MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Dr. Shane Reti	**Portfolio**	Science, Innovation and Technology
Title of Cabinet paper	Establishment of Invest New Zealand	**Date to be published**	1 July 2025

List of documents that have been proactively released		
Date	**Title**	**Author**
February 2025	Establishment of Invest New Zealand	Office of the Minister for Science, Innovation and Technology
5 March 2025	Establishment of Invest New Zealand ECO-25-MIN-0016 Minute	Cabinet Office
24 February 2025	Regulatory Impact Statement – Establishment of Invest New Zealand	MBIE

Information redacted **YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of Confidential advice to Government, free and frank opinions.

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
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Regulatory Impact Statement: Establishment of Invest New Zealand

Decision sought	Analysis produced for the purpose of informing: final Cabinet decisions and drafting instructions for establishment of Invest New Zealand
Agency responsible	Ministry of Business, Innovation and Employment
Proposing Ministers	Minister for Trade and Investment
Date finalised	*24/02/2025*

Briefly describe the Minister's regulatory proposal

To establish a new autonomous crown entity, Invest New Zealand, to serve as a one-stop-shop for attracting inward investment, including into critical sectors with the potential to raise productivity, expand research and development, and drive increased activity by multinational corporations in New Zealand.

Summary: Problem definition and options

What is the policy problem?

Foreign direct investment (FDI) can be a crucial enabler for New Zealand's economic growth. But attracting FDI, particularly investments that are high-quality and high-impact, is complex and contested. There are different types of investors, with various objectives and preferences, that require different engagement approaches from government.

All investors experience various barriers throughout their investment horizon. Foreign investors additionally face the Liability of Foreignness (LoF) – additional costs which arise relative to local investors because they are foreign.

The Government has diverse options to attract more foreign investment into New Zealand. Government policies can shape the business environment, in which these opportunities emerge. These are critical conditions, but not sufficient for a step change.

The government's greater focus and deliberate, targeted, and proactive promotional actions can help to overcome asymmetries of information and investment biases that might otherwise limit foreign interest in New Zealand opportunities. Sometimes, a government endorsement is important to secure investment.

Finally, specific opportunities, gaps, and foreign investors may be identified by various government agencies and the public. However, matching the right opportunity with the right investor is challenging. Matching is the active pursuit of a deal between opportunities and investors: finding the deal, preparing the deal, and connecting the deal between investors and investees.

What is the policy objective?

The policy objective is to lower foreign investors' LoF as much as possible.

This will be achieved by providing a one-stop shop service for foreign investors.

This approach is expected to sharpen the government's focus, improve cohesion and coordination with other government policies, and attract more investment supported with greater resources and scale. Lastly, this will improve the likelihood that government's resources are being used effectively.

What policy options have been considered, including any alternatives to regulation?

Option 1: Status quo. NZ Trade and Enterprise (NZTE) is currently the government's lead business development agency. NZTE a) helps NZ exporters, b) supports enterprise development, and c) promotes New Zealand as an investment destination to foreign investors. The opportunity exists to select and concentrate on one.

Option 2: Improvements to existing institutional arrangements

> Focus and prioritisation: many government priorities seek to leverage FDI as one potential solution, and seek NZTE's support without providing additional resource. Sometimes, there are too many priorities. This option would seek Cabinet's decision, regularly, to prioritise objectives and areas (such as by sector or transactions), based on agreed prioritisation principles. However, small resources allocated toward promotional activities mean that actions will be light touch.
>
> Focus on promotional activities: government agencies and the public may identify potential opportunities, gaps, or investors. However, this may occur passively, and these may not be successfully matched (between the investor and investee).

Option 3: Focus only on general business settings to improve attractiveness of New Zealand as an investment destination. Most FDI activity happens privately without direct government intervention. The government's actions to reform diverse regulatory barriers (such as the Overseas Investment Act, Resource Management Act, tax settings) will be beneficial, but not sufficient because information asymmetries and liability of foreignness will still exist.

Option 4: Establish a standalone FDI agency. This will lead to sharpened focus, greater mandate to prioritise and match, as well as be more proactive and benefit from greater resources. The agency would be focused on operational functions, whereas policy functions would remain the purview of MBIE.

What consultation has been undertaken?

Key agencies consulted and summary of their views:

Agency	Views
Trade and Enterprise (NZTE)	• Clarification on transitional arrangements for NZTE staff and entitlement to redundancy.
The Treasury	• Suggested clarification on funding being subject to Budget decisions. • Sought clarity on mechanism to determine investment priorities of Invest NZ • Invest NZ should not provide policy advice but could be a centre of expertise similar to the Natural Hazards Commission. • Sought clarity on how Invest NZ will fit within/ work with the wider set of agencies in New Zealand.
Ministry of Foreign Affairs and Trade	*Requested consultation, not yet provided.*

DPMC	• Request for Invest NZ to not work to attract investment from entities into sectors that could pose national security risks to NZ. • Suggestion to connect establishment to wider work on the Overseas Investment Act as part of a package of reforms.
Ministry for Regulation	• Process and timelines are fine, and no red flags raised for regulatory quality.

Full list of agencies consulted:
The Public Service Commission, the Parliamentary Counsel Office, the Ministry of Education, the Ministry of Health, the Ministry for Primary Industries, the Ministry for the Environment, the Department of Conservation, Housing and Urban Development, the National Emergency Management Agency, Te Arawhiti, Land Information New Zealand, the Ministry for Pacific Peoples, the Ministry of Defence, Te Puni Kokiri, the Ministry of Social Development, Police, the Ministry for Regulation, Ministry of Transport, the Internal Revenue Department, the Department of Internal Affairs, the New Zealand Security Intelligence Service, The National Cyber Security Centre, the New Zealand Intelligence Community, Stats NZ, the Ministry for Women, the Office of the Privacy Commissioner, the Ministry of Justice, Crown Law, and National Infrastructure Funding and Finance Limited.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?
Yes.

Summary: Minister's preferred option in the Cabinet paper

Costs (Core information)

Outline the key monetised and non-monetised costs, where those costs fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

Resource allocation will be increased by establishing an entity dedicated to deliberate and targeted FDI support.

The cost of establishment of Invest NZ is being sought through the Budget 2025 process. Costs are expected to be fiscally neutral as they are made up of reprioritisation from existing funding. This is expected to come from:

- Callaghan Innovation: Confidential advice to Government [redacted]
- NZTE's Investment function: $11.150 million per annum from 2025/26.
- Other reprioritisations from within the Science, Innovation & Technology portfolio.

Due to the dependency on reprioritisation from existing funding, it is expected that a potential transfer and establishment will take several months to work through. The exact nature of costs for the establishment of the new agency have not yet been determined and work is ongoing with NZTE to better understand this.

Benefits (Core information)

Outline the key monetised and non-monetised benefits, where those benefits fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The presented key benefits of this initiative are non-monetised, as while they will lead to direct economic growth, it is difficult to quantify exact figures as the resulting growth will be dependent on non-controlled factors such as the global investment environment.

The primary benefit of this initiative will be the resulting economic growth brought in as a result of increased FDI into targeted sectors. This increase in investment levels will bring in new capital, facilitate technology transfer, create jobs, enhance infrastructure development, and contribute to human capital development by training the local workforce.

Balance of benefits and costs (Core information)

Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

While it is difficult to anticipate quantitative benefits, the evidence relied upon and international comparators suggests high certainty of qualitative benefits.

Inward investment attraction is currently performed as a function of NZTE. This initiative seeks to scale-up and expand existing activity, as reflected in the implementation of this initiative being incubated within NZTE. An increase in funding as well as clear focus and strong mandate from the Government is estimated to bring in significantly higher levels of foreign direct investment that will benefit the entire economy.

Implementation

How will the proposal be implemented, who will implement it, and what are the risks?

At present, investment attraction functions within the government are hosted within NZTE. To ensure consistency and ongoing confidence, Invest NZ will be incubated within NZTE until it can be established as its own entity. MBIE are working with NZTE as part of a combined working group to understand and operationalise this change in the most effective way.

International evidence recommends that high-performing investment agencies have an autonomy from government, while being connected to both high-level government decision makers as well as private sector actors. We consider an Autonomous Crown Entity is a strong fit for Invest NZ's form as it provides the appropriate balance of entity independence and ministerial oversight.

Invest New Zealand will exist as its own entity from July 1st.

Limitations and Constraints on Analysis

Various factors limit our ability to quantify the exact net increase in foreign direct investment that will be attributable to this policy initiative. These include:

- unpredictable global economic conditions,
- difficulty in quantitatively and qualitatively attributing Invest NZ's contribution to increase in FDI, and
- difficulty in assessing direct and indirect impact of the relevant FDI transaction to the NZ economy.

Decisions have been made on this process prior to this regulatory analysis. The policy development cycle for this analysis has gone through many areas, including the Science System Advisory Group and wider Government decisions on the reform of the science system. This has necessitated decisions being made about Invest NZ at an earlier stage, before analysis could be completed.

The speed of implementation required for establishing Invest NZ presents risk of delivery, as inadequate time may compromise development of the entity's functions. Conversely, this speed is also an important part of successful implementation, as it is required to provide investors with confidence in the New Zealand market.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Signed by the responsible Manager(s) ---------------------------------- Date: --

Quality Assurance Statement *[Note this isn't included in the four-page limit]*	
Reviewing Agency:	**QA rating:** [Meets, partially meets, does not meet]
Panel Comment:	

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

1. The Prime Minister has highlighted economic growth as the core priority for the Government. Economic growth can lead to a country having increased job creation, improved living standards and quality of life, and better economic opportunities for the nation's populace.
2. The most important driver of economic growth is productivity. According to the Organisation for Economic Cooperation and Development (OECD), New Zealand's labour productivity now ranks in the lower third of OECD countries, with New Zealanders working 15% longer to produce 20% less output, compared to other OECD countries.[1]
3. In a recent analysis by the Treasury,[2] several possible causes for our low productivity were identified, including educations and skills, employment composition, capital, innovation and technology, business dynamism, globalisation and trade, sectoral composition, and measurement. While the report ultimately concluded that there is no singular cause for this issue, poor access to capital was identified as a major issue. The failure of capital to grow in line with labour has played a role in holding back our

[1] Productivity by the numbers 2013 to 2023 – Productivity Commission, July 2023

[2] The productivity slowdown: implications for the Treasury's forecasts and projects – New Zealand Treasury, May 2024

productivity. Furthermore, it has been highlighted by the Productivity Commission that the low investment in research and development in the economy is of particular concern.[3]

4. Investing in Science, Innovation and Technology (SI&T) is recognised internationally as the core element to enhancing productivity. Australia's Commonwealth Scientific and Industrial Research Organisation recently reported a New Zealand specific figure of $25.20 of economy-wide benefits for every dollar invested in research and development.[4] New Zealand ranks 26th out of 37 OECD countries in its per capita spending on research and development.[5]

5. The recent Science System Advisory Group (SSAG) report commissioned by the Government made clear that our underinvestment in research funding is a core reason that New Zealand has become an outlier in performance on productivity growth in relation to comparator economies. The SSAG went on to recommend:

   21. Establish a National Innovation Advisory Committee (NIAC) and two agencies: Innovation New Zealand (INZ) and Enterprise New Zealand (ENZ).

   a. NIAC would advise the minister on support of outward-facing and domestic-facing activities through INZ and ENZ, respectively, and be responsible for strategic oversight, evaluation and direction of the innovation pipeline.

   b. INZ would focus on outward- and global-facing innovation functions that are underserved at present and include attracting R&D activity of multinational corporations and foreign direct investment and creating a single point of entry for inward investment. It would address current gaps as well as incorporating those related and relevant outward activities currently overseen by New Zealand Trade and Enterprise (NZTE) and Callaghan Innovation.

   c. ENZ would focus on start-up and scale-up of New Zealand companies, integrating activities currently set in Callaghan Innovation, NZTE and MBIE, including incubators, mentorship services, pre-seed and seed funds, and industry grants, and create a needed single-entry point for New Zealand companies.

6. The Government has agreed at Cabinet to respond to this recommendation through the establishment of an investment attraction agency, Invest New Zealand, and to refocus New Zealand Trade and Enterprise to be a strong export-oriented agency.

7. Invest New Zealand has also been announced as a key initiative in the Government's economic strategy *Going for Growth*. In the Coalition Government's Q1 Action Plan for New Zealand (1 January – 32 March 2025), priority two is "Take Cabinet decisions on the policy design, core functions and implementation plan to establish Invest NZ".

8. The Treasury's view is that productivity growth is most likely to remain slow over the coming years. The potential challenges to productivity growth have intensified in the global economy. While there are productivity opportunities from new general-purpose technologies, such as Artificial Intelligence and 'green' technologies, it is the Treasury's view that New Zealand may not be well-placed to successfully absorb new productivity-enhancing innovations given, among other things, poor levels of research and development.

[3] New Zealand firms: Reaching for the frontier – Productivity Commission, April 2021
[4] Quantifying Australia's returns to innovation: working paper – Commonwealth Scientific and Industrial Research Organisation, November 2021
[5] OECD Data Explorer – Organisation for Economic Cooperation and Development, 2021

9. The longer-term outlook of the Treasury for productivity is more uncertain. They have continuously downgraded their productivity forecasts in published economic forecasts since the middle of 2023. The Reserve Bank has also forecasted lower potential output growth over the next three years than in recent years.

What is the policy problem or opportunity?

10. Foreign direct investment (FDI) can be a crucial enabler for New Zealand's economic growth. But attracting FDI, particularly investments that are high-quality and high-impact, is complex and contested. There are different types of investors, with various objectives and preferences, that require different engagement approaches from government.
11. All investors experience various barriers throughout their investment horizon. Foreign investors additionally face the Liability of Foreignness (LoF) – additional costs which arise relative to local investors because they are foreign.
12. The Government has diverse options to attract more foreign investment into New Zealand. Government policies can shape the business environment, in which these opportunities emerge. These are critical conditions, but not sufficient for a step change.
13. The government's greater focus and deliberate, targeted, and proactive promotional actions can help to overcome asymmetries of information and investment biases that might otherwise limit foreign interest in New Zealand opportunities. Sometimes, a government endorsement is important to secure investment.
14. Finally, specific opportunities, gaps, and foreign investors may be identified by various government agencies and the public. However, matching the right opportunity with the right investor is challenging. Matching is the active pursuit of a deal between opportunities and investors: finding the deal, preparing the deal, and connecting the deal between investors and investees.

What objectives are sought in relation to the policy problem?

15. The government aims to reduce foreign investors' LoF through targeted strategies. To achieve this, we will establish a one-stop shop service for foreign investors, streamlining their entry into the New Zealand market. While improving general business conditions is crucial, we recognize it's not enough on its own. Therefore, we will actively engage in promotional activities and facilitate business matching, tailoring these efforts to New Zealand's unique economic landscape and investment opportunities.
16. This approach is expected to sharpen the government's focus, improve cohesion and coordination with other government policies, and attract more investment supported with greater resources and scale. Lastly, this will improve the likelihood that government's resources are being used effectively.
17. Cabinet has agreed that Invest New Zealand's outcomes should be focussed on attracting:
    a. Greater investment into truly innovative activities in both "traditional" sectors as well as sectors with high potential to raise productivity and drive economic growth.
    b. Greater R&D investment and innovative activity in New Zealand by multi-national companies.
    c. More skilled professionals to New Zealand who will help foster innovation, raise domestic capabilities and improve international connections.

18. Officials consider that the primary objective sought in relation to these outcomes is an increase in the level of foreign direct investment in New Zealand.
19. As a secondary objective, Invest New Zealand will seek to increase levels of investment in sectors deemed as having high potential to raise productivity and drive economic growth.
    a. Note that the determination of these sectors will be at the discretion of Invest New Zealand, while having regard to the economic priorities of the Government (as at [37]).
20. The tertiary objective will be an increase in R&D investment levels.
21. Note that an increase in the level of foreign investment will not necessarily equate to an improvement in access to capital or productivity. This is because the impacts of increased FDI are dependent on the characteristics of the domestic firms. Investment in non-productive areas will not necessarily improve access to capital, particularly if a given domestic sector already has sufficient access to capital. FDI will only improve access to capital if it is directed to sectors and firms where access to capital is currently lacking.

What consultation has been undertaken?

22. Key agencies consulted and summary of their views:

Agency	Views
Trade and Enterprise (NZTE)	• Clarification on transitional arrangements for NZTE staff and entitlement to redundancy.
The Treasury	• Suggested clarification on funding being subject to Budget decisions. • Sought clarity on mechanism to determine investment priorities of Invest NZ • Invest NZ should not provide policy advice but could be a centre of expertise similar to the Natural Hazards Commission. • Sought clarity on how Invest NZ will fit within/ work with the wider set of agencies in New Zealand.
Ministry of Foreign Affairs and Trade	*Requested consultation, not yet provided.*
DPMC	• Request for Invest NZ to not work to attract investment from entities into sectors that could pose national security risks to NZ. • Suggestion to connect establishment to wider work on the Overseas Investment Act as part of a package of reforms.
Ministry for Regulation	• Process and timelines are fine, and no red flags raised for regulatory quality.

23. Agency consultation has also been undertaken with the Public Service Commission, the Parliamentary Counsel Office, the Ministry of Education, the Ministry of Health, the Ministry for Primary Industries, the Ministry for the Environment, the Department of Conservation, Housing and Urban Development, the National Emergency Management Agency, Te Arawhiti, Land Information New Zealand, the Ministry for Pacific Peoples, the Ministry of Defence, Te Puni Kokiri, the Ministry of Social Development, Police, Ministry of Transport, the Internal Revenue Department, the Department of Internal Affairs, the

New Zealand Security Intelligence Service, The National Cyber Security Centre, the New Zealand Intelligence Community, Stats NZ, the Ministry for Women, the Office of the Privacy Commissioner, the Ministry of Justice, Crown Law, and National Infrastructure Funding and Finance Limited.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

24. *Increase in FDI:* An increase in the level of FDI is the primary objective of the previously stated policy problem.
25. *Government mandate*: A Government mandate is necessary because it provide clarity, focus, and accountability in achieving policy objectives. Currently, our government arrangements for attracting FDI are fragmented and unfocused. This can be seen in NZTE's dual mandate – a focus on domestic growth and exports, as well as the attraction of FDI. In a heavily contested global market for FDI, a Government mandate provides a strong signal to attract additional investors and improve foreign investor confidence.
26. *Increased cost to Government:* It is best practice for introduced regulation to minimise cost to the Government. Furthermore, in the current fiscal environment, it is imperative that any changes in regulation are done in such a way as to minimise costs and increase efficiency.
27. *Comparator economies*: New Zealand can compare itself with the approaches taken by other small advanced economies (SAEs), such as the *IDA* in *Ireland*. This example offers a strong example of an effective investment promotion agency that has been able to attract major international technology companies to establish their European headquarters in Ireland. It utilises a strategic focus and concierge approach that develops investible propositions and helps customers navigate regulatory pathways, facilitates conversations about government policies, and attracts and builds talent.

What scope will options be considered within?

28. Officials have considered a broad scope of options to increase FDI levels. This includes the additional resourcing of current inward investment arrangements, the introduction of regulation to promote and/or facilitate FDI, and the removal of existing regulation to lower barriers faced by foreign investors.

What options are being considered?

Option One – Status Quo / Counterfactual

29. The status quo option here would be to not act and leave FDI attraction as is, fragmented across the Government. This would include the current investment attraction function of NZTE, as well as other more discrete functions such as the New Zealand Screen Production Rebate or the Active Investor Plus Visa.
30. The Treasury report referenced at the beginning of this analysis indicates that this status quo option would likely see other nations continue to outpace our own productivity and economic growth, with our FDI deficit continuing.

Option Two – Improvements to existing institutional arrangements

31. NZTE currently operate functions to attract inward investment under section 9(d)(i) of the New Zealand Trade and Enterprise Act 2003. A reprioritisation of resourcing could in theory lead to increased capability of NZTE to carry out their investment attraction functions at scale, leading to increased levels of FDI through investment promotion. This could be expanded through either:
    a. Focus and prioritisation: many government priorities seek to leverage FDI as one potential solution and seek NZTE's support without providing additional resource. This results in NZTE having a split focus, with too many priorities to reasonably focus on individual areas. This option would seek regular cabinet decisions to prioritise objectives and areas for investment, based on agreed prioritisation principles.
    b. Focus on promotional activities: government agencies and the public may identify potential opportunities, gaps, or investors. However, this may occur passively and these may not be successfully matched (between investor and investee).

Option Three – Focus only on general business settings to improve attractiveness of New Zealand as an investment destination

32. Most FDI activity happens within the economy privately, without direct government intervention. The government's actions to reform diverse regulatory barriers (such as the Overseas Investment Act, Resource Management Act, tax settings) will be beneficial, but not sufficient because information asymmetries and LoF will still exist.

Option Four – Establishment of a dedicated Foreign Direct Investment Agency

33. An agency with a dedicated focus on inward investment through FDI could be established, with the additional levels of focus required to ensure investment flows into high impact areas of the economy. This option would more closely align with OECD best practice[6] and models used by Ireland and Singapore, as detailed above. This option could also see a stronger impact on productivity and economic growth due to the opportunity to build-in this focus to the organisation's mandate.
34. The agency would be focused on operational functions, whereas relevant policy functions would remain the purview of MBIE.

[6] Mapping of Investment promotion agencies in OECD countries – Organisation for Economic Cooperation and Development, 2018

How do the options compare to the status quo/counterfactual?

	Option One – *Status Quo / Counterfactual*	Option Two – Improvements to existing institutional arrangements	Option Three – Focus only on general business settings to improve attractiveness of NZ as an investment destination	Option Four - Establishment of a dedicated Foreign Direct Investment Agency
Increase in FDI	0	+ Reprioritisation within NZTE would lead to increased FDI, at the cost of decreased domestic exporter support.	+ Removal of regulatory barriers will increase FDI levels.	+ A dedicated agency is better able to pursue and maintain targeted FDI increases.
Government mandate	0	+	0	++ The required resourcing and promotion of a new agency sends a strong positive signal to the international market
Increased cost to Government	0	0	+ There are costs involved in the passing of new legislation and modification of business settings.	+ The establishment of a new government agency can have significant costs.
Consistency with Comparator Economies	0	0	+ It is standard practice to review regulatory settings to improve investment attraction.	+ Other SAEs, such as Ireland and Singapore, have dedicated FDI agencies.
Overall assessment	0	+	+	++

Key for qualitative judgements:

++	much better than doing nothing/the status quo/counterfactual
+	better than doing nothing/the status quo/counterfactual
0	about the same as doing nothing/the status quo/counterfactual
-	worse than doing nothing/the status quo/counterfactual
- -	much worse than doing nothing/the status quo/counterfactual

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

35. The establishment of a dedicated FDI agency is the option that will best address the original policy problem of our low levels of FDI in New Zealand and productivity deficit. An increase in levels of FDI will not lead to significant increases in productivity, unless FDI is specifically directed towards firms and sectors that will have a high impact on productivity. This can be best delivered by a dedicated agency with a sole focus, able to make this determination in conjunction with Government policy.
36. The agency will be a one-stop-shop for attracting highly productive investment, creating a streamlined experience that makes investment easier for investors. It will focus on investments outside of public infrastructure, which is the remit of the National Infrastructure Agency. However, it will closely coordinate with other key agencies (including the Overseas Investment Agency) to ensure a comprehensive and aligned cross-government approach to attracting inward investment into New Zealand.
37. Officials recognise that investment promotional and matching activities will be insufficient without having adequate investable opportunities in New Zealand.
38. Drawing on, and learning from the Irish model, Invest NZ's functions could include a focus on priorities and strategic planning, maintaining a network of global investors (including via offshore teams), prospectus development, matchmaking for investors, feasibility analysis, and post investment support.
39. Establishing Invest NZ as an Autonomous Crown Entity (ACE) is in line with international best practice to provide autonomy to investment promotion agencies and will provide long-term stability to support investor confidence.
40. Consistent with this, Invest NZ will need a mechanism to determine the areas of investment attraction – the aforementioned "high impact" investments and sectors. Invest NZ being established as an ACE will allow it to be independent in its selection of priorities, however, section 104 of the Crown Entities Act 2004 gives the responsible Minister of an ACE the ability to direct the entity to have regard to a government policy that relates to the entity's functions and objectives. In this way, Invest NZ will be able to determine its own investment prioritisation while having regard to government policy.
41. Invest NZ will need to function differently to other Government entities. In order to attract high levels of investment, it will need experience from the private sector, specifically from those with experience in investment banking, private equity and venture capital. This will require both a change in expected remuneration and culture.
42. Invest NZ will need clear incentives for employees to ensure that the Government is paying for performance. This will likely include higher renumeration for employees and/or paid incentives for individual performance based on how much capital they have attracted into New Zealand.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

43. Yes.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups *(identify)*	**Comment** *nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.*	**Impact** *$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.*	**Evidence Certainty** *High, medium, or low, and explain reasoning in comment column.*
Additional costs of the preferred option compared to taking no action			
Regulated groups	There will be no additional costs imposed on overseas investors at this time.	n/a	High
Regulators	Resource allocation will be increased by establishing an entity dedicated to deliberate and targeted FDI support. Funding for this agency will be drawn from reallocation of existing appropriations. This includes reappropriation of NZTE's current investment attraction funding, as well as the additional funding reappropriated from other areas of the science system. There may be additional costs involved regarding the additional collaboration required for existing agencies to work with a new agency.	Medium (see below table)	High
Others (eg, wider govt, consumers, etc.) *For fiscal costs, both increased costs and loss of revenue could be relevant*			
Total monetised costs		(see below table)	Subject to Budget 2025 decisions
Non-monetised costs		*n/a*	*High*
Additional benefits of the preferred option compared to taking no action			

Regulated groups	The amalgamation of previously existing investment pathways into one agency will present a lower cost to overseas investors. This is due to the ease of access in investing within New Zealand with dedicated government support and less time required to navigate pathways.	Medium	Medium
Regulators	A lack of competing priorities for those involved in the investment attraction space will lead to increased efficiency. This clear mandate and focus will also lead to positive organisational growth of the new entity.	Medium	High
Others (eg, wider govt, consumers, etc.)	The impact of this initiative on productivity will have significant flow-on effects throughout the entire economy, particularly in sectors that are investment priorities.	High	Medium
Total monetised benefits		n/a	Low
Non-monetised benefits		*High*	*Medium*

Funding sought through Budget 2025

	2025/26	2026/27	2027/28	2028/29 and outyears
Reappropriation of NZTE investment related activities	$11.15m	$11.15m	$11.15m	$11.15m
Additional funding sought from reprioritisation through Budget 2025	$9.85m	Confidential advice to Government [redacted]	[redacted]	[redacted]
Total	**$21m**	[redacted]	[redacted]	[redacted]

44. It is difficult to quantify the benefits of this initiative, as levels of FDI are significantly impacted by the global financial environment.

45. The establishment of Invest NZ is being undertaken through the Budget 2025 process. Costs are to be fiscally neutral due to reprioritisation from existing funding. This is expected to come from:

    a. Callaghan Innovation: Confidential advice to Government [redacted]

    b. NZTE's Investment function: $11.150 million per annum from 2025/26.

    c. Other reprioritisations from within the SI&T portfolio.

46. Due to the dependency on reprioritisation from existing funding, it is expected that a potential transfer and establishment will take several months to work through.

Section 3: Delivering an option

How will the proposal be implemented?

47. It is important that any move towards establishing Invest NZ is managed in an orderly way to give ongoing confidence to overseas investors so that they may continue to make investments into the country. There is a high-risk that a poorly designed or executed transition could have long-term detrimental impacts on perceptions of New Zealand as an investment destination.

48. International evidence recommends that high-performing investment agencies have an autonomy from government, while being connected to both high-level government decision makers as well as private sector actors. This gives long-term stability as well as the right connections for influence to provide investor confidence. IDA Ireland is mostly autonomous from the Irish government and its model matches most closely to that of an Autonomous Crown Entity (ACE).

49. We consider an ACE is a strong fit for Invest NZ's form. An ACE gives Ministers good oversight with an arms-length relationship. It can remain well-connected to key parts of government, which means it can act as both a good representative of the government while also working with investors to understand their needs and desires and taking these to other parts of government to constructively work alongside them. Overall, we consider entity form provides a strong foundation, but equally important to success will be leadership, staff, culture, and continuous performance management and improvement.

50. At present, investment attraction functions within the government are hosted within NZTE. To ensure consistency and ongoing confidence, Invest NZ will be incubated within NZTE until it can be established as its own entity.

51. To incubate Invest NZ, NZTE's Board will be responsible for approving key aspects of Invest NZ's transition and early delivery, such as developing its business model, strategy, organisational needs (e.g. back-office support), and transitional arrangements. In doing so, NZTE will seek Ministerial approval of key aspects. MBIE and MFAT (as NZTE's monitoring departments) will work closely with NZTE in developing these proposals to ensure they align with desired policy intent.

52. Implementation timeline:

February	Programme Lead assigned at NZTE to set-up back-office functions for Invest NZ

February/March	Minister sets expectations to NZTE on role in establishment of Invest NZ
February/March	Programme and Governance groups set up to support establishment of Invest NZ
February/March	Recruitment process begins for Invest NZ CE
March	Appointment of Advisory Group to Minister on strategic direction for Invest NZ
May	Funding confirmed through Budget
May	Invest NZ Bill passes
Prior to July	Appointment process for Invest NZ Chair and Board
July	Appointment of Invest NZ CE
July	Invest NZ operational

How will the proposal be monitored, evaluated, and reviewed?

53. Invest NZ will be monitored in accordance with sections 27, 27A, and 37 of the Crown Entities Act 2004. Monitoring is also in accordance with the guidance of Te Kawa Mataaho Public Service Commission's 'Statutory Crown Entities – It Takes Three: Operating Expectations Framework'.

54. Full monitoring, evaluation, and governance arrangements are yet to be finalised. MBIE's Investment Policy team are proactively working to develop these arrangements with the Economic and Regulatory Performance and Investment team, the Board Appointments and Governance team, legal, New Zealand Trade and Enterprise, the Parliamentary Counsel Office, and the Legislative Design and Advisory Committee.

55. Officials will continue to revise the monitoring framework throughout the operation of Invest New Zealand.