



Hon Melissa Lee
Minister for Economic Development

Hon Todd McClay
Minister for Trade

Hon Nicola Willis
Minister of Finance
Parliament Buildings
Wellington

Dear Nicola

We are writing to confirm that the Minister for Economic Development will submit targeted policy savings and grants and funds savings initiatives for Budget 2025 for the Economic Development portfolio that relate to options for New Zealand Trade and Enterprise, as requested in your letter to Hon Melissa Lee on 15 November 2024:

Savings and Revenue	Targeted Policy Savings	New Zealand Trade and Enterprise funding: options to further reduce.
Savings and Revenue	Grants and Funds	Reallocating the Strategic Investment Fund.
Savings and Revenue	Grants and Funds	Scaling the International Growth Fund.

We have also worked with the Minister of Science, Innovation and Technology on the options in this letter.

The Minister for Economic Development has written to you separately on other initiatives within the Economic Development portfolio.

Refocusing New Zealand Trade and Enterprise and establishing an investment attraction agency

On 18 November 2024, Cabinet agreed to progress work to establish an investment attraction agency, Invest New Zealand, as well as to progress work to refocus New

Zealand Trade and Enterprise to prioritise strong export outcomes [CAB-24-MIN-0445 refers]. This work is currently underway and will reallocate New Zealand Trade and Enterprise's investment attraction functions, as well as the Strategic Investment Fund, to the new Invest NZ entity. We propose achieving this through Budget 2025, which makes savings in the Economic Development portfolio.

The reallocation of funding toward the Invest NZ appropriation will amount to a \$11.15 million per annum reduction in New Zealand Trade and Enterprise's baseline and the Economic Development portfolio. This includes savings of:

- \$1.204 million per annum, through reallocating the Strategic Investment Fund to the new Invest NZ entity.
- \$9.946 million per annum, through relocating investment functions to the new Invest NZ entity.

We have asked New Zealand Trade and Enterprise to consider options for further savings, but New Zealand Trade and Enterprise has already made reductions in recent years: its baseline will be two per cent below its 2016/17 baseline by 2025/26. We consider that further savings would mean cuts to service delivery. This would significantly undermine the Government's goal to double the value of exports over the next 10 years. We therefore consider that no further savings to New Zealand Trade and Enterprise should be progressed as part of Budget 2025.

Scaling the International Growth Fund

The International Growth Fund is designed to enable and incentivise international growth projects that provide value to the New Zealand economy. It co-funds projects that substantially increase the chance of a successful and long-lasting market entry for a business' project. Under the International Growth Fund, funded projects need to be designed to achieve an economic return to New Zealand of \$4 for each dollar invested. The International Growth Fund is an important tool in the ambition to double the value of exports over the next ten years.

We have given serious consideration to the priorities for Budget 2025. However, we have identified that the impacts of significant reductions to the International Growth Fund are not aligned with Cabinet's agreement to refocus New Zealand Trade and Enterprise's work to prioritise strong export outcomes and are inconsistent with our objectives to grow the economy and double exports in the next ten years. The Minister for Economic Development will therefore submit more modest savings of \$6 million across 2024/25 and 2025/26 only to the International Growth Fund for Budget 2025.

We look forward discussing these initiatives further through the Budget 2025 process.

Yours sincerely

Hon Melissa Lee
Minister for Economic Development

Hon Todd McClay
Minister for Trade