



## BRIEFING

### Budget 24: Economic Development Portfolio

Date:	15 May 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	2324-3368

Action sought		
	Action sought	Deadline
Hon Melissa Lee Minister for Economic Development	<b>Note</b> that we are providing you with a summary of Economic Development funding following Budget 24 decisions.  <b>Agree</b> to discuss with officials on 20 May 2024.	20 May 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	Director, Economic Development and Transitions			

The following departments/agencies have been consulted

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comment



# BRIEFING

## Budget 24: Economic Development Portfolio

<b>Date:</b>	20 May 2024	<b>Priority:</b>	High
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### Purpose

To provide you with the current state of play of your Economic Development portfolio post Budget 24 announcements, including savings made as part of MBIE's Initial Baseline Exercise. This briefing also provides talking points you may wish to refer to should you be asked about your Economic Development portfolio after Budget 2024 announcements.

### Recommended action

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

- a **Note** that your Economic Development appropriation for the 2024/25 Financial Year is \$591.353m.  
*Noted*
- b **Note** that total savings over the four-year period until 2027/28 is \$79.189m  
*Noted*
- c **Note** that a significant portion of this funding is allocated to New Zealand Trade and Enterprise (\$246.325m), and the Screen Production Rebate, including the top up to be announced at Budget 2024 (\$270.351m).  
*Noted*
- d **Note** other Economic Development programmes for the 2024/25 Financial Year include:
  - Procurement Functional Leadership (\$29.866m),
  - Policy Advice and related services (\$21.615m),
  - Major Event's (\$11.390m),
  - Evidence and Insights (\$3.179m),
  - NZ Growth Capital Partners (\$0.750m)
  - Tupu Tai Internship programme (\$0.734m)
  - Auckland Pacific Skills Shift (\$5.500m)
  - Just Transitions programme (\$1.700m)*Noted*

e **Note** that streamlining programmes within the Economic Development portfolio is an opportunity to advance your priorities to meet the Government's economic objectives.

*Noted*

f **Agree** to discuss with officials on 20 May 2024 if you would like clarification on any of the information provided.

*Agree / Disagree*



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

15 / 05 / 2024

Hon Melissa Lee  
**Minister for Economic Development**

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## Background

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1. You have asked for a status report on your Economic Development portfolio appropriation for Budget 2024, with particular interest in:
  - a. How much is being saved in the portfolio,
  - b. Any new expenditure and appropriations,
  - c. Which programmes are being affected and/or ended by the savings programme,
  - d. Which operational functions (e.g., leases, advertising, refurbishments) in the organisation are being affected by the savings programme,
  - e. Total redundancies in the portfolio per Ministry/Organisation expected and/or confirmed as a result of the savings programme.
2. MBIE has provided you with a range of options on how you would like to prioritise your portfolio while balancing the trade-offs between stopping or reducing some programmes to meet the Initial Baseline Exercise savings target, while meeting the Government's plan to rebuild the economy. These savings have now been consolidated into Budget 2024.
3. This briefing summarises the status of your Economic Development portfolio against the revised appropriations, highlighting where applicable the savings that have been made against each programme, and how those savings will affect the various programmes.
4. We have also provided you with key talking points, drawing on your priorities for the Economic Development portfolio (**Annex A**).

## Summary of the Economic Development Appropriations and Post-Fiscal Savings (2024/25 FY Only)

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5. Your Economic Development appropriation for the 2024/25 financial year is \$591.353m, which includes savings of \$25.91m, representing a 4.3 percent saving across your portfolio. Over a four-year funding period until 2027/28 FY, the savings are \$79.189m.
6. A significant portion of the funding is allocated to NZTE operational funding and International Growth Fund (\$246.325m), and the Screen Production Rebate (including the top up to cover the tax rebate shortfall for 2024/25 FY) (\$270.351m). These two programmes represent 87.3 percent of your Economic Development portfolio budget for the 2024/25 Financial Year.
7. Other Economic Development programmes for the 2024/25 Financial Year include:
  - Procurement Functional Leadership, including \$22.41m from third party funding, (\$29.866m)
  - Policy Advice and related services (\$21.615m),
  - Major Event's (\$11.390m),

- Evidence and Insights (\$3.179m),
- NZ Growth Capital Partners (\$0.750m)
- Tupu Tai Internship programme, including \$0.3m from third party funding (\$0.734m)
- Auckland Pacific Skills Shift (\$5.500m)
- Just Transitions programme (\$1.700m)

8. **Table 1** is a summary of Economic Development appropriations as at 30 May 2024.
9. **Table 2** is a summary of Economic Development savings as at 30 May 2024. These tables include both Departmental and Non-Departmental funding and savings. Further detail on the savings for each programme is provided below.

**Table 1. Economic Development Appropriations as at 30 May 2024 (includes both Departmental and Non-Departmental)**

Programme	2024/25	2025/26	2026/27	2027/28 & Outyears	Total (\$m)
NZTE Operational Funding	176.325	171.612	171.612	171.612	795.561
NZTE International Growth Fund MYA		104.400	-	-	
New Zealand Screen Production Rebate - International	178.395	175.310	-	-	467.466
New Zealand Screen Production Rebate - International (top up)		113.761	-	-	
NZ Growth Capital Partners*	0.750	0.750	0.750	0.750	3.000
Major Events Contestable funding	11.390	11.390	8.060	-	30.840
Just Transitions Programme – remaining contracts	1.699	0.815	0.815	0.510	3.839
Policy Advice and Related Services to Ministers	21.615	19.359	19.079	19.068	78.121
Sector Analysis and Facilitation	3.179	3.180	3.178	3.177	12.714
Procurement Functional Leadership	29.866	24.889	24.846	24.833	104.434
The Auckland Pacific Skills Shift	5.500	5.500	5.500	5.500	22.000
Tupu Tai Internship Programme	0.734	0.734	0.730	0.730	2.928
<b>Total</b>	<b>591.353</b>	<b>468.827</b>	<b>234.570</b>	<b>226.180</b>	<b>1,520.930</b>

\* New Zealand Growth Capital Partners – Commercial Informator

**Table 2: Summary of Economic Development Savings as at 30 May 2024 (includes both Departmental and Non-Departmental)**

Programme	2024/25	2025/26	2026/27	2027/28 & Outyears	Total (\$m)
NZTE	13.500	8.000	8.500	6.000	35.500
Sector Analysis and Facilitation (Evidence and Insights)	0.260	0.260	0.260	0.260	1.040
Major Events Contestable funding	1.940	1.940	1.940	1.940	7.760
Procurement Functional Leadership	0.500	0.500	0.500	0.500	2.000
Policy Advice and Related Services to Ministers	2.360	2.210	2.190	2.190	8.950
Developing a Circular Economy and Bioeconomy Strategy	0.300	-	-	-	0.300
Operation of the Future of Work Forum	0.700	0.700	0.700	0.700	2.800
Government Centre for Dispute Resolution	0.840	0.840	0.840	0.840	3.360
Just Transitions Programme (Departmental, excluding contracts)	3.710	2.494	1.885	2.190	10.279
Pacific Business Trust Procurement Support Service	1.250	1.250	1.250	1.250	5.00
Senior Diverse Leaders: Capability Building Pilot	0.350	0.350	0.350	0.350	1.400
Tapu Tai Internship Programme	0.200	0.200	0.200	0.200	0.800
<b>Total</b>	<b>25.910</b>	<b>18.744</b>	<b>18.115</b>	<b>16.42</b>	<b>79.189</b>

### Programmes Continuing with Funding Unchanged or Increased

#### *New Zealand Screen Production Rebate (NZSPR) - International*

10. Funding provided through Budget 2024 increases the existing multi-year appropriation (MYA) for the NZSPR – International by \$113.761m through to the end of 2025/26, which includes \$67.014m to cover the 2023/24 financial year. The additional funding covers anticipated shortfalls in the MYA to ensure Crown fiscal obligations for rebate payments are met.

Confidential advice to Government

12. In 2024/25 FY, the Screen Sector work programme in the Economic Development portfolio will focus on:
- revising the International Screen Attraction Strategy (implemented by the New Zealand Film Commission) to strategically target high-value international productions to locate in New Zealand, and
  - continuing to strengthen our understanding of the sector and benefits of the rebate through measurement and analysis of the sector and monitoring and evaluation of the NZSPR-International 5% Uplift.

Confidential advice to Government

### *Alo Vaka (Auckland Pacific Skills Shift)*

15. The Alo Vaka initiative is a programme supporting Pacific workers, families and communities based in South and West Auckland. It identifies and opens pathways to higher quality, better paid employment opportunities by providing support to impacted Pacific households, and programmes to build skills capability in Pacific communities.
16. The programme is funded \$5.5m per year and is delivered by three partner agencies:
  - Tātaki Auckland Unlimited lead the employer-focused workstream focused on designing and delivering micro-credentials within the workplace, and
  - The Southern Initiative deliver whānau-level focused economic support, job progression and research on effective approaches to economic resilience and progression for Pacific peoples, and
  - The Cause Collective deliver community-level initiatives focused on Pacific youth and promotion of the Future of Work within Pacific communities.
17. The first phase of Alo Vaka finishes in December 2024, and planning is underway for the next phase of the programme. This will begin in the second half of 2024/25 FY following the completion of programme evaluation to inform future programme design and procurement process.

### *Just Transitions Programme*

18. You agreed to the cancellation the Just Transitions programme with departmental savings off \$2.92m. However, the remaining contracts will be honoured until their end date. Of the 10 contracts under the Just Transitions work stream, four contracts extend into 2024/25, and one, to 2027/28. These include:
  - Murihiku Regeneration Collective, November 2024;
  - E Tu, December 2024;
  - Thriving Southland, June 2025; and

- Southland Chamber of Commerce (which includes the Southland Manufacturing and Engineering Cluster and the Innovation Ecosystem Hub programmes), June 2028
19. Total funding for the remaining contracts is \$3.839m. MBIE will allocate resource for contract management, Ministerial and Parliamentary reporting, and financial accountability from baseline.
  20. The workstreams are closely aligned with the Government’s plan to rebuild the economy. The work programme is focussed on building regional resilience through helping over 100 businesses in the region diversify and transition away from economic dependence on New Zealand Aluminium Smelter at Tiwai Point.

### **Programmes Continuing but Funding Scaled Down or Amended**

#### *New Zealand Trade and Enterprise (NZTE) and the International Growth Fund*

21. NZTE’s operational funding from 2024/25 FY is around \$176.46m per annum, with an additional \$104.48m remaining in the MYA for the International Growth Fund to 2026/27 (approximately \$35m per annum). Savings from the Initial Baseline Exercise are \$21.5m of operational funding over the four years covered, and a \$14m reduction in International Growth Fund across 2024/25-2026/27. At the same time, NZTE’s temporary four-year funding boost of \$54m per annum from the Covid Response and Recovery Fund ends in June 2024.
22. NZTE is a key delivery agency for the Government’s Export Double strategy, providing international business development support to businesses, opening doors in overseas markets, and matching investment opportunities with investors. The reduction in NZTE’s budget has resulted in it scaling back its activities and support for businesses – most notably a reduction in the number of ‘Focus Customers’ that receive intensive support to 1000 from 1400, although still this is higher than the 700 pre-Covid.
23. Alongside the Minister for Trade’s strong focus on NZTE’s activities at and beyond the border<sup>[1]</sup>, there are several opportunities to lift the contribution of NZTE’s activities to productivity and export growth over the medium to long term:
  - Increasing the robustness of NZTE’s firm-level administrative data, strengthening the flow of in-market intelligence and insights to inform policymaking, and undertaking more rigorous monitoring and evaluation of business support to ensure value for money.
  - Ensuring strong strategic and operational alignment with Callaghan Innovation’s business support to strengthen the pipeline of high-potential, innovative businesses that grow into successful international businesses of scale.
  - Attracting foreign investment into large-scale commercial projects and foreign enterprises to establish operations into New Zealand.

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<sup>[1]</sup> For example, undertaking more trade missions to help unlock commercial opportunities for exporters, leveraging new FTAs, and ongoing efforts to reduce non-tariff barriers.



### *Major Events Fund (MEF)*

24. MEF is currently a \$66.65m multi-year appropriation for five years to 2026/27 FY. Following the application of the 12% reduction you previously agreed to, a transfer of a FIFA Women's Cup 2023 underspend of approximately \$3.5m and the release of tagged investment <sup>Commercial Information</sup> [REDACTED] approximately \$11.7m remains in the multi-year appropriation to 2027 to support future major events.
25. A \$11.7m MEF balance means all committed funding and applications can proceed, new major event opportunities can be supported and most MEF objectives can be delivered across the multi-year appropriation term. Given lead in timeframes, New Zealand Major Event's proactive prospecting emphasis will predominantly focus on event content for 2028 and beyond.

### *Policy Advice and Related Services to Ministers*

26. MBIE is making a 10% decrease in funding for provision for policy advice and related services to Ministers. That would reduce the budget for Economic Policy advice for 2024/25 FY from \$23.56m to \$21.2m per annum, and \$19.69m in outyears, effectively taking it back to 2017/18 FY levels.
27. The Policy Advice and Related Services to Ministers function predominately supports you as Economic Development Minister to administer your portfolio, including cross-portfolio systems coordination and portfolio leadership. Scaling this departmental resource reflects the all-of-MBIE approach to policy advice.

### *Sectoral and Data Analysis*

28. MBIE has also made a 10% decrease in Economic Development Sectoral and Regional Data Analysis (Evidence and Insights) funding resulting in a saving of \$260k per annum. The 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.
29. Funding is 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.

### *Procurement Functional Leadership*

30. New Zealand Government Procurement (NZGP) is responsible for making system-level improvements to government procurement to deliver value for money and reduce red tape and bureaucracy.
31. NZGP implements these improvements through system-level leadership, rules, guidance, digital systems and tools, and support to agencies to improve their capability and carry out good procurement practice. NZGP achieves cost savings and efficiencies for the public sector through centrally managed contracts of common goods and services (annual savings amounted to over \$200m in 2022/23).
32. The programme is largely funded by an administration fee charged on the purchases made by government agencies from these centrally managed contracts. Savings of \$0.5m per annum have been made, realised from the transfer of contractors to a

reduced number of permanent positions in July 2023. These savings will not impact on NZGP's current work programme and system-level responsibilities.

### *Tupu Tai Internship Programme*

33. 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. While recruitment processes for the 2024/25 summer internship have been paused, the savings identified of \$0.2m per annum will not impact programme redesign and early career alumni support.

### **Programmes stopped**

#### *Government Centre for Dispute Resolution (GCDR)*

34. The GCDR worked across government to support regulatory systems to deliver fair, effective, and people-centred dispute resolution services for individuals and businesses. This programme was stopped as it has served its function realising \$0.84m per annum savings.

#### *Circular and Bioeconomy Strategy*

35. This work programme supports the Government's priority of reducing greenhouse gas emissions. You have agreed to not produce a Circular and Bioeconomy Strategy, which provides for around \$0.3m of savings in 2024/25 to maximise savings. This programme was not funded beyond 2024/25.

#### *Future of Work Forum*

36. Contracts with the Council of Trade Unions and Business New Zealand will conclude before the end of 2023/24 FY. From 2024/25 FY onwards, there will be a savings of \$0.7m per annum. This programme was stopped as it no longer aligned with the Government's priorities.

#### *Senior Diverse Leaders: Capability Building Pilot*

37. 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 project enabled indigenous Pacific leadership development to increase the number of Pacific leaders in tier 1-3 positions across the public service. Savings of \$0.35m per annum have been made. This programme was stopped as there were mixed results on its practicality.

#### *Pacific Procurement Support Service (PPSS)*

38. PPSS promotes greater growth of Pacific businesses by enhancing their procurement capability in bidding for contracts, primarily in the construction and professional services industries. Termination of this programme has realised savings of \$1.25m per annum. You will receive the final version of a letter to be signed for supplier Pacific Business Trust informing them of this decision.

## **Savings from Stopping work on Industry Transformation Plans**

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39. The savings in your Economic Development portfolio as part of the Initial Baseline Exercise come on top of stopping work on the Industry Transformation Plans (ITPs), part of the Government's 100-Day Plan. This resulted in \$127m of funding from MBIE led ITPs, and \$24.2m, from MPI-led ITPs being returned to the Government. It is also expected that between \$5-10m of funding allocated to ITPs will be returned by MBIE at the end of the 2023/24 Financial Year.

## **Economic Development priorities**

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40. Notwithstanding the savings you have made to your Economic Development portfolio budget, streamlining programmes is an opportunity to advance the Government's economic objectives via the Economic Development portfolio's priorities. Your priorities include:

### *Increasing capital availability for business*

- increase growth in early-stage businesses and ease business' access to finance by supporting the continued development of early-stage capital markets and financial markets.
- improve perceptions of New Zealand as an investment destination and alleviating regulatory barriers across portfolios in collaboration with responsible Ministers.

### *Doubling New Zealand's exports*

- develop more effective and efficient provision of government support for innovation and international business development, such as scaling up of highly innovative and productive businesses.

### *International Screen Sector*

- capture the spill over benefits of international productions to the New Zealand screen sector and wider economy.

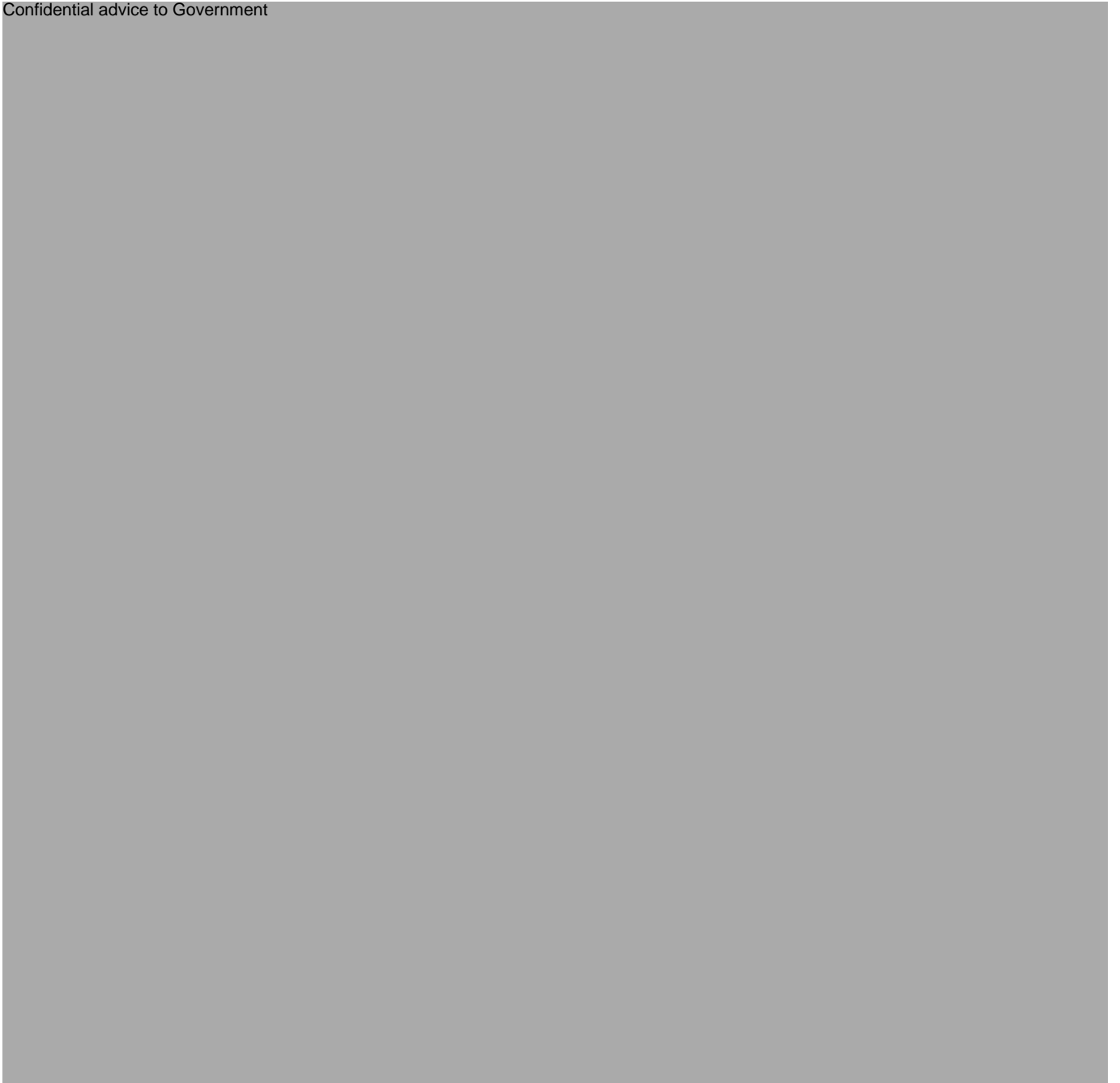
### *Major Events*

- build and manage a pipeline of sports, arts, and cultural events. The events will be prioritised to secure spill-over benefits that would be lost, or not maximised, without Government intervention.

### *Government procurement*

- focus on value for money through system improvement, supplier management, and raising buyer capability to optimise public sector spend.

41. We have summarised these points for you in **Annex A**



**Attachments**

**Annex A.** Talking Points Post Budget 24

### Talking Points Post Budget 24

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- The Government is committed to rebuilding the economy by lifting New Zealand's productivity and economic growth to increase opportunities and prosperity for all New Zealanders.
- The Economic Development portfolio is relevant to delivering on this commitment, particularly for key objectives like lifting productivity, economic and employment growth and strengthening international connections.
- To meet the savings target whilst maintaining the Government's economic objectives, Cabinet has had to make some difficult decisions about what to prioritise across the public sector.
- MBIE has been undertaking a number of change processes to find efficiencies in how we work, align ourselves with the Government's work programme and Ministerial priorities, and contribute to commitments made by Cabinet as part of Budget 2024 decisions.
- We have streamlined the programmes within the Economic Development portfolio and made savings of approximately \$79m over four years. This is on top of savings of \$155m from ending the Industry Transformation plans.
- By streamlining the programmes this has given me the opportunity to focus on my portfolio's priorities.
- My priorities for ED are:
  - Increasing the availability of capital for business
  - Doubling the value of exports in ten years
  - Diversifying and solidifying international screen connections
  - Using other parts of my portfolio, such as major events and government
  - procurement as leavers to meet the Governments economic growth agenda.

#### *Increasing capital availability for business*

- Access to private capital is critical if New Zealand business are to grow. I intend to increase growth in early-stage businesses and ease business' access to finance by supporting the continued development of early-stage capital markets and financial markets.
- I also intend to improve perceptions of New Zealand as an investment destination and alleviating regulatory barriers across portfolios in collaboration with responsible Ministers.

#### *Doubling New Zealand's exports*

- Doubling New Zealand's exports will take a Whole of Government approach. I will be working with my colleagues to bring develop more effective and efficient provision of government support for innovation and international business development, such as scaling up of highly innovative and productive businesses.

#### *International Screen Sector*

- New Zealand is a well-known international location for making movies. I am keen to capture the spill over benefits of international productions to the New Zealand screen sector and wider economy.
- But we need to ensure we are getting the best value for our investment. I have asked official to look at identifying the markets and types of production that would bring the greatest benefits to New Zealand.

#### *Major Events*

- The Economic Development portfolio also includes dedicate funding for major events. I intend to build and manage a pipeline of sports, arts, and cultural events. The events will be prioritised to secure spill-over benefits that would be lost, or not maximised, without Government intervention.

#### *Government procurement*

- I intend to focus on value for money through system improvement, supplier management, and raising buyer capability to optimise public sector spend.