PF2050 has been much more constructive."

Project teams specifically commented on the increase in project support resource and how this has made a difference to their experience and allowed them to be more effective in their work. Project teams noted that because these roles sit across multiple projects, they've been particularly useful as a connector, allowing for lessons to be shared across projects so that they can all be better together.

"What we now have is we've got a project support manager and he's been incredibly helpful at coming in working alongside the project, giving advice but also listening well. The company has picked people that are really knowledgeable, with hands on project experience that has been really helpful."

"More recently PF2050 Ltd. has brought on project support roles. That's actually been really good because they're working with lots of other projects so can help share those insights. That's actually what the projects need."



The company has helped drive integration across the landscape and science workstreams

We note that Cabinet had intended the company to 'establish a subsidiary company to oversee investment in long-term predator science', and that this has not happened.

However, our view is that the current model is beneficial in that it keeps the science and landscape streams of work close to each other, allowing them to be better aligned and integrated. It is through working on landscape eradication projects that the movement better understands what its science and research requirements are likely to be, and it is in the landscape projects that this science and research must be applied and tested.

Product to Projects is a particularly useful initiative in that it drives collaboration and integration between the two streams of work. The benefits of this have been recognised by landscape projects and research projects alike. The landscape projects get to trial the latest products and techniques to support them in their eradication efforts, and the science/tool providers get critical support for getting their product out into the market.

"The funding received was absolutely critical to our being able to grow and get our product out... [it] enabled us to commercialise our product and get clients from big landscape projects that we wouldn't have otherwise."

The science/tools providers said that they found Product to Projects much more commercially focused, flexible, and supportive than the equivalent DOC Tools to Market. They thought the company was particularly good at:

- helping providers understand what the needs are for Predator Free activities
- bringing in independent experts to make funding decisions
- ensuring a strong focus on commercialisation, and
- working with the applicants in the initial stages to develop a stronger business case and to help them with financial planning.

"The people that were looking at the projects for Tools to Market were all DOC people. With PF2050 – OSPRI, engineers, people with familiarity with business knowledge, people with scientific knowledge were the ones making the decisions."

"[The Science Manager] said we have three scenarios in our landscape projects, we want you to go and think about how this would work and would be cost-efficient for these uses... They have even considered Australia's market and PF2050 has been supportive of that case to get better economies of scale and bring the price down for the product. They said to us that we are happy to endorse this with the Australian government."

We heard some feedback, however, that an alternative research and development model might be more beneficial. Some stakeholders felt that given mainland eradication has not been achieved before and there are therefore many unknowns to address, the traditional science and research approach of 'solving for the gaps' and focusing on 'what we think we need' will miss some critical unknowns. They suggested that the company would be better to embed R&D teams in landscape projects, and to give them a broader remit of trialling and testing different solutions with each of those sites.



“If you decide to fund a project, you have an R&D team embedded in the project. You do that for a couple of epicentres around the country that have been chosen because they meet tight site criteria. Currently it’s separate. The R&D happens in the labs... Get them into the site. Increase their accountability for solving the situation. Enable them to try and test many different things within that site – the current system is just not agile enough.”

We recommend that the company work with its landscape and science partners to explore the benefits of such a model, how it might work in practice, and how to fund it.

Predator Free 2050 Ltd has played an increasing role in facilitating collaboration and learning across the movement; project teams want the company to continue to do more in this area

The company has played an increasing role facilitating collaboration and learning across the movement. It held its first Collaboration Workshop in early 2019, and has facilitated a number of collaboration hui since then. Establishing additional project support resource also contributed to improving information sharing across projects, as these team members, in working across multiple projects, are able to share practical insights and examples of what has worked well and what could be done differently.

Project teams have commended the company on the improvements it has made in this area. They feel that collaboration and shared learning will be critical if the movement is to achieve the Predator Free 2050 vision. As we note under ‘People and resource’ (page 61), they thought that information sharing needs to be faster and broader still, and that the company should play more of a leadership role to drive further progress in this area.

“We are starting to share that information but it’s still not wide enough. We need to be able to share that with the rest of New Zealand – right from setting a project up to delivering the outcome. There needs to be a way for the Company to be able to share that information.”

“My question is: at a senior operational level, could the company do a little more to help the system learn more quickly to maximise learning and impact? This is really about driving some of the key learnings like from the work ZIP is doing, doing more joint coordination of research, making other changes to facilitate faster learning.”



KEY CONCLUSIONS

The company has built valuable intellectual property and relationships; the Crown should ensure the company can maintain these capabilities

As we said earlier in this report, Predator Free 2050 Ltd has had a positive impact on conservation outcomes. It is seen as a valued and independent partner in many of the projects it is supporting, and it has been able to make – with comparatively limited funding – a significant contribution to the Predator Free movement.

The company has contributed significantly to predator control in more than 700,000 hectares

It is sometimes difficult to attribute specific results to the company's involvement and funding, because many landscape projects involve multiple stakeholders and funders. Nevertheless, it is clear the company has made significant contributions towards predator control in over 700,000 hectares, including suppression across more than 200,000 ha, and with more than 300,000 ha targeted for eradication of at least one species.

The company has also been building important tools, knowledge, and relationships that are crucial to delivering eradication on non-conservation land

The company has also done important work developing the tools, knowledge, and relationships necessary for achieving the long-term Predator Free 2050 goal:

- The company has helped to develop effective tools and knowledge for eradication through the Products to Projects investment, and helped develop the ability to rapidly test and refine tools in the field.
- The South Westland project, at 96,000 ha, is intended to demonstrate that eradication can be achieved at a scale of more than 20,000 ha and defended without the use of fences.
- The company has developed a research strategy to drive breakthrough science.
- It is working with and funding whānau-, hapū- and iwi-led projects with Ngāti Awa and Tūhoe. It is working with and funding whānau-, hapū- and iwi-led projects with Ngāti Awa and Tūhoe.

These activities are crucially important to help both the company and DOC deliver components of the value chain

It is important to recognise the enablers in the value chain for eradication. Building relationships with landowners and securing permissions and social license is a necessary condition for conducting landscape projects.



The form of the company has helped deliver substantial components of this value chain

The fact that the company is seen as independent from the Crown (and DOC) is of real value. It has made forming relationships and securing permissions and commercial opportunities easier.

Co-funding has been a distraction for the company, and has been in tension with conservation outcomes

The need to find co-funding has meant that the company has had to balance investment criteria such as defensibility with available funding. A lack of a sustainable funding path also saw the company pursue other Crown funding sources that created mixed objectives (such as jobs and provincial growth). While these aren't fundamentally incompatible, they have blurred the purpose and focus of the company.

The company requires sustainable and predictable funding to enable its activities and provide certainty to stakeholders.

If the Crown wanted to reduce its cost to deliver Predator Free outcomes, as we believe was part of the intent of attracting co-funding, we believe that directing the company to focus on innovative funding and financing approaches is likely to be more successful to deliver on this intent, rather than focussing on co-funding alone.

We are not convinced that the company's main role should be in philanthropic fundraising

We think the company could have a philanthropic capability, but this will never be at the level sufficient to fund the movement, and it will likely compete with other existing private philanthropic funds in New Zealand

Our view is that if the Crown wanted to attract private investment into the movement, the best way would be through better incentivising R&D, science, and supporting in-kind donations. Stronger commercial and investment capability in the company could facilitate this.

The company can develop maturity in terms of strategic risk, financial management and government relations

In some instances, the company has not managed risks as well as it might have and its practices could be more mature. It needs more capacity and investment in managing public sector reporting obligations and to reconcile these with its innovative culture. These opportunities to improve capability do not require structural change.

The relationship with DOC needs to be reset

Historic differences between the company and DOC need to be put aside, and a strong relationship built that allows for clear roles and responsibilities and a constructive monitoring relationship.



APPENDIX 1: INTERVIEWEES

During this review, we spoke to the following people and organisations either in interviews or focus groups.

We also liaised with the DOC monitoring team and Predator Free 2050 Ltd during the course of the review.

Table 9: Review interviewees

Interviewee	Role of Interviewee	Organisation	Date
Abbie Reynolds	Chief Executive	Predator Free 2050 Ltd	25 th May 2021
Jane Taylor	Former Chair	Predator Free 2050 Ltd	31 st May 2021
David Macleod	Acting Chair	Predator Free 2050 Ltd	1st June 2021
Steve Ellis and Toby Shanley	Chief Executive and Project Manager	Taranaki Regional Predator Free	1st June 2021
Ed Chignell	Former Chief Executive	Predator Free 2050 Ltd	2nd June 2021
Devon Mclean	Director	Predator Free 2050 Ltd	3 rd June 2021
Tim Higham	Communications Manager	Predator Free 2050 Ltd	8th June 2021
Brett Butland	Manager, Landscape Projects	Predator Free 2050 Ltd	8th June 2021, 21 st June 2021
Dan Thompkins	Science Director	Predator Free 2050 Ltd	8 th June 2021
Louis Nel	Finance Manager	Predator Free 2050 Ltd	8 th June 2021
Jacqui Bassett	Governance and Performance Manager	Department of Conservation	14th June 2021
Henry Clayton	Former Senior Solicitor	The Treasury	14th June 2021
Ngaire Best	Director Governance	Department of Conservation	18 th June 2021
Brent Beaven	Programme Manager	Department of Conservation	18th June 2021
Bruce Parkes	Deputy Director General	Department of Conservation	18th June 2021
George Campbell	Manager - Landscape Projects	Autotraps	22nd June 2021
Dr Helen Blackie	Senior Project Manager	Boffa Miskell	24th June 2021
Jessi Morgan	Chief Executive	Predator Free Trust	25th June 2021
Al Bramley	Chief Executive	ZIP	1st July 2021



Interviewee	Role of Interviewee	Organisation	Date
Focus Group 1 1. Mary Frankham 2. Sarah Wilson 3. Rhys Millar 4. Kane McElrea 5. Simon Stokes 6. James Willcocks 7. Paul Ward	1. Project Director 2. Project Lead 3. Project Lead 4. Biosecurity Manager 5. Project Lead 6. Project Director 7. Project Lead	1. Te Korowai o Waiheke 2. PF Banks Peninsula 3. PF Dunedin 4. Northland Regional Council 5. Korehāhā Whakahau 6. PF Wellington 7. Capital Kiwi	24th June 2021
Focus Group 2 1. Campbell Leckie 2. Stephen Hall 3. Jo Ritchie 4. Alana Bensemann	1. Project Chair 2. Project Director 3. Project Lead 4. Project Lead	1. Hawkes Bay Regional Council 2. PF South Westland 3. Tū Mai Taonga 4. Environment Southland	29th June 2021

