

The Treasury

Budget 2024 Information Release

September 2024

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

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Budget 2024 Bilateral: Rt Hon Winston Peters (Minister of Foreign Affairs)

Proposed Agenda

1. General introduction–
 - a. Budget 2024 package context.
2. Discussion on baseline savings–
 - a. The status of Minister Peters' talks with the Prime Minister on Ministry of Foreign Affairs and Trade ('**MFAT**') savings for Budget 2024.
 - b. Potential savings options to enable MFAT to meet its savings target.
3. Pacific Property Strategy (Cost Pressure).
4. ^[33]
5. Discuss any next steps.

Budget 2024 Package – General information

- Following agency submissions for Budget 2024, both operating and capital demands are significantly higher than the funding available.
- This ambition for new spending will not be achievable from both a fiscal and delivery perspective.
- We therefore recommend you emphasise to Ministers that it will be necessary for them to consider what the Government does at this Budget versus future Budgets.
- We also recommend you continue to push Ministers on where further savings could be realised, particularly with regards to stopping funds and programmes not aligned with your priorities or addressing back office and contractor and consultant growth.
- Finally, we recommend that – where appropriate – you re-emphasise that you are taking a stricter approach to out-of-cycle requests for funding ahead of Budget 2024 to ensure that the Government can assess the relative benefits of proposals across the full Budget package.

Vote Foreign Affairs Budget 2024 savings

- The Minister of Foreign Affairs has not submitted savings options for Vote Foreign Affairs to reach the target of \$98.9 million.
- To achieve the Government's fiscal strategy and aim of reducing public expenditure by \$1.5 billion annually all Ministers and agencies need to look hard at their existing baselines and identify savings opportunities.
- The Vote Foreign Affairs baseline has increased markedly since 2018/19 from \$1.3 billion to \$2.2 billion in 2023/24. While much of this is increased aid expenditure (as a result of Budget 18, 19 and 20 decisions, and the 2022-25

international climate finance commitment) a significant proportion is departmental funding including for new FTEs.¹

- There is not a clear rationale for exempting MFAT from the savings process and treating it differently to other agencies, many of which have not seen comparable recent baseline increases but have a greater direct impact on living standards.
- We think that excepting MFAT from engaging in the baseline savings exercise would be a missed opportunity to identify low value programmes and reduce non-essential back-office spending.
- We understand that MFAT were considering two different approaches to achieving the savings target:
 - a. [33]

b.

- There are several measures we think MFAT can use to meet its savings target which are set out in the table **below**.

[33]

¹ Significant funding increases in the aid programme since Budget 2018 have seen the aid programme grow from \$1.7 billion over the 2015/16-2017/18 triennium to \$2.3 billion in 2018/19-2020/21 and \$3 billion in 2021/22-2023/24.

[33]

Budget 2024 – Votes Foreign Affairs and Defence

In recent Budgets we have made efforts to bring a sector-wide approach to decision making regarding the foreign policy and security sectors, reflecting that several agencies contribute to New Zealand’s security and foreign policy outcomes and there were benefits to looking across agencies at our collective capabilities to identify priorities for new funding.

Defence is a critical tool of foreign policy and contributes to key objectives such as ensuring regional security, supporting the international rules-based system, and contributing to collective security through a network of partners. ^[1]

The Ministry of Foreign Affairs and Trade (MFAT) is the Government’s lead adviser on foreign policy issues and seeks to achieve the same international security outcomes, amongst other objectives, through the use of diplomacy and aid programme expenditure. It also seeks to achieve development outcomes with that expenditure as well as improved economic and trade outcomes for New Zealand and supporting New Zealanders overseas through its consular function.

Therefore, we consider there is merit in taking a foreign policy and security sector approach to Budget 2024 and the savings exercise.

	Submitted (\$m over forecast period)		BM2 (\$m over forecast period)	
	Operating	Capital	Operating	Capital
Defence – net funding	1822.538	942.561	128.047	216.423
MoD savings	(8.000)	-	(8.000)	
NZDF savings	(353.828)	-	(89.650) ³	-
NZDF invited cost pressures	[33]		120.000	-
NZDF uninvited cost pressures			-	-
NZDF new spending			105.697	216.423
Foreign Affairs – net funding			(98.900)*	-
Savings			(98.000)*	-
Cost pressures			-	-
New spending			-	-

**NB: This is Vote Foreign Affairs team recommendation, not what is currently included in the package.*

The NZDF has significant demand for cost pressure funding and new investment; in comparison, MFAT has relatively small cost pressures ^[1]

If a sector view were to be taken at Budget 2024 we consider savings from Vote Foreign Affairs could (directly or indirectly) offset any net increase in Vote Defence Force spending included in the package. Savings from other security agencies particularly GCSB and NZSIS could also be used in the same way.

³ [33] of savings were included in the BM2 package, but we understand your initial view is to no longer progress with two of the savings options.

Cost pressure initiative

Title	Draft package		Treasury recommendation and Comment
	Total Operating (\$m)	Total Capital (\$m)	
[33]			

New spending initiative

Title	Draft package		Treasury recommendation and Comment
	Total Operating (\$m)	Total Capital (\$m)	
[33]			

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