



Cabinet

CAB Min (08) 14/1(24)

Minute of Decision

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2008 Budget Package: Vote Foreign Affairs and Trade

On 14 April 2008, Cabinet:

1. **approved** the Budget initiatives for the above Vote for inclusion in the 2008 Budget package, as listed in the summary below and detailed in the attached initiative documents;

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13& Outyears
4904	Pacific Cooperation Foundation - Increase in Baseline Funding	-	1.347	1.400	1.400	1.400	1.400
4915	Increased Funding for Asia New Zealand Foundation for Strategy Implementation	-	2.453	-	-	-	-
5212	Safeguarding New Zealand's Security Interests	-	4.961	11.577	15.596	18.494	20.834
5213	Advancing Economic Transformation and Sustainable Economic Growth	-	3.971	18.806	25.009	28.942	35.720
5214	Promoting Trans-boundary Rules and Effective International Rules	-	0.883	1.205	2.175	2.740	3.755
5215	Protecting the Rights of New Zealanders Abroad	-	0.567	1.245	1.364	1.209	1.160
5216	Response to Foreign and Trade Policy Challenges: Capability	-	7.712	20.040	29.477	37.923	47.574
Total Operating		-	21.894	54.273	75.021	90.708	110.443

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)					
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 & Outyear
5212	Safeguarding New Zealand's Security Interests	-	-	11.237	7.058	-	-
5213	Advancing Economic Transformation and Sustainable Economic Growth	-	9.000	9.722	7.336	-	-
5214	Promoting Trans-boundary Rules and Effective International Rules	-	-	1.633	1.202	-	-
5215	Protecting the Rights of New Zealanders Abroad	-	-	1.437	0.798	-	-
5216	Response to Foreign and Trade Policy Challenges: Capability	-	-	5.971	3.606	-	-
Total Capital		-	9.000	30.000	20.000	-	-

2. **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
3. **noted** that in March 2008, Cabinet appropriated \$0.320 million in 2009/10 and outyears to Antarctica New Zealand as part of the Vote Foreign Affairs and Trade budget package [CBC Min (08) 8/11];
4. **approved** the changes to appropriations and/or projected balances of net assets of the administering department (where applicable) to implement the initiatives, as set out in the attached initiative documents;
5. **agreed** that the proposed changes to appropriations and/or projected balances of net assets for 2007/08 above be included in the 2007/08 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
6. **authorised** the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2007/08 Supplementary Estimates, the 2008/09 Estimates and the fiscal forecasts;
7. **noted** that all communications relating to the 2008 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office;
8. **agreed** to provide a funding package to Vote Foreign Affairs valued at \$523 million in operating funding and \$98 million in capital funding over a five year period from 2008-2012 that includes pre-committed funding;
9. **agreed** that \$133.138 million in operating and \$39 million in capital funding be allocated as a pre-commitment against subsequent budgets;
10. **agreed** that pre-committed funding that is not utilised in the year to which it is allocated be rolled over as a pre-commitment against the following year;

11. **noted** that pre-committed funds will be allocated through the annual budget process;
12. **agreed** that the initiatives in the following table be set aside as contingency items, that corresponding funding for them be set aside in the between-Budget spending contingency, and that they be submitted to the appropriate Cabinet committee for consideration at a later stage;

Operating Contingency

Initiative Name	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
MFAT Funding Package - Tagged Contingency 2008	-	3.322	3.322	3.322	3.322
Total Operating	-	3.322	3.322	3.322	3.322

13. **agreed** that \$3.322 million of pre-committed operating funding in budgets 2009-2012 be allocated as a tagged contingency for between budget spending;
14. **agreed** that unused tagged contingency be rolled over into pre-commitment at the end of the year;
15. **agreed** that the funding profile for the operating package (including capital charge) should be;

MFAT Funding Package Profile-Operating for initiatives above

	\$m - increase/(decrease)					
	2008/09	2009/10	2010/11	2011/12	2012/13	Total
Baselined budget 2008	21.894	54.593	75.341	91.028	110.763	353.620
Tagged contingency 2008	3.322	3.322	3.322	3.322	3.322	16.610
Pre-commitment budget 2009	-	8.298	8.035	8.035	8.035	32.402
Pre-commitment budget 2010	-	-	13.557	13.369	13.369	40.296
Pre-commitment budget 2011	-	-	-	18.267	17.680	35.947
Pre-commitment budget 2012	-	-	-	-	24.493	24.493
Capital charge (2008)	0.338	1.800	3.675	4.425	4.425	14.663
Capital charge (Pre-commitment)	-	0.265	0.714	1.490	2.501	4.970
Total	25.554	68.278	104.644	139.936	184.588	523.000

16. **noted** that the final amount of pre-committed operating funding allocated to capital charge will depend on the size and timing of pre-committed capital that is allocated in future budgets;
17. **agreed** that the funding profile for the capital package should be:

MFAT Funding Package Profile-Capital for initiatives above

	\$m - increase/(decrease)					
	2008/09	2009/10	2010/11	2011/12	2012/13	Total
Annual appropriation (capital)	9.000	30.000	20.000	-	-	59.000
Pre-commitment budget 2009	-	7.031	-	-	-	7.031
Pre-commitment budget 2010	-	-	5.007	-	-	5.007
Pre-commitment budget 2011	-	-	-	15.655	-	15.655
Pre-commitment budget 2012	-	-	-	-	11.307	11.307
Total	9.000	37.031	25.007	15.655	11.307	98.000

18. **noted** that the Ministry of Foreign Affairs and Trade, the Treasury, and other relevant agencies will report to the Minister of Finance and Minister of Foreign Affairs before the next Budget on potential opportunities to further leverage New Zealand’s international connections in order to support ongoing economic growth and facilitate economic transformation;
19. **noted** this report will draw on and support ongoing work by considering how New Zealand could optimise its “whole-of-government” response to current and emerging economic risks and opportunities.

Secretary of the Cabinet

Reference: 2008 Budget package tabled
by the Minister of Finance

Distribution:

Prime Minister

Chief Executive, DPMC

Director PAG, DPMC

Minister of Finance

Secretary to the Treasury

Hon Jim Anderton

Minister of Trade

Secretary of Foreign Affairs and Trade

Associate Minister of Finance (Hon Trevor Mallard)

Minister of Foreign Affairs

Controller and Auditor-General

Initiative No: 4904

Vote: Foreign Affairs and Trade**Title:** Pacific Cooperation Foundation - Increase in Baseline Funding**Description:** An increase in baseline funding will enable Pacific Cooperation Foundation (PCF) to deliver more cost-effective outcomes in support of New Zealand's role in the Pacific. Soundly based after four years, PCF is poised to make a more substantial contribution to New Zealand/Pacific relations.**Theme:** Other**Theme Objective:** Other**Performance Information****Performance Text**

Increased funding would enable PCF to leverage greater impact in its core business of strengthening New Zealand/Pacific relations and affirming New Zealand's Pacific identity. The extra resources would result in a better informed New Zealand public, promotion of stability and economic sustainability in the region, promotion of New Zealand and Pacific business development, support capability building for civil society institutions and greater engagement on Pacific issues in New Zealand schools and universities.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	1.347	1.400	1.400	1.400
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	1.347	1.400	1.400	1.400

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-Departmental Output Expenses: Pacific Cooperation Foundation	-	1.347	1.400	1.400	1.400
Total Operating	-	1.347	1.400	1.400	1.400
Total Capital	-	-	-	-	-

Initiative No: 4915

Vote: Foreign Affairs and Trade**Title:** Increased Funding for Asia New Zealand Foundation for Strategy Implementation**Description:** A new strategic direction for Asia:New Zealand that is more ambitious and effective in stimulating widespread, urgent change to meet the challenges which Asia's increasing economic influence presents to New Zealand's national well-being and to respond to recommendations of the review of the organisation.**Theme:** Other**Theme Objective:** Other**Performance Information****Performance Text**

Following an external review of Asia:New Zealand, Cabinet considered funding support from the government during the 2008 Budget round to enable the organisation to continue operations while implementing recommendations of the review [ERD Min (07) 3/3]. This initiative is to respond to the recommendations of the review and allow time for a newly defined strategic purpose to be developed with an increased focus on building networks in Asia and participating in non-governmental (Track II) dialogues.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	2.453		-	-
Debt Impact	-		-	-	-
No Impact	-		-	-	-
Total	-	2.453		-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-Departmental Output Expenses: Promotion of Asian Skills and Relationships	-	2.453	-	-	-
Total Operating	-	2.453	-	-	-
Total Capital	-		-	-	-

Initiative No: 5212

Vote: Foreign Affairs and Trade

Title: Safeguarding New Zealand's Security Interests

Description: This initiative seeks to address ongoing vulnerabilities and instabilities in the Pacific through diplomatic interventions and leadership of New Zealand's wider offshore presence. This work will further anchor New Zealand into the evolving Asia Pacific regional security and political arrangements, and contribute to improved economic welfare through improvements in global security.

Theme: Other **Theme Objective:** Other

Performance Information

Performance Text

The Ministry will: strengthen New Zealand's influence in the Pacific; position New Zealand in the evolving regional political, security and trade structures in Asia; support New Zealand's security engagements; respond to global security issues; increase initiatives to extend beyond-the-border security; and be a credible contributor to security exercises and efforts through pro-active monitoring, strategic policy development and analysis, engagement, initiatives, and coordination of NZ Inc interests.

Appropriation Changes

	\$m - increase/(decrease)					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13& Outyears
Operating Balance Impact	-	4.961	11.577	15.596	18.494	20.834
Debt Impact	-	-	11.237	7.058	-	-
No Impact	-	-	0.448	1.090	1.265	1.265
Total	-	4.961	23.262	23.744	19.759	22.099

	\$m - increase/(decrease)					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13& Outyears
Departmental Output Expenses (General):						
Consular Services (funded by Revenue Crown)	-	0.112	0.352	0.516	0.648	0.758
Pacific Security Fund (funded by Revenue Crown)		0.278	0.285	0.620	0.566	0.698
Policy Advice and Representation - International Institutions (funded by Revenue Crown)	-	0.261	1.233	1.464	1.369	1.483
Policy Advice and Representation - Other Countries (funded by Revenue Crown)	-	4.310	10.155	14.086	17.176	19.160.
Net Asset Schedule:						
Capital Investment	-	-	11.237	7.058	-	-
Total Operating	-	4.961	12.025	16.686	19.759	22.099
Total Capital	-	-	11.237	7.058	-	-

Initiative No: 5213

Vote: Foreign Affairs and Trade

Title: Advancing Economic Transformation and Sustainable Economic Growth

Description: To secure increased market access for New Zealand, and to contribute to transformation of the economy through expansion of Economic Transformation linkages, prospecting for opportunities to increase flows of goods, services, technology, investment, and skills and through support for internationalisation of business.

Theme: Other **Theme Objective:** Other

Performance Information

Performance Text

The Ministry will support the government's economic transformation and business internationalisation agenda by: securing high value free trade agreement partners and managing implementation of agreements; protecting and expanding access to existing markets by identifying opportunities in emerging markets and by working with or supporting New Zealand Trade and Enterprise to support New Zealand business offshore as required; and expanding economic transformation agenda linkages especially in science, education and technology in key offshore markets.

Appropriation Changes

	\$m - increase/(decrease)					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13& Outyears
Operating Balance Impact	-	3.971	18.806	25.009	28.942	35.720
Debt Impact	-	9.000	9.722	7.336	-	-
No Impact	-	0.338	0.993	1.720	2.055	2.055
Total	-	13.309	29.521	34.065	30.997	37.775

	\$m - increase/(decrease)					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13& Outyears
Departmental Output Expenses (General):						
Administration of Diplomatic Privileges and Immunities (funded by Revenue Crown)	-	0.003	0.003	0.015	0.016	0.015
Consular Services (funded by Revenue Crown)	-	0.233	0.929	1.280	1.443	1.828
Policy Advice and Representation - International Institutions (funded by Revenue Crown)	-	0.419	0.570	0.659	0.818	0.957
Policy Advice and Representation - Other Countries (funded by Revenue Crown)	-	3.657	18.300	24.778	28.723	34.978
Promotional Activities - Other Countries (funded by Revenue Crown)	-	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Net Asset Schedule:						
Capital Investment	-	9.000	9.722	7.336	-	-
Total Operating	-	4.309	19.799	26.729	30.997	37.775
Total Capital	-	9.000	9.722	7.336	-	-

Vote: Foreign Affairs and Trade

Title: Promoting Trans-boundary Rules and Effective International Rules

Description: To manage risks, secure opportunities and contribute to international rules around climate change and sustainability-based regimes for resource management. Strengthen New Zealand contributions to peace and security, non-proliferation and counter-terrorism, conflict resolution and peace support initiatives.

Theme: Other

Theme Objective: Other

Performance Information

Performance Text

The Ministry will promote effective international arrangements on climate change; protect New Zealand interests in sustainability, resource and other environmental issues; and respond to global security issues as part of the counter-terrorism, counter-proliferation, conflict resolution and international peace support agendas. Funding will also support New Zealand's active role in conflict resolution and peacekeeping, and to secure New Zealand's candidature and membership of the United Nations's Human Rights Council.

Appropriation Changes

	\$m - increase/(decrease)					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13& Outyears
Operating Balance Impact	-	0.883	1.205	2.175	2.740	3.755
Debt Impact	-	-	1.633	1.202	-	-
No Impact	-	-	0.065	0.185	0.265	0.265
Total	-	0.883	2.903	3.562	3.005	4.020

	\$m - increase/(decrease)					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13& Outyears
Departmental Output Expenses (General):						
Administration of Diplomatic Privileges and Immunities (funded by Revenue Crown)	-	-	0.001	0.001	0.001	0.001
Consular Services (funded by Revenue Crown)	-	0.002	0.005	0.009	0.018	0.030
Policy Advice and Representation - International Institutions (funded by Revenue Crown)	-	0.881	1.165	2.260	2.575	3.231
Policy Advice and Representation - Other Countries (funded by Revenue Crown)	-	-	0.099	0.090	0.411	0.758
Net Asset Schedule:						
Capital Investment	-	-	1.633	1.202	-	-
Total Operating	-	0.883	1.270	2.360	3.005	4.020
Total Capital	-	-	1.633	1.202	-	-

Vote: Foreign Affairs and Trade

Title: Protecting the Rights of New Zealanders Abroad

Description: An upgrade in capability for dealing with consular crises through: the placement of extra staff in select high risk posts; the establishment of a consular response and large event funds; development of rapid response capability; and the establishment of a centralised call centre.

Theme: Other

Theme Objective: Other

Performance Information

Performance Text

This Ministry will provide a more efficient and effective consular response to New Zealanders affected by international crises and consular emergencies; reinforced support for key "at risk" posts under pressure; establish Major Events and Emergency Response Fund; improved preparedness of New Zealanders for safe travel overseas, and more effective after-hours consular coverage systems.

Appropriation Changes

	\$m - increase/(decrease)					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13& Outyears
Operating Balance Impact	-	0.567	1.245	1.364	1.209	1.160
Debt Impact	-	-	1.437	0.798	-	-
No Impact	-	-	0.057	0.123	0.113	0.113
Total	-	0.567	2.739	2.285	1.322	1.273

	\$m - increase/(decrease)					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13& Outyears
Departmental Output Expenses (General):						
Consular Services (funded by Revenue Crown)	-	0.198	0.924	1.153	1.022	0.986
Policy Advice and Representation - International Institutions (funded by Revenue Crown)	-	0.010	0.010	0.009	0.008	0.008
Policy Advice and Representation - Other Countries (funded by Revenue Crown)	-	0.359	0.368	0.325	0.292	0.279
Net Asset Schedule:						
Capital Investment	-	-	1.437	0.798	-	-
Total Operating	-	0.567	1.302	1.487	1.322	1.273
Total Capital	-	-	1.437	0.798	-	-

Initiative No: 5216

Vote: Foreign Affairs and Trade

Title: Response to Foreign and Trade Policy Challenges: Capability

Description: To maintain the Ministry of Foreign Affairs and Trade's capability to deliver results in areas pivotal to the Government's security and prosperity priorities over the next five years.

Theme: Other

Theme Objective: Other

Performance Information

Performance Text

Maintain the Ministry of Foreign Affairs and Trade capability to deliver results in areas pivotal to the Government's security and prosperity priorities by attracting and retaining high-quality staff, and maintaining the quality of the branch network despite strong offshore inflation.

Appropriation Changes

	\$m - increase/(decrease)					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13& Outyears
Operating Balance Impact	-	7.712	20.040	29.477	37.923	47.574
Debt Impact	-	-	5.971	3.606	-	-
No Impact	-	-	0.238	0.556	0.727	0.727
Total	-	7.712	26.249	33.639	38.650	48.301

	\$m - increase/(decrease)					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13& Outyears
Departmental Output Expenses (General):						
Administration of Diplomatic Privileges and Immunities (funded by Revenue Crown)	-	0.006	0.016	0.022	0.029	0.036
Consular Services (funded by Revenue Crown)	-	0.336	0.882	1.307	1.682	2.102
Pacific Security Fund (funded by Revenue Crown)	-	0.036	0.095	0.141	0.181	0.227
Policy Advice and Representation - International Institutions (funded by Revenue Crown)	-	1.746	4.592	6.801	8.752	10.937
Policy Advice and Representation - Other Countries (funded by Revenue Crown)	-	5.572	14.652	21.701	27.927	34.901
Promotional Activities - Other Countries (funded by Revenue Crown)	-	0.016	0.041	0.061	0.079	0.098
Net Asset Schedule:						
Capital Investment	-	-	5.971	3.606	-	-
Total Operating	-	7.712	20.278	30.033	38.650	48.301
Total Capital	-	-	5.971	3.606	-	-