



BRIEFING

Economic Development Portfolio Priorities and Fiscal Savings

Date:	17 January 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	2324-1498

Action sought		
	Action sought	Deadline
Hon Melissa Lee Minister for Economic Development	<p>Agree to progress the priorities and fiscal savings for the Economic Development portfolio presented in this briefing.</p> <p>Agree to discuss decisions that have cross-portfolio impact with relevant Ministers.</p>	23 January 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Dean Ford	General Manager, Economic Development and Transitions	Privacy of natural persons	✓
Privacy of natural persons	Manager EDT Policy Projects		

The following departments/agencies have been consulted

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

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Purpose

To agree the priorities for the Economic Development portfolio and its contribution to the savings target for Budget 2024's Initial Baseline Exercise.

Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

- a **Note** that the Prime Minister has asked you to write to him by 29 January, outlining your priorities for the Economic Development portfolio over the next three years.

Noted

- b **Agree** to focus the Economic Development portfolio's priority work programme on:

- a. Increasing capital availability for businesses, and capital intensity (with the Ministers for Science, Innovation and Technology, Trade, Revenue, and Manufacturing).
- b. Doubling the value of exports in ten years (with the Ministers for Science, Innovation and Technology and Trade)
- c. Diversifying and solidifying international screen connections to support the Government's economic objectives (with the Minister for Arts, Culture and Heritage).
- d. Other priorities: Delivering Major Events and value for money with Government procurement.

Agree / Disagree

- c **Note** that the Minister of Finance has written to you regarding the Government's Budget 2024 priorities and directed that Ministers must identify options to meet a 7.5% savings target from MBIE's eligible base for Budget 2024's Initial Baseline Exercise, equating to \$233.9 million p/a across departmental and non-departmental appropriations.

Noted

- d **Note** that for the Economic Development portfolio's appropriations, 7.5% of the eligible base equates to an average of \$2.41m p/a for departmental appropriations (with an average of \$29.67m p/a remaining) and \$27.03m p/a for non-departmental appropriations (with an average of \$333.35m p/a remaining).

Noted

- e **Note** that both the Prime Minister and Minister of Finance have asked that decisions taken on portfolio priorities and baseline savings are consistent and coherent.

Noted

- f **Agree**, consistent with previous advice, to the following \$20.78m departmental baseline savings for the Economic Development portfolio (\$11.16m above the requirement):

\$ million	Total Savings	Consult with Ministers of / for	Decision
Departmental Expenditure Savings Options			
Stop the Just Transitions Programme	2.92	Energy	Yes / No
Stop Senior Diverse Leaders: Capability Building Pilot	1.40		Yes / No
Stop Development of Circular and Bioeconomy Strategy	0.30	Climate Change	Yes / No
Stop Government Centre for Dispute Resolution	3.37		Yes / No
Scale Policy Advice and Related Services by 10%	8.94	MBIE Ministers	Yes / No
Scale NZ Government Procurement by 10%	2.00		Yes / No
Scale Evidence and Insights by 10%	1.05		Yes / No
Scale Tupu Tai Programme	0.80		Yes / No
Total Departmental Savings Options by Financial Year	20.78		

- g **Note** that we recommend you discuss surplus departmental savings in the Economic Development portfolio with other MBIE Minister to support the co-ordinated cross-portfolio approach to achieving MBIE's Initial Baseline Exercise targets.

Noted

- h **Agree** to the following \$108.11m non-departmental baseline savings for the Economic Development portfolio (meeting the savings requirement):

\$ million	Total Savings	Consult with Ministers of / for	Decision
Non-Departmental Expenditure Savings Options			
Stop new activity in the Just Transitions Programme	7.72	Energy	Yes / No
Stop existing contracts in the Just Transitions Programme	5.42		Yes / No
Stop Auckland Pacific Skills Shift / Alo Vaka when contracts expire	16.50	Pacific Peoples	Yes / No
Stop existing contracts for Auckland Pacific Skills Shift / Alo Vaka	2.20		Yes / No
Stop Pacific Procurement Support Service	5.00		Yes / No
Stop Future of Work Forum operations	2.80	Social Development and Employment	Yes / No
Scale Major Events Fund by 12%	7.55	Sport and Recreation	Yes / No
Scale New Zealand Trade & Enterprise by 7.5%	60.92	Trade	Yes / No
Total Non-Departmental Savings Options by Financial Year	108.11		




Dean Ford
General Manager, Economic Development and Transitions
 Labour, Science and Enterprise, MBIE

17 / 01 / 2024

Hon Melissa Lee
Minister for Economic Development

..... / /

Background on Portfolio Priorities and Budget 2024

1. This briefing seeks agreement on your Economic Development portfolio priorities for the Prime Minister and savings that ensure funding in the portfolio is focused on achieving your priorities and meets the Government's 7.5% target for fiscal savings.
2. To deliver on the Government's work programme, the Prime Minister has requested that you write to him identifying up to five priorities for the Economic Development portfolio, their impacts, and how and when you will achieve them. This letter is due by 29 January 2024, and a draft is provided as **Annex One**.
3. The Minister of Finance has confirmed the Coalition Government's priorities for Budget 2024, including an Initial Baseline Exercise for MBIE that seeks savings of 7.5% of the 'eligible base' across portfolios from FY24/25 onwards. This equates to \$233.9m p/a across FY24/25–FY27/28. Taking a coordinated approach across MBIE Ministers, savings proposals are due to be submitted to the Minister of Finance by 1pm 16 February 2024.
4. You have also been invited to submit a budget bid for time-limited funding for the New Zealand Screen Production Rebate (NZSPR) for Budget 2024. Confidential advice to government

5. We have provided decisions on your priorities and fiscal savings in a single briefing as the Prime Minister and Minister of Finance have directed that each should be consistent and support a coherent cross-portfolio approach to achieving the Government's objectives. The priorities are outlined first and the savings for the portfolio flow from these.

Priorities for the Economic Development Portfolio

6. We propose that your letter to the Prime Minister on your Economic Development portfolio priorities includes the following:
 - a. Increasing capital availability for businesses and, capital intensity (with the Ministers for Science, Innovation and Technology, Trade, Revenue, and Manufacturing).
 - b. Doubling the value of exports in ten years (with the Ministers for Science, Innovation and Technology and Trade)
 - c. Diversifying and solidifying international screen connections to support the Government's economic objectives (with the Minister for Arts, Culture and Heritage).
 - d. Other priorities: Delivering Major Events and value for money with Government procurement.
7. The first three priorities provide opportunity to lift New Zealand's economic growth and productivity and are significant work programmes, while Major Events and Government procurement are tangible levers within your portfolio that also contribute to achieving the Government's economic and fiscal sustainability objectives.

Increasing capital availability for businesses and capital intensity (with the Ministers for Science, Innovation and Technology, Trade, Revenue, and Manufacturing).

8. Prior to Christmas, you received briefings about driving greater productivity and economic growth through capital intensity, New Zealand's early-stage capital markets and attracting foreign investment (Briefings 2324-1319, 2023-1405 and 2324-1424 refer).
9. This proposed priority proposes a coordinated, cross-portfolio approach to improve availability of private capital for New Zealand businesses. Improved availability of private capital for all New Zealand business, including start-ups, will allow them to grow to reach their full potential. In turn, business growth can help stimulate new Zealand's overall economic growth which has lagged that of other advanced economies and is currently low compared to our international counterparts.
10. We propose that the primary focus of this priority should be increasing growth in early-stage businesses and easing business' access to finance, alongside increased foreign investment stock and reinvestment that results in net addition to the economy.

Doubling the value of exports in ten years (with the Ministers for Science, Innovation and Technology and Trade).

11. As part of your contribution to Government's goal of doubling the value of exports in ten years we are proposing work to better align the services provided by New Zealand and Enterprise (NZTE) and Callaghan Innovation (BR 2324-1270 refers).
12. The development and growth of innovative and internationally competitive businesses and sectors is essential for rebuilding the New Zealand economy, and lifting productivity and economic growth. New Zealand's small domestic market means that innovation and international growth are intrinsically intertwined. As a result, the overall effectiveness of many services provided by the two entities depends on the extent to which they are mutually reinforcing. We expect improved alignment across the entities to result in more efficient and effective provision of innovation and internationalisation support activities, enabling the creation and/or scaling of highly innovative, highly productive, and internationally connected New Zealand businesses, resulting in more income and employment in New Zealand being generated through these businesses.
13. Delivering this priority will require collaborative work across the Economic Development, Science, Innovation and Technology, and Trade portfolios.

Diversifying and solidifying international screen connections to support the Government's economic objectives (with the Minister for Arts, Culture and Heritage).

14. The New Zealand Screen Production Rebate - International (NZSPR) has been successful in attracting production activity to New Zealand, lifting the economy and the country's international profile. However, feedback from sector stakeholders continues to highlight the impact that irregular international production activity has on them. The sector is also going through a period of rapid change due to a series of complex and varied drivers, resulting in further uncertainty for the sector [brief 2324-1308 refers]. The Review of Government Investment in the Screen Sector, completed in 2023, highlighted that taking a more strategic approach to attraction of international productions would complement the changes to the NZSPR and increase value delivered to New Zealand.

15. With recent changes to the NZSPR it is an opportune time to ensure that our approach is consistent in what the Government wants to deliver for the screen sector. There is also an opportunity to look at whether a steadier pipeline of activity could be achieved by spreading focus across multiple markets (such as India, United Kingdom, or East Coast of the USA) as well as what scale and types of productions we attract (for example, streaming series).
16. The primary output to deliver on this priority would be a revised international attraction strategy. Policy work could consider not only the investment a potential market or type of production could bring, but also the opportunities they provide for businesses and workforce development (i.e. what is 'good' for New Zealand).

Delivering Major Events

17. Major events and government procurement receive dedicated funding that can be a powerful and effective lever for delivering government priorities. They also provide wider economic and social benefits including for the regions.
18. Government is involved in major events to secure targeted spill-over benefits that align with government objectives that would be lost, or not maximised, without intervention.
19. As Minister, you direct the areas of focus and priority for the Major Events fund. To date, the prospecting and event strategy has focused on sporting events that support the Women & Girls strategy held by Sport NZ, mass participation and high-performance sport events, and arts and cultural events that celebrate New Zealand's identity.
20. The current portfolio is balanced with one mega event approx. every five years, two or three one-off major events per annum and a number of smaller recurring annual events that provide stability for the sector, are regionally diverse and provide wider social and cultural benefits. The lead time for contracting and planning for events means that the focus for securing future events under the fund is on 2027 and beyond. You can direct the priority focus areas for the fund for this period.
21. This priority could be shaped to focus only on global events of scale (large major events, around \$2m investment and above) by tightening the criteria and increasing the funding provided per event; or alternatively to build a pipeline of smaller major events that provide regional distribution and wider benefits and receive a lower level of funding per event; or to maintain a balanced portfolio of both.
22. Mega events can be considered separately through a Cabinet approval process as the required investment levels exceed the fund quantum. More details on this area of work are included in the Briefing 2324-1337.

Delivering value for money with Government procurement

23. Lastly as Minister you have responsibility for setting the government procurement framework, including policies and strategic priorities to be delivered through procurement. The New Zealand public sector spends around \$51.5 billion each year on purchases of goods and services from suppliers to support the delivery of its functions. You can make strategic choices about how the procurement policies give effect and contribute to the Government's wider priorities.
24. This priority could consist of a work programme for system improvement, supplier management and raising buyer capability to optimise public sector spend with

suppliers through a range of initiatives. More details on this area of work are included in Briefing 2324-1416.

Savings Required in the Economic Development Portfolio for the Initial Baseline Exercise

25. The savings proposed in this briefing retain focus on the priorities above within a context of greater fiscal restraint. **Annex Two** summarises funding across Economic Development portfolio appropriations should you agree the proposals in this briefing. The remainder of this briefing outlines the portfolio savings required to meet the 7.5% target for the Minister of Finance's Initial Baseline Exercise.
26. The Minister of Finance is seeking savings of 7.5% of the average four-year total of the 'eligible base' of appropriations (2024/25–2027/28). For the Economic Development portfolio, this equates to:
 - a. An average of \$2.41m of departmental savings p/a.
 - b. An average of \$27.03m of non-departmental savings p/a.
27. The options presented in this paper exceed the departmental target, providing an average of \$5.2m savings p/a and an overall surplus of \$11.16m in departmental savings. They meet the non-departmental target, providing an average of \$27.03m savings p/a.

Table 1: Savings Required from Economic Development Portfolio and Total of Options Identified

\$ million	2024/25	2025/26	2026/27	2027/28 & Outyears	4-Year Average
Departmental Expenses					
Total Eligible Departmental Expenses	34.48	31.86	30.99	30.99	32.08
Savings required (7.5% of Eligible Base)	2.59	2.39	2.32	2.32	2.41
Departmental Savings Identified	6.52	5.18	4.54	4.54	5.20
Non-Departmental Expenses					
Eligible Non-Departmental Output Expenses	192.14	187.10	187.10	187.10	
Eligible Non-Departmental Other Expenses	251.33	256.65	111.95	68.15	
Total Eligible Non-Departmental Expenses	443.47	443.75	299.05	255.25	360.38
Savings required (7.5% of Eligible Base)	33.26	33.28	22.43	19.14	27.03
Non-Departmental Savings Identified	25.59	29.86	27.60	25.07	27.03

28. We anticipate additional savings could be made in 2023/24 as part of stopping or scaling programmes ahead of 30 June 2024. Any additional underspend could be returned to the Crown through usual year-end financial processes.

Departmental Savings

29. Proposed departmental savings are above the 7.5% target as they reflect previous fiscal sustainability advice and the all-of-MBIE proposal for a 10% reduction in policy advice and similar appropriations (BRs 2324-0979 and 2324-1264 refer). The proposals presented in **Table 2** total \$20.78m over the four-year baseline, \$11.16m above the portfolio target.
30. We recommend you discuss with other MBIE Ministers whether the additional \$11.16m savings could be used to make up the balance across other MBIE portfolios that may not be able to meet the departmental target, or whether a smaller reduction in policy advice and similar appropriations may be warranted.

Table 2: Summary of Departmental Savings Options

Departmental Expenditure Savings Options					
\$ million	2024/25	2025/26	2026/27	2027/28 & Outyears	4-Year Average
Stop the Just Transitions Programme	1.71	0.81	0.20	0.20	
Stop Senior Diverse Leaders: Capability Building Pilot	0.35	0.35	0.35	0.35	
Stop Development of Circular and Bioeconomy Strategy	0.30	0.00	0.00	0.00	
Stop Government Centre for Dispute Resolution	0.84	0.84	0.84	0.84	
Scale Policy Advice and Related Services by 10%	2.36	2.21	2.19	2.19	
Scale NZ Government Procurement by 10%	0.50	0.50	0.50	0.50	
Scale Evidence and Insights by 10%	0.26	0.26	0.26	0.26	
Scale Tupu Tai Programme	0.20	0.20	0.20	0.20	
Total Departmental Savings Options by Financial Year	6.52	5.18	4.54	4.54	5.20
Savings Required by Year (at 7.5% of Eligible Base)	2.59	2.39	2.32	2.32	2.41
Over/Under	3.93	2.79	2.22	2.22	
Total Departmental Expenditure Savings - 4 Year Baseline	20.78				11.16

Stop the Just Transitions Programme.

31. The Minister for Energy was the lead Minister for this programme under the previous Government, though you hold funding and accountability responsibilities. This programme identifies ways to coordinate and align regional activity in order to extract New Zealand from intractable economic situations over the medium–long term, including in Southland, Taranaki and Tairāwhiti. This includes, for example, working with businesses and entities in Southland to diversify its economy and reduce reliance on Tiwai Smelter, having positive economic impact on both the regional economy and the wholesale electricity market.
32. Just Transition activities are governed by regional groups, carried out by contracted entities such as businesses and iwi, and supported by departmental staff. If you wish

to retain contracts related to the Just Transitions Programme (see non-departmental section), MBIE will continue to provide resource for contract management, Ministerial and Parliamentary reporting, and financial accountability from baseline Policy Advice and Related Services resource (i.e. you can discontinue this departmental funding even if you choose to keep contracts).

Stop Senior Diverse Leaders: Capability Building Pilot.

33. This pilot project was intended to ensure that Pacific peoples in New Zealand's public sector workforce are supported to play an active role in the stewardship and delivery of policy and services. The appropriation is \$0.35m p/a. Free and frank opinions

Stop development of the Circular and Bioeconomy Strategy.

34. This work programme supports the Government's priority of reducing greenhouse gas emissions. Your office has indicated that you are interested in progressing the Circular and Bioeconomy work programme in a way that provides the greatest fiscal savings (BR 2324-0756 refers). This means we will not produce a Circular and Bioeconomy Strategy, and the related action in the Emissions Reduction Plan (ERP) will need to be discontinued. You may wish to discuss this with the Minister for Climate Change. However, we will complete the Circular and Bioeconomy research that has already been contracted and use the evidence generated to identify actions for future ERPs which maintains the intent of the Strategy.

Stop Government Centre for Dispute Resolution (GCDR)

35. The GCDR works across government to support regulatory systems to deliver fair, effective, and people-centred dispute resolution services for individuals and businesses. There are at least 56 different dispute resolution services provided or overseen by government. MBIE considers that this function has effectively delivered the lift in practice it set out to achieve and could now be closed. This would save approximately \$0.84m p/a and would reduce FTE numbers by approx. 6.5.

Scale Policy Advice and Related Services, NZ Government Procurement, and Evidence and Insights

36. Scaling departmental resource in these areas would result in a decrease in FTE positions and/or contractor and consultancy spend funded from the portfolio. There are approximately 165.5 FTE working on the portfolio, including procurement staff funded through third-party funding. Portfolio funding for departmental staff will need to be considered by the coordinated group of MBIE Ministers to ensure allocations are aligned to the Government's objectives.

Scale Tupu Tai Programme

37. MBIE manages the Tupu Tai programme which offers summer internships across the public sector to Pacific tertiary students and recent graduates interested in a career in the public sector. MBIE has identified savings in the order of \$0.2m p/a that would not materially impact delivery of the programme.
38. You asked whether Ministry for Pacific Peoples would be able to fund delivery of this programme (BR 2324-0979 refers). We do not think this is likely in the fiscal context.

39. The programme will cost approx. \$0.45m p/a once the efficiency savings are made (excluding third-party contributions). We note that given that other departments pay a per-intern fee to be part of the programme, in the current fiscal context, it is likely that the programme will reduce in size and scope overall.

Non-Departmental Savings

40. Given the scale of non-departmental funding in the Economic Development portfolio, a substantial saving of \$108m over the four-year forecast period is required to meet the 7.5% target. Confidential advice to government

[Redacted]

[Redacted]

[Redacted]

43. You have discretion on these savings proposals. For example, you can further reduce the Major Events Fund and/or NZTE to retain other parts of the portfolio's non-departmental spend. However, doing so would not align as strongly with the Government's priorities for economic and export growth, or the portfolio priorities proposed in this briefing.

44. We have excluded the \$1.63m remaining for Callaghan Innovation's former ITP contract for 2024/25 from this working as the decision to retain it has already been made. The \$0.74 p/a for New Zealand Growth Capital Partner's market development activities has also been excluded as there would be little efficiency gain or savings from reducing it.

45. Non-departmental savings proposals are summarised in **Table 3**.

Table 3: Summary of Non-Departmental Savings Options

Non-Departmental Expenditure Savings Options					
\$ million	2024/25	2025/26	2026/27	2027/28 & Outyears	4-Year Average
Stop new activity in the Just Transitions Programme	2.35	1.69	1.49	2.19	
Stop existing contracts in the Just Transitions Programme	1.35	2.75	1.01	0.31	
Stop Auckland Pacific Skills Shift / Alo Vaka when contract expires	0.00	5.50	5.50	5.50	
Stop existing contracts for Auckland Pacific Skills Shift / Alo Vaka	2.20	0.00	0.00	0.00	
Stop Pacific Procurement Support Service	1.25	1.25	1.25	1.25	
Stop Future of Work Forum operations	0.70	0.70	0.70	0.70	
Scale Major Events Fund by 12%	1.89	1.89	1.89	1.89	
Scale New Zealand Trade & Enterprise by 7.5%	15.85	16.08	15.77	13.23	
Total Non-Departmental Savings Options by Financial Year	25.59	29.86	27.60	25.07	27.03
Savings Required by Year (at 7.5% of Eligible Base)	33.26	33.28	22.43	19.14	27.03
Over/Under	-7.67	-3.43	5.18	5.93	
Total Non-Departmental Expenditure Savings - 4 Year Baseline	108.11				0.00

Stop the Just Transitions Programme

46. If you wish to stop the Just Transitions Programme, you can return uncontracted non-departmental funding and terminate existing contracts.
47. There are six projects currently contracted for the Just Transitions programme that extend into FY24/25 and beyond. They are:
 - a. **Southland Chamber of Commerce** to design and implement a **Southland Manufacturing and Engineering Cluster** to prepare the sector for emerging industries including clean energy, hydrogen and aquaculture. The total value of this project is \$3.4m and it expires 30 June 2028.
 - b. **Southland Chamber of Commerce** for an **Innovation Ecosystem Project**, which is designed to accelerate business growth, scalability and productivity within Southland through additional capability building tools and services to support SMEs focusing on innovation for business growth. The total value of this project is \$1.3m and it expires 30 June 2028.
 - c. **Murihiku Regeneration Collective** to ensure **iwi participation and leadership** in the Southland Just Transition, and the **Clean Energy** workstream. Iwi involvement is critical to the overall work plan and they are key stakeholders for increasing renewable energy generation / projects, with strong

relationships across industry and government. The total value of this contract is \$500,000 and it expires 30 November 2024.

- d. **Thriving Southland** to deliver the **Southland Food and Fibre Investment Acceleration Project**, designed to identify opportunities for sustainable growth in Southland's primary sector. The total value of this contract is \$206,000 and it expires on 30 June 2025.
- e. **E Tū** to deliver the **Job Match Programme** in Southland, working with employers, employees and the Ministry of Social Development. This programme is designed to provide preemptive pathways for a potential 200 directly impacted employees that would be affected by a potential downsizing or closure of New Zealand Aluminum Smelter to transition into new jobs. This would reduce the regional economic impact of the Smelter's withdrawal from Southland. This contract is valued at \$415,000 and expires 31 December 2024.
- f. In Taranaki, **Te Tōpuni Ngārahu** have nearly completed their contract, which supports **Ngā iwi o Taranaki participation in the region's ongoing energy transition and development of a Taranaki Iwi Energy Strategy**. This project involves the eight post-settlement iwi of Taranaki, energy industry stakeholders and government agencies. This contract is valued at \$1.0m and it expires 26 August 2024.

48. Terminating existing Just Transitions contracts has the potential to realise \$5.4m of fiscal savings across the forecast period.

49. These contracts are aligned to the Government's commitment to increasing investment in renewable energy and have strong buy-in from firms, Council, and iwi, particularly regarding multi-year contracts in Southland. Should you wish to retain these contracts, we recommend an active Ministerial role across the programme supported by MBIE resource funded from baseline policy advice. We recommend discussing these options with the Minister of Energy.

Stop Auckland Pacific Skills Shift / Alo Vaka

50. The Auckland Pacific Skills Shift is a programme to support Auckland Pacific peoples in low-skilled work to transition into quality employment by providing wrap-around support to impacted Pacific households, and programmes to build the capability of Pacific communities. To date, the programme has delivered over 3,600 micro-credentials for individuals working with 283 employers. While longer-term outcomes from this programme will take some time to eventuate, initial evaluation findings suggest a positive impact on labour productivity from in-work training, and wraparound support and brokering have been identified as important elements in for workplace progression.

51. If the programme is cancelled at the end of existing contracts, savings of \$5.5m p/a from FY25/26 can be made. Further savings in FY24/25 would require cancelling existing contracts. This would achieve approximately \$2.2m additional savings in FY24/25. We recommend discussing decisions on Alo Vaka, alongside other initiatives focused on Pacific peoples, with the Minister for Pacific Peoples.

Stop Pacific Procurement Support Service (PPSS)

52. PPSS promotes greater growth of Pacific businesses by enhancing their capability in bidding for contracts, primarily in the construction and professional services industries. Evaluation indicates that this programme has had positive

impacts on Pacific firms' success in bidding for contracts and firms involved have increased revenue as a result. Savings of \$1.25m per annum are available from discontinuing this programme.

Stop Future of Work Forum Operations

53. The Minister for Social Development and Employment is responsible for the Future of Work Forum, though operational funding for the Forum sits within your portfolio. Advice has been provided to Minister Upston recommending the return of the \$0.7m p/a allocated to Forum activities, which included \$0.3m each going to Business New Zealand and the Council of Trade Unions to fund contributions to the Forum. We recommend returning this funding, consistent with disestablishment of the tripartite relationship and end of the work programme. We recommend discussing this with the Minister for Social Development and Employment.

Scale the Major Events Fund by 12%

54. The savings above propose an 12% scaling of the Major Events Fund to make up the balance of the 7.5% target across the Economic Development portfolio.
55. This scaling enables all committed funding and applications in train to proceed across the remainder of the multi-year appropriation, and for capability to be retained in this area of the portfolio.
56. There would be a very small residual amount (approx. \$3.3m) left to fund major events that are not currently contracted or proceeding through application. Any mega events (such as Commonwealth Games) are funded separately with the agreement of Cabinet.

Scale NZTE by 7.5%

57. A 7.5% scaling in funding for NZTE reflects the coordinated and consistent approach to savings across in-scope public service entities identified by the Minister of Finance.
58. A 7.5% scaling is similar to the \$14m p/a reduction NZTE implemented in late-2023 as a result time-limited funding for its COVID-19 response coming to an end (BR 2324-0979 refers). For reference, that reduction resulted in the following:
 - a. A reduction of 70 roles, which is about 10% of NZTE's total workforce.
 - b. A reduction in the number of Focus customers provided intensive support from 1,400 to 1,000 (but above the original pre-COVID baseline of 700 customers).
 - c. Several services initiated during the pandemic (such as the freight advisory service, digital commerce assistance, and international food and beverage branding) and being retired, delivered through digital channels, offered through private providers, partially funded by cost recovery, or funded from elsewhere.
 - d. Global resourcing is being consolidated to ensure that NZTE's capacity is where exporters need it to be, **International relations**
59. We recommend you discuss the scaling of NZTE with the Ministers for Science, Innovation and Technology and Trade, alongside the opportunity to better align its business-facing activities with Callaghan Innovation to bolster its contribution to the

Government's ambition to doubling exports in the next ten years (BR 2324-1270 refers).

60. If you wish to retain NZTE's existing funding profile to support the Government's ambition to double the value exports in the next 10 years, we recommend consultation with other Ministers about the opportunity for reprioritisation of savings across portfolios.

Next steps

61. Officials are available to discuss this briefing on 23 January 2024.
62. Once finalised, your priorities letter must be sent to the Prime Minister by 29 January 2024.
63. We recommend you discuss the priorities and proposals identified in this briefing with relevant Ministers prior to the submission of your letter to the Prime Minister and their inclusion in the cross-MBIE IBE coordination process.

Annexes

Annex One: Draft Portfolio Priorities Letter for Prime Minister

Annex Two: Economic Development Portfolio Appropriations if Savings Proposals are Agreed

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Confidential advice to government

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Confidential advice to government

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Annex Two: Economic Development Portfolio Appropriations if Savings Proposals are Agreed

Economic Development Portfolio Lever \$ million	2024/25	2025/26	2026/27	2027/28 and outyears
Departmental Expenses				
Procurement Functional Leadership	26.35 (incl. \$22.41 third-party funding)	26.35 (incl. \$22.41 third-party funding)	24.67 (incl. \$22.41 third-party funding)	26.35 (incl. \$22.41 third-party funding)
Policy Advice and Related Services to Ministers – Economic Development Portfolio	21.2	19.92	19.69	19.69
Sectoral and regional data and analysis – Economic Development only	3.21	3.21	3.21	3.21
Tupu Tai Internship Programme	0.75 (incl. \$0.3 third-party funding)	0.75 (incl. \$0.3 third-party funding)	0.75 (incl. \$0.3 third-party funding)	0.75 (incl. \$0.3 third-party funding)
Non-Departmental Expenses				
New Zealand Screen Production Rebate – International	402.11		50.56	50.56
Attracting International Screen Productions	1.3	1.3	1.3	1.3
Support for businesses to grow and internationalise, administered by New Zealand Trade and Enterprise	179.8	177.6	177.6	177.6
International Growth Fund MYA		104.4		0
Contestable funding for Major Events		31.00		0
Baseline appropriation funding		13.33		11.44
Market development functions by New Zealand Growth Capital Partners	0.74	0.74	0.74	0.74
Callaghan Innovation manufacturing activity (former ITP contract).	1.63	0	0	0

Note: Excludes appropriations related to departmental administration such as international subscriptions and memberships, shared services, capital expenditure, and depreciation.