



## BRIEFING

### Advice on proposed reductions to the New Zealand Trade and Enterprise budget

<b>Date:</b>	16 February 2024	<b>Priority:</b>	High
<b>Security classification:</b>	Budget - Sensitive	<b>Tracking number:</b>	2324-2136

Action sought		
	Action sought	Deadline
Hon David Seymour <b>Associate Minister for Finance</b>	<b>Note</b> the advice in this briefing;  <b>Agree</b> to forward the briefing to the Minister for Trade and the Minister of Economic Development for their information.	19 February 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Dean Ford	General Manger	Privacy of natural persons	✓
Privacy of natural persons	Manager, Enterprise Policy		

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 Withdrawn           |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



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### Purpose

To provide further advice on the proposed reductions to the New Zealand Trade and Enterprise (NZTE) budget as part of Budget 2024's Initial Baseline Exercise for the Ministry of Business, Innovation and Employment.

### Recommended action

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

- a **Note** the advice in this briefing;

*Noted*

- b **Agree** to forward this briefing to the Minister for Trade and the Minister of Economic Development for their information.

*Agree / Disagree*

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

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Hon David Seymour  
**Associate Minister of Finance**


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## Background

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1. You have asked for advice in your capacity as Associate Minister for Finance with delegated responsibility for the Initial Baseline Exercise for the Ministry of Business, Innovation and Employment to enable you to respond to a 15 February 2024 letter from Hon McClay regarding NZ the proposed budget reductions for NZTE.

Confidential advice to Government



## Impact on trade portfolio priorities

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5. NZTE will have a key role in achieving the Government's target to double the value of New Zealand's exports. Hon McClay is concerned that the reductions sought to NZTE's budget will significantly impact on export growth. Nonetheless, looking across Cabinet the Government has an ambitious legislative and wider work programme to rebuild the economy. MBIE sees these reforms as being crucial for the doubling of exports.

## The International Growth Fund

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### *Direct Economic Impact*

6. NZTE uses a measure called ‘Direct Economic Impact’ (DEI) (predicted, and later realised) to prioritise projects for co-investment. To be eligible for consideration NZTE requires projects to have a minimum projected DEI of \$4 for every \$1 of government support. DEI captures three factors:
  - increase in firm revenue
  - jobs created within the firm in New Zealand, and
  - spend on New Zealand suppliers.
7. DEI is a useful operational tool for allocation of funding, but has some limitations as an evaluative tool, including:
  - DEI does not robustly consider additionality, as it relies on subjective assessment as to whether a project will go ahead without IGF support. Similarly, there is no clear way of verifying information supplied by firms, with the risk that benefits are overstated to increase the chances of an IGF grant being approved.
  - DEI cannot account for economy-wide labour shortages or supply chain constraints, meaning some portion of employment or supplier spend will represent reallocation across firms rather than an increase in aggregate economic activity.

### *Data improvements are key to effective evaluation of the IGF*

8. MBIE does not consider that the 2023 Internationalisation Support Review (ISR) conducted a robust evaluation of the IGF. This is because ISR had significant constraints and limitations on its work (including data limitations). We also understand that the scope of the independent assessment of the DEI metric undertaken by PwC referred to in Minister McClay’s letter was to validate the excel calculation formula, and not the methodology itself.
9. Looking ahead, improving NZTE’s processes around the collection, analysis and sharing of firm-level data is the key path forward to allow more robust and sophisticated measurement and evaluation of IGF grants.
10. In 2023 Ministers directed NZTE, MBIE, and Statistics New Zealand to improve the capture and analysis of firm-level data, particularly to include robust business support data in the Longitudinal Business Database (LBD).
11. The data limitations identified through the ISR are likely to impact on the ability to robustly evaluate the IGF at this time. However, strengthening data collection, with a particular emphasis on inclusion of robust data in the LBD will be helpful when replenishment of the existing IGF Multi-Year Appropriation is sought in FY 27/28.