

Aide Memoire: MFAT Budget Bilateral

The Budget Economic and Fiscal Update 2007 includes a specific fiscal risk for additional baseline funding for the Ministry of Foreign Affairs and Trade (MFAT).

The risk reads:

“The Government is considering funding an additional \$440 million of operating funding and associated capital funding related to the “Response to Foreign and Trade Policy Changes” bid, including the opening of new posts.”

The Bilateral minute indicates that:

“The Minister of Finance and the Minister of Foreign Affairs will hold discussions on this initiative prior to Budget 2008.”

The Treasury understands that Ministers have now agreed to have this discussion before Christmas. We would recommend that:

- i) the discussion be held as close as possible to the final stages of the budget strategy phase so you can factor in information on the macroeconomic and fiscal position and bottom-up pressures; and
- ii) the discussion also consider all other bids associated with MFAT/ODA to enable informed discussion about trade-offs in the sector.

As this will not be aligned with the standard budget timeline we suggest the following timeline:

- MFAT and Treasury work together to finalise budget bids for formal submission to Ministers by mid October; and
- the budget bilateral to be held for MFAT, ODA, and associated Crown Agencies in Mid-December.

Recommendations

- a **agree** to hold the discussion on MFAT’s step change initiative in December when budget strategy is finalised.

Agree/disagree

- b **agree** to consider the step change initiative with other MFAT and ODA-associated bids to enable informed discussion about trade-offs in the sector

Agree/disagree