



BRIEFING

Budget 2024 Bilateral: Information to Support MBIE's Initial Baseline Exercise – Economic Development Portfolio

Date:	2 February 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	2324-1755

Action sought		
	Action sought	Deadline
Hon David Seymour Associate Minister of Finance	<p>Note that the Minister for Economic Development has identified departmental savings of 16.2% and 4.91% non-departmental expenditure for MBIE's Initial Baseline Exercise.</p> <p>Agree to submit identified savings through Budget 2024 to return funding to the Crown.</p> <p>Note that savings decisions are consistent with Government and Ministerial priorities.</p> <p>Agree to forward this briefing to the Minister for Trade.</p>	12 February 2024
Hon Melissa Lee Minister for Economic Development		

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 Withdrawn |



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Purpose

To seek agreement to savings for the Economic Development portfolio for submission in Budget 2024 for MBIE’s Initial Baseline Exercise.

Recommended action

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

- a **Note** that the Minister of Finance has 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 \$233.9m p/a across departmental and non-departmental appropriations.

Noted

- b **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 and \$27.03m p/a for non-departmental appropriations

Noted

- c **Note** that the Minister for Economic Development has identified departmental savings at an average of \$5.2m p/a in the portfolio (with an average of \$26.88m p/a remaining), and an average of \$17.70m p/a of non-departmental savings (with an average of \$342.38m p/a remaining):

\$ 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	22.99	17.23	15.29	15.29	17.70

Noted

- d **Note** that these savings have been achieved by taking a strategic approach across the portfolio, including stopping all non-aligned programmes of work in the portfolio, scaling departmental resource by 10%, reducing the Major Events Fund by 12%, and scaling New Zealand Trade and Enterprise by 1.7% (with a one-off reduction in 2024/25 from reducing the International Growth Fund by \$10m).

Noted

- e **Note** that, once these savings are made, the portfolio's expenditure will be aligned with Government and Ministerial priorities, and comprised of:

Departmental Expenditure (approx. \$26.88m p/a over four-year average)

- a. Policy Advice and Related Services to Ministers, and Sectoral and Data Analysis (at approx. \$19.69m p/a, and \$3.21m p/a).
- b. Procurement Functional Leadership (at approx. \$3.2m p/a Crown funding, and \$22.41m p/a third-party funding)
- c. Tupu Tai Internship Programme (\$0.25m p/a Crown funding, and \$0.3m p/a third-party funding)

Non-Departmental Expenditure (approx. \$342.32m p/a over four-year average)

- d. New Zealand Screen Production Rebate – International (NZSPR) (average \$150m p/a and \$1.3m p/a)
- e. New Zealand Trade and Enterprise (at approx. \$173.46m p/a for operations, and \$94.48 for International Growth Fund to 2026/27)
- f. Major Events Fund (at approx. \$44.04 to end of 2026/27, then \$11.39m p/a baseline)
- g. New Zealand Growth Capital Partners (at \$0.74m p/a)

Noted

- f **Note** that the Minister of Finance has invited a budget bid for time limited funding for the New Zealand Screen Production Rebate – International as part of the *Government policy commitments and/or time limited funding* stream, and that the Minister for Economic Development has agreed to submit a bid of approximately \$110m to top up the multi-year appropriation to the end of 2025/26.

Noted

- g **Agree** to submit savings identified by the Minister for Economic Development portfolio for MBIE's Initial Baseline Exercise.

Agree / Disagree

- h **Note** that, to give effect to non-departmental savings, MBIE will need to give notice to third parties to terminate contracts this financial year and will seek direction about whether this, and related external stakeholder communications, should occur pre- or post-Budget 2024 announcements as well as the Government's preferred messaging.

Noted

Minister for Economic Development

i Agree to forward this briefing to the Minister for Trade.

Agree / Disagree



Dean Ford
General Manager
Labour, Science and Enterprise, MBIE

02 / 02 / 2024

Hon David Seymour
Associate Minister of Finance

..... / /

Hon Melissa Lee
Minister for Economic Development

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Government Investment in the Economic Development Portfolio

1. Since Budget 2017, Government has invested \$1.889b of new spending through the Economic Development portfolio. **Annex One** provides a breakdown of new initiatives drawn from the Estimates of Appropriations.
2. Not of all funding in Annex One funding remains in the portfolio. Some initiatives have ended because they were time-limited or the Government has stopped them. Some funding is tagged to the Minister for Economic Development due to historical portfolio allocations, but other Ministers have responsibility for the initiative and/or the appropriation now sits with another Minister.
3. For this briefing, we have separated portfolio programmes from MBIE-ownership funding such as departmental capital injections. Please see BR 2324-1850 for ownership-related information.
4. Funding in the Economic Development portfolio has a high degree of flexibility because it is responsive to the priorities of the Government of the day. Historically, Governments have chosen to fund:
 - a. Significant non-departmental initiatives such as the New Zealand Screen Production Rebate – International and New Zealand Trade and Enterprise,
 - b. Priority time-limited initiatives such as support for the 36th America’s Cup and Industry Transformation Plans, and
 - c. Mandated system leadership / response such as New Zealand Government Procurement and emergency response support for businesses
5. Significant areas of new spending in the portfolio since 2017 are:
 - a. \$765m in the New Zealand Screen Production Rebate,
 - b. \$300m capital investment for New Zealand Growth Capital Partners¹,
 - c. \$325m in New Zealand Trade and Enterprise activities (including funding received through the COVID-19 Response and Recovery Fund),
 - d. \$193m for Industry Transformation Plans, now stopped,
 - e. \$160m for the Game Sector Development Rebate, now in the Science, Innovation and Technology portfolio.

Summary of Proposed Savings for MBIE’s Initial Baseline Exercise

6. 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.

¹ Note that this funding also interacts with Vote Finance.

7. The Minister of Economic Development, in consultation with colleagues, has identified savings across the portfolio by taking a strategic approach, considering whether expenditure is aligned with Government and Ministerial priorities.
8. At a high level, the savings identified include stopping all non-aligned programmes of work in the portfolio, scaling departmental resource by 10%, reducing the Major Events Fund by 12%, and scaling New Zealand Trade and Enterprise by 1.7% (with a one-off \$10m reduction in 2024/25 from reducing the International Growth Fund).
9. Across the portfolio, departmental savings of 16.2% have been identified, at an average of \$5.2m p/a in the portfolio (with an average of \$26.88m p/a remaining). Over the four-year period, these savings total \$20.78m. For non-departmental expenditure, 4.91% of savings have been identified, at an average of \$17.70m p/a of non-departmental savings (with an average of \$342.38m p/a remaining). This equates to a total of \$70.79m over the four-year period.

Table 1: Savings Required from Economic Development Portfolio and Total 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
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Non-Departmental Savings Identified	22.99	17.23	15.29	15.29	17.70

Departmental Savings: Average \$5.2m p/a (\$20.78m total)

10. Proposed departmental savings presented in **Table 2** 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.
11. 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 would be returned to the Crown through usual year-end financial processes.

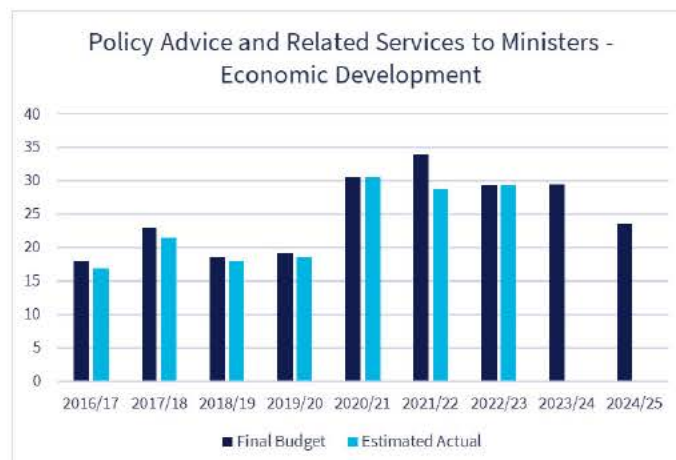
Table 2: Summary of Departmental Savings

Departmental Expenditure Savings					
\$ 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 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				

12. If savings presented in this paper are agreed, the following departmental expenditure remains in the Economic Development portfolio:

Policy Advice and Related Services to Ministers, and Sectoral and Data Analysis (at approx. \$19.69m p/a, and \$3.21m p/a).

13. Government has increased departmental funding for Economic Development’s *Policy Advice and Related Services to Ministers* by 36% over the previous six years. The greatest spike is in 2020/21 because of Government funding for Industry Transformation Plans (now returned to the Crown).



14. We have proposed a 10% decrease in funding for this appropriation, reflecting the all-of-MBIE approach to policy advice. That would reduce the budget for 2024/25 from \$23.56m (as shown in the graph above) to \$21.2m p/a, and \$19.69m in outyears. This is below actual expenditure of \$21.2m for the appropriation in 2017/18.
15. There are 165.5 FTE currently allocated to the Economic Development portfolio, compared to 130.6 FTE in 2017. As most funding for the portfolio is non-departmental, the increase of 26.7% increase in FTE is low compared to the increase in expenditure in the portfolio.
16. We are forecasting reduced contractor and consultancy spend next financial year. Current forecast spend relates to specialist professional capability such as ICT and legal advice.
17. Economic Development Sectoral and Regional Data Analysis funding is used to ensure robust data and insights are available to MBIE and the public to support economic development, with an emphasis on regions and industries. This includes funding provided to StatsNZ for the Business Operations Survey, regional GDP statistics, Modelled Territorial Authority GDP, MBIE's regional and sectoral dashboards and factsheets; as well as economic, statistical, or mathematical modelling of aspects of the economy and bespoke data and insights analysis for initiatives. We have also proposed that funding for this appropriation is reduce by 10%.

Procurement Functional Leadership (at approx. \$3.2m p/a Crown funding, and \$22.41m p/a third-party funding)

18. The New Zealand public sector spends around \$51.5 billion p/a on purchases of goods and services from suppliers to support the delivery of its activities, including infrastructure, social and other public services. Government procurement spend is around 17% of GDP and has a significant impact on the New Zealand economy.
19. Disciplined management of this spend is critical to optimising value and ensuring that procurement activities align with and contribute to the government's priorities, including spending public money carefully and with a clear purpose.
20. The New Zealand Government Procurement (NZGP) branch is responsible for implementing the government's procurement priorities. It is hosted in MBIE and set up to provide system-wide benefits. NZGP is largely funded by an administration fee charged on the purchases made by government agencies from centrally managed contracts. From this funding, NZGP makes an eight-fold return on investment by delivering savings (over \$246m in 2022/23).

Tupu Tai Internship Programme (at \$0.25m p/a Crown funding, and \$0.3m p/a third-party funding)

21. MBIE manages the Tupu Tai programme which offers summer internships across the public sector to Pacific tertiary students and recent graduates entering 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.

Non-Departmental Savings: Average \$17.7m p/a (\$70.79m total)

22. 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. This involves difficult trade-offs to achieve, primarily between funding for the NZSPR, New Zealand Trade and Enterprise (NZTE) and the Major Events Fund.
23. In consultation with colleagues, the Minister for Economic Development has identified 4.91% of non-departmental savings, at an average of \$17.7m p/a. This reflects that:
- All non-aligned programme-related activity within the portfolio is stopped.
 - The NZSPR is retained in full as it is non-discretionary. The Minister of Finance has invited a budget bid for time-limited additional funding for the NZSPR through Budget 2024.
 - The Major Events Fund is reduced by 12%.
 - NZTE's operational funding is scaled by 1.7%, with a one-off \$10m reduction in the International Growth Fund for 2024/25.
24. Non-departmental savings proposals are summarised in **Table 3**, and details on the programmes that are stopping in **Annex Two**.

Table 3: Summary of Non-Departmental Savings

Non-Departmental Expenditure Savings					
\$ 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	1.15	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	0.60	0.60	0.60	0.60	
Scale Major Events Fund by 12%	1.94	1.94	1.94	1.94	
Scale New Zealand Trade & Enterprise by 1.7% with one-off \$10m reduction for IGF 2024/25	13.50	3.50	3.50	3.50	
Total Non-Departmental Savings by Financial Year	22.99	17.23	15.29	15.29	17.70
Savings Required by Year (at 7.5% of Eligible Base)	33.26	33.28	22.43	19.14	27.03
Over/Under	-10.27	-16.06	-7.14	-3.86	
Total Non-Departmental Expenditure Savings - 4 Year Baseline	70.79				

25. To give effect to the savings above, MBIE will need to begin negotiations with third parties to terminate existing contracts during this financial year. We expect that this will involve communications with Governance Groups, providers, and wider stakeholders that these programmes are stopping. You have a choice about whether to direct MBIE to provide notice about the termination of programmes and/or contracts pre- or post-Budget 2024 announcements (i.e. whether to continue programmes until May and then close them due to Budget Sensitivity, or begin this process earlier). We will seek direction on preferred timing and messaging for external communications from the Minister for Economic Development if the savings are agreed.
26. If non-departmental savings presented in this paper are agreed, the following remains in the Economic Development portfolio:

Future Funding Requirements: New Zealand Screen Production Rebate – International (NZSPR) (average \$150m p/a and \$1.3m p/a)

27. The NZSPR – International has been successful in attracting production activity to New Zealand, bringing international expenditure across a range of sectors of the economy and lifting the country’s international profile. Countries with sustained screen sectors have a competitive incentive scheme at their foundation. Screen subsidies are required to compete globally in this sector, and it is unlikely that international productions would locate themselves in New Zealand without a competitive rebate scheme.
28. Government currently spends an average of \$150m a year on rebates for screen productions that are internationally-focused and produced in New Zealand. Further funding for the NZSPR is required to ensure the Government can meet its obligations under the NZSPR and continue to attract high value productions to New Zealand.
29. Expenditure through the NZSPR has averaged around \$150m p/a, which is managed through a multi-year appropriation (MYA). This has typically been set for 4–5 year terms at a base level of funding of around \$50m p/a, necessitating frequent top ups within the term of the MYA to ensure sufficient funding to meet payment obligations. A further top up is required to the current MYA to meet anticipated obligations through to June 2026, and the MYA will need to be reset for FY 2026/27 onwards.
30. A Budget bid for time-limited funding for the NZSPR has been invited as part of the *Government Policy Commitments and/or Time-Limited Funding* stream. The Minister for Economic Development has agreed to submit a bid of approx. \$110m that tops up the current Multi-Year Appropriation (MYA) through to the end of FY 2025/26.
31. A top-up reduces the scale of the bid this Budget and means the MYA will need to be reset at Budget 2026 Confidential advice to Government

32

33. Free and frank opinions

34. New Zealand Film Commission is contracted \$1.3m p/a to attract international screen productions to New Zealand.

New Zealand Trade and Enterprise (at approx. \$173.46m p/a for operations, and \$94.48 for International Growth Fund to 2026/27)

35. As the Government's international business development agency, NZTE leverages the unique strengths of government to help firms overcome barriers to growing internationally. This includes market intelligence and in-market support and connections for exporting firms, provision of capability-building programmes and tools, providing the endorsement needed to open doors and discussions in foreign markets, and the facilitation of trade missions. NZTE also provides matchmaking services for businesses raising capital necessary for growth.
36. NZTE's operational funding from FY 2024/25 is currently around \$176.46m p/a, with an additional \$104.48m remaining in the MYA for the International Growth Fund to 2026/27. Current funding is lower than the previous four years as a \$54m p/a increase of COVID-19 funding has expired. This decrease:
- a. Returned the International Growth Fund to its pre-pandemic level of \$30m p/a (it was temporarily increased to \$60m p/a), and
 - b. Was partially offset by an additional \$9.9m p/a provided in Budget 2023 over NZTE's pre-2020 baseline.
37. NZTE gave effect to the \$14m p/a decrease in late-2023, resulting in:
- a. A reduction of 71 roles, which is about 10% of NZTE's total workforce.
 - b. A reduction in the number of intensively supported Focus Customers from 1,400 to around 1,000 firms (but above the original pre-COVID baseline of 700).
 - c. The retirement of several services initiated during the pandemic.
 - d. Consolidation of global resourcing to ensure that NZTE's capacity is where exporters need it to be, National security or defence
38. NZTE is a key delivery agency for the Government's aim for New Zealand to again become an export powerhouse and the commitment to double the value of exports over the next ten years. The 2023 exercise outlined above addressed many of the available efficiencies within the organisation, and further large reductions in NZTE's funding may constrain its ability to contribute to the Government's export objectives.

39. The Ministers for Trade and Economic Development have agreed to scale NZTE's operational funding by 1.7% (\$3.5m p/a), as well as a one-off \$10m reduction of the International Growth Fund from 2024/25.
40. This level of reduction:
 - a. Protects NZTE's overseas footprint and capacity, including in higher value / higher potential markets.
 - b. Retains 1,000 high-potential firms in the intensively supported Focus portfolio.
 - c. Retains the International Growth Fund at \$30m p/a (enabling Focus Customers to access grants of up to \$0.6m every three years to expand their international activity), and
 - d. Enables NZTE to prioritise the Government's international engagement with increased trade missions to key markets, such as India.
41. The Associate Minister of Finance has asked for information about Crown Entities' cash reserves. NZTE has a total cash and term deposits of \$41.2m (at 30 June 2023, per audited financial statements). This balance is intended to cover working capital requirements, with the remainder of the cash balance committed to capital projects (leasehold improvements) or allocated in the 2023/24 budget for strategic initiatives.
42. The accumulated surplus balance of \$20m at June 2023 reflects the fair value fluctuations of foreign exchange contracts with the remaining balance allocated in the 2023/24 budget for strategic initiatives detailed in the prior paragraph.
43. Cash and cash equivalents balance as at 31 December 2023 was \$38m. NZTE is forecasting a year-end cash position of \$37.9m.

Major Events Fund (at approx. \$44.04 to end of 2026/27, then \$11.39m p/a baseline)

44. Major events generate a wide range of direct and indirect economic, social and cultural benefits and impacts. Government intervention is required in some instances to secure events through bidding processes, or to leverage events to maximise and secure valuable spill-over benefits that would be lost without government involvement. The Major Events Fund (MEF) is a \$50m multi-year appropriation for five years to FY26/27.
45. Overall, the MEF aims to fund a mix of:
 - a. International one-off events e.g. World Choir Games 2024, Commercial Information
 - b. Recurring anchor events that are regionally and seasonally spread e.g. Crankworx, SailGP, ITM Supersprints.
 - c. Homegrown events e.g. NZ Winter Games, Commercial Information.
 - d. Creative and Cultural Incubator – Seeding to grow new homegrown events (\$5m over MYA).
 - e. Mega events (roughly one every five years) are funded separately via a Cabinet decision, such as the FIFA Women's World Cup 2023 (~\$60m).

46. There are currently 22 events that are contracted for 2024 (with one current application under consideration) and 15 events contracted in 2025. There are eight active events in the prospecting pipeline in various stages of feasibility/application through to 2027.
47. We have proposed a 12% scaling of the Major Events Fund. This scaling aligns with the priorities of the Minister for Sport and Recreation and Minister for Economic Development to ensure that significant economic, social and cultural benefits to New Zealand are realised (for example, increasing the value and visibility of women's sport).
48. A 12% reduction means that all committed funding and applications in train can proceed across the remainder of the multi-year appropriation, a residual amount of approx. \$3–4m is available to fund major events that are not currently contracted or proceeding through application, and for capability can be retained in this area of the portfolio. Any mega events (such as the Commonwealth Games) are funded separately with the agreement of Cabinet.

New Zealand Growth Capital Partners (at \$0.74m p/a)

49. New Zealand Growth Capital Partners (NZGCP) is a crown entity company that receives a small market development appropriation (\$0.74m p/a) and manages two programmes of venture capital investments designed to develop and build early-stage and venture capital markets in New Zealand (the *Aspire NZ Seed Fund* and the *Elevate NZ Fund*). Early-stage capital markets are not yet fully mature and self-sustaining; some degree of public investment in early-stage, high-risk ventures is likely to be desirable to maintain market confidence and crowd-in private investment.
50. NZGCP's operating model requires all direct investments and operating costs to be funded from proceeds realised from existing NZGCP investments and a management fee for managing the Elevate fund. However, NZCGP receives \$0.74m p/a for market development activities. We consider that there are minimal efficiency gains from reducing this funding given its small scale.
51. NZGCP has a total cash and term deposits of \$16.2m (at 30 June 2023, per audited financial statements). It is the policy of the NZGCP Board to retain \$6m in cash reserves to ensure it remains as a going concern. This amount represents the 12-month operating requirements of NZGCP.
52. NZGCP's 2023/24 Statement of Performance Expectations budgeted to invest \$10.4m through the Aspire portfolio by June 2024. As at 31 December 2023, \$6.3m has been invested and \$1.5m in investments has been realised.
53. The cash and term deposit balance has declined to \$9.1m as at 31 December 2023, of which \$6m remains tagged by the board to meet going concern assumptions. The remainder, along with any realised investments, is intended to enable ongoing investment activity.

Options for Future Reprioritisation

54. Advice to the Minister for Economic Development has noted that if the Government wishes to significantly reduce expenditure in the portfolio, it faces the strategic choice about the extent to which it:

- a. Continues to have a significant sector-specific initiative such as the NZSPR, and/or
 - b. Focuses on a broad-based initiative across multiple sectors, such as the services provided by NZTE.
55. Officials can provide advice on both of these prior to Budget 2025 for Ministers' consideration.

Industry Transformation Plans Have Stopped, and \$127m Saved

56. The Minister for Economic Development is responsible for the Government's commitment to stop Industry Transformation Plans (ITPs) as part of the National-Act Coalition Agreement and 100-Day plan. This action has been completed.
57. At the end of 2023, \$127m was returned through the mini-Budget from MBIE-led ITPs (note MPI led three ITPs). This funding was available for immediate return to the Crown (i.e. it was not contracted to a third party). We expect a further \$5–10m of additional funding to be returned to the Crown at financial year end 2023/24 as a result of stopping ITPs.
58. ITP Steering Groups have also been disestablished (except the Construction Sector Accord Steering Group), with Ministers formally writing to members of MBIE-led ITPs to confirm the programme's closure and thank them for their contribution to their sector.
59. While third parties will continue to deliver against contracted milestones / outputs, MBIE has stopped work on ITPs and is maintaining only contract management, accountability, and public finance responsibilities. Any activities with sectors that were previously part of the ITP programme are now occurring as a result of Ministerial direction and priorities. For example, there is no longer active engagement with the agritech sector, but manufacturing sector priorities have transitioned to the Manufacturing portfolio.

Proposed Savings and Expenditure is Aligned with Ministerial Priorities

60. The Minister for Economic Development has written to the Prime Minister, outlining her priorities for the portfolio. These priorities are consistent and aligned with the savings and expenditure proposals in this paper.
61. The first three Ministerial 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 the 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).

62. 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.

63. The primary focus of this priority is 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).

64. The Government has committed to doubling the value of exports in ten years. 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.
65. 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 New Zealand Trade and Enterprise depends on the extent to which they are mutually reinforcing with Callaghan Innovation. We expect improved alignment across the entities to result in more efficient and effective provision of innovation and internationalisation 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.

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

66. 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 [BR 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.
67. 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).

Building and managing a pipeline of sports, arts and cultural events with the Major Events Fund

68. 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.
69. The Minister of Economic Development directs 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.

70. 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.
71. Mega events can be considered separately through a Cabinet approval process as the required investment levels exceed the Major Events Fund's budget.

Delivering value for money to optimise public sector spent with New Zealand Government procurement

72. Lastly, the Minister for Economic Development has 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. The Minister for Economic Development can make strategic choices about how the procurement policies give effect and contribute to the Government's wider priorities.

Next steps

73. Officials can provide any further information requested to support your discussion.
74. The budget bid for the NZSPR is being prepared for submission.

Annexes

Annex One: New Policy Initiatives 2017–2023

Annex Two: Economic Development Portfolio Initiatives Proposed for Stopping

Annex One: New Policy Initiatives 2017–2023

Portfolio: Economic Development (excluding Departmental Capital Injections)

Expense type	Initiative Name Budget 2017	\$000										
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Departmental Output Expense	R9 Accelerator - Making it Easier for Business to deal with Government	-	2,850	2,850	-	-						
Departmental Output Expense	Funding for MBIE's new functions as the lead space agency	-	3,750	3,750	3,750	3,750						
Non-Departmental Other Expense	New Zealand Screen Production Grant - International	-	80,778	80,778	80,778	80,778						
Non-Departmental Other Expense	New Zealand Screen Production Grant - International	18,000	-	-	-	-						
Non-Departmental Output Expense	G2G Partnerships Office (G2G Know-How) - Rollover funding	-	2,000	2,000	-	-						
Non-Departmental Output Expense	Tourism Marketing Support Package for Hurunui District following the Hurunui/Kaikōura Earthquakes	350	-	-	-	-						
Non-Departmental Other Expense	Business support measures for the Kaikōura, Hurunui and Marlborough Districts	220	880	-	-	-						
Departmental Output Expense	Severe weather events: cyclones Debbie and Cook	(190)	-	-	-	-						
Non-Departmental Other Expense	Severe weather events: cyclones Debbie and Cook	(60)	-	-	-	-						
Budget 2018												
Non-Departmental Other Expense	Interim Investment in Team New Zealand's 36th America's Cup Defence		5,000	-	-	-	-					
Non-Departmental Other Expense	Interim Investment in Team New Zealand's 36th America's Cup Defence		250	-	-	-	-					
Departmental Output Expense	Payroll Remediation Costs		50	-	-	-	-					
Departmental Output Expense	Savings and Reprioritisations		-	(3,900)	(1,000)	(750)	(500)					
Budget 2019												
Non-Departmental Other Expense	Future-Proofing New Zealand's Manufacturing Sector by Driving Industry 4.0 Uptake and Skills Development			-	1,444	1,898	1,891	936				
Departmental Output Expense	Payroll System for the Ministry of Business, Innovation, and Employment			25	79	361	361	361				
Non-Departmental Other Expense	Ongoing operation of the New Zealand Screen Production Grant - International			-	130,000	-	-	-				
Non-Departmental Output Expense	Continued NZTE International Support for New Zealand Businesses			-	5,175	5,175	5,175	5,175				
Departmental Output Expense	Senior Diverse Leaders: Specialised Pacific Skills, Leadership and Talent Pipeline Capability-Building Pilot			-	350	350	350	350				
Departmental Output Expense	Policy Advice on the Future of Work and a Just Transition to a Low-emissions Economy			-	1,639	1,639	1,639	1,639				
Non-Departmental Output Expense	Continuation of Government to Government office for another three years			-	2,400	2,400	2,400	-				
Non-Departmental Other Expense	Major Events Business Leverage Programme: Rugby World Cup 2019			-	1,500	-	-	-				
Non-Departmental Other Expense	Reprioritisation of Funding - Economic Development: Reduce the International Growth Fund			-	(200)	-	-	-				
Non-Departmental Other Expense	Reprioritisation of Funding - Economic Development: Reduce the Management Development Fund			-	(756)	(756)	(756)	(756)				
Non-Departmental Capital Expenditure	Early Stage Capital Market Development			-	40,000	80,000	80,000	40,000				
Non-Departmental Other	Establishing a National New Energy Development Centre in Taranaki											

Expense					-	5,000	8,000	7,000	7,000			
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Budget 2020

Departmental Output Expenses	Finance Management Information System Renewal				-	69	54	18	0			
Non-Departmental Other Expenses	Ongoing Operation of the New Zealand Screen Production Grant - International				6,500	140,000	-	-	-			

Budget 2021

Departmental Output Expense	Accelerating and Strengthening Business Connect					-	9,000	9,000	9,000	9,000		
Departmental Output Expense	Accelerating Rollout of Business Connect					2,500						
Departmental Output Expense	Better for Business: Making it Easier and More Seamless for Business to Deal with Government					2,420	2,420	2,420	2,420	2,420		
Non-Departmental Output Expense	Expanding Our Just Transition Support for Communities Facing Transitions					-	2,500	2,500	2,500	2,500		
Departmental Output Expense	Expanding Our Just Transition Support for Communities Facing Transitions					-	724	680	1,280	1,240		
Non-Departmental Output Expense	Further Regional Business Partner Advice for Small Businesses					40,000	-	-	-	-		
Departmental Output Expense	Implementation of E-Invoicing in New Zealand					3,097	3,259	3,108	3,038	3,038		
Departmental Output Expense	Implementing the Carbon Neutral Government Programme					-	544	388	388	388		
Non-Departmental Output Expense	Industry Policy: COVID-19 Recovery and Transformation Package					15,508	4,059	-	-	-		
Departmental Output Expense	Industry Policy: COVID-19 Recovery and Transformation Package					16,594	4,344	-	-	-		
Non-Departmental Other Expense	New Zealand Events Support					10,000	-	-	-	-		
Non-Departmental Other Expense	New Zealand's Economic Recovery: Revitalising the International Business Sector					54,000	54,000	54,000*	54,000*	-		
Non-Departmental Other Expense	New Zealand Screen Production Grant - International					35,300	-	-	-	-		
Non-Departmental Other Expense	New Zealand Screen Production Grant - International					-	162,150	500	500	500		
Non-Departmental Output Expense	Pacific Business Procurement Support					1,875	1,875	1,250	1,250	1,250		
Non-Departmental Other Expense	Premium New Zealand Films for International Audiences					-	(25,000)	-	-	-		
Non-Departmental Other Expense	Premium New Zealand Films for International Audiences					(25,000)	-	-	-	-		
Non-Departmental Other Expense	Reprioritisation of Funding - New Zealand's Events Support					(300)	-	-	-	-		
Non-Departmental Capital Expenditure	Reprioritisation of Funding - Tourism Sector Recovery Fund (Strategic Tourism Assets Protection Programme Loans and Inbound Tour Operator Loans)					(15,000)	-	-	-	-		
Non-Departmental Output Expense	The Auckland Pacific Skills Shift					5,500	5,500	5,500	5,500	5,500		

*Additional COVID-19 Response and Recovery Funding

Budget 2022

Departmental Output Expense	Developing a circular economy and bioeconomy strategy						-	1,600	1,100	300	-	
Departmental Output Expense	Business Growth Fund - Policy, Commercial, and Legal Advice						-	500	-	-	-	
Non-Departmental Output Expense	Funding tripartite partners to engage in the Future of Work Tripartite Forum						-	700	700	700	700	
Non-Departmental Output Expense	Industry Transformation Plans - Enabling Delivery Across the ITP Programme						-	-	700	4,500	4,500	

Departmental Output Expense	Industry Transformation Plans - Enabling Delivery Across the ITP Programme							-	1,505	1,405	1,405	1,405	
Non-Departmental Output Expense	Industry Transformation Plans - Implementing Construction Sector ITP Actions							-	4,663	4,241	4,141	-	
Non-Departmental Output Expense	Industry Transformation Plans - Implementing Digital Technologies ITP Actions							-	7,060	6,840	4,300	1,000	
Departmental Output Expense	Industry Transformation Plans - Implementing Digital Technologies ITP Actions							-	200	200	200	200	
Non-Departmental Output Expense	New Zealand Government-to-Government funding continuation							-	2,400	2,400	2,400	-	

Budget 2023

Non-Departmental Other Expense	Auckland small business flood relief package - funding drawdown								5,000	-	-	-	-
Non-Departmental Other Expense	Cyclone Gabrielle business support package - policy decisions and funding drawdown								75,000	-	-	-	-
Departmental Output Expense	Equitable Transitions Programme - Drawdown of tagged contingency from Climate Emergency Response Fund								3,495	8,140	1,725	260	-
Non-Departmental Output Expense	Request to draw down funding for the Advanced Manufacturing ITP								3,500	16,100	9,500	-	-
Non-Departmental Output Expense	Request to draw down funding for the Advanced Manufacturing ITP								-	900	-	-	-
Non-Departmental Output Expense	Regional Business Partners Network - Funding for Cost Pressures								-	800	800	800	800
Non-Departmental Other Expense	Major Events Fund - Maintaining and Enhancing the Value of the Major Events Fund								-	-	-	-	3,330
Departmental Output Expense	Major Events Fund - Maintaining and Enhancing the Value of the Major Events Fund								200	200	200	200	200
Non-Departmental Output Expense	New Zealand Trade and Enterprise - Maintaining Exporter Support								-	-	9,923	9,923	9,923
Non-Departmental Other Expense	Industry Transformation Plan - Enhancing the Digital Technology Skills and Talent Pipeline								-	9,085	5,155	2,840	1,100
Departmental Output Expense	Industry Transformation Plan - Enhancing the Digital Technology Skills and Talent Pipeline								-	2,398	2,539	2,194	1,301
Non-Departmental Output Expense	Industry Transformation Plan: Tourism Better Work Action Plan Implementation								-	1,443	1,493	1,343	1,343
Departmental Output Expense	Industry Transformation Plan: Tourism Better Work Action Plan Implementation								-	5,104	5,339	1,379	779
Departmental Output Expense	Industry Transformation Plan - Agritech Industry Transformation Plan Horticulture Technology Catalyst								-	1,751	2,231	2,215	2,225
Non-Departmental Output Expense	Industry Transformation Plan - Agritech Industry Transformation Plan Horticulture Technology Catalyst								-	4,161	5,614	5,785	5,293
Non-Departmental Output Expense	Game Development Sector Rebate - Strengthening Industry Growth								-	38,737	38,150	38,150	38,150
Departmental Output Expense	Game Development Sector Rebate - Strengthening Industry Growth								-	1,263	1,850	1,850	1,850
Operating Contingency	Equitable Transition Package: Regional Hydrogen Industry Transition								-	2,958	7,909	10,809	10,800

Annex Two: Economic Development Portfolio Initiatives Proposed for Stopping

Departmental Programmes

Just Transitions Programme

1. The Minister for Energy was the lead Minister for this programme under the previous Government, though the Minister for Economic Development holds 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. Departmental savings of \$2.92m over four years can be made from stopping the Just Transitions Programme.

Senior Diverse Leaders: Capability-Building Pilot

2. 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. Feedback from programme participants is mixed. While some participants find value in the programme, others have indicated the programme may not align well with the needs of Pacific leaders and their agencies.

Development of Circular and Bioeconomy Strategy

3. This work programme supports the Government's priority of reducing greenhouse gas emissions. The Minister for Economic Development has agreed not to develop a Circular and Bioeconomy Strategy but will complete the Circular and Bioeconomy research that has already been contracted. The evidence will be used to identify actions for future Emissions Reduction Plans which maintains the intent of the Strategy. This will save \$0.3m in 2024/25.

Government Centre for Dispute Resolution (GCDR)

4. 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.

Non-Departmental Programmes

New activity and existing third-party contracts in the Just Transitions Programme

5. The Minister for Economic Development, in consultation with the Minister of Energy, has agreed to stop new work and retain two existing contracts for the Just Transitions programme. One retained contract has \$0.2m expenditure required in 2024/25.

Auckland Pacific Skills Shift / Alo Vaka

6. 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. \$18.7m can be saved by stopping this initiative over the four-year period.

Pacific Procurement Support Service (PPSS)

7. 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 p/a are available from discontinuing this programme.

Future of Work Forum Operations

8. The Future of Work Forum is being disestablished, with funding allocated to BusinessNZ and the Council of Trade Unions proposed for return to the Crown. The Minister for Social Development and Employment and the Minister for Economic Development have agreed to retain and reprioritise \$0.1m of funding previously allocated to Future of Work Forum operations research programme. Ministers will seek to shift this funding to the Social Development and Employment portfolio for 2024/25. We have accounted for \$0.6m p/a of returned funding and \$0.1m p/a of retained funding within the Economic Development portfolio.