

2. Our Requirements

The Ministry of Foreign Affairs and Trade (MFAT), along with its partner agency New Zealand Trade and Enterprise (NZTE), is seeking a Lead Provider to develop an agribusiness hub around a demonstration sheep breeding farm and operation in Saudi Arabia.

The Government will provide up to six million dollars (plus GST) for a Lead Provider and consortium partners to develop a demonstration breeding farm and operation in such a way that will showcase New Zealand agribusiness expertise and technologies to Saudi Arabia, and the wider Gulf Co-operation Council (GCC) region².

Potential Lead Providers will include in their Responses details of indicative consortium partners that they may work with to provide the services and deliverables that will be agreed during the Competitive Dialogue process.

We will only accept/consider Responses from Lead Providers. The names of any consortium partners noted in the EOI Responses that are not shortlisted to progress to the Competitive Dialogue stage may be provided to organisations that have been shortlisted to ensure that the Lead Provider eventually selected is aware of potential consortium partners.

MFAT is facilitating the tender process. It is anticipated that the successful Supplier will contract with and work with NZTE to complete the agreed programme of work.

Background

In recent years, the New Zealand Government has been working with its counterparts in Saudi Arabia, and the wider GCC to better understand the food security needs of that region. The recent launch of the NZ Inc GCC strategy by the Minister of Foreign Affairs outlines food security as a key area of focus. This document is available at [NZ Inc Strategy - Opening Doors to the Gulf Region](#).

Exports from New Zealand to the GCC already exceed NZ\$1.5B and have been growing steadily by 10% a year. Being acutely aware that there is a finite aspect to petroleum based wealth, GCC countries have been seeking to invest to secure their post-petroleum futures. Future food security is therefore high on the list of priorities, and New Zealand, as one of the world's leading agricultural nations is a partner of choice.

That means more than just being a long term exporter of primary product to GCC markets, although food and beverage exports continue to grow at a great pace. It brings the potential for partnerships between GCC capital and New Zealand agricultural expertise to contribute to long term food security in the Gulf.

One of the food security initiatives in Saudi Arabia is to increase the number of sheep, after seeing sheep numbers in the Kingdom drop from 12 million in 2008 to 8.7 million in 2012. The Saudis also want to make the industry sustainable. This will entail developing or importing technology, techniques, tools and expertise in diverse specialities including environmental protection, herd management, breeding improvement programmes and feed improvement.

² The Gulf Cooperation Council (GCC) was established in 1981 between Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The six countries are the economic powerhouses of the Middle East with large state resources and particular needs that match New Zealand's comparative strengths. These are states that are looking to work with us on areas such as food security, education and investment.

The New Zealand Government has therefore provided up to six million dollars to be invested over the next two to three years to develop a demonstration breeding farm and operation which will enhance the capability of the New Zealand and Saudi Arabian red meat industries. A key focus of the project is developing higher value products for the Saudi market focusing on the Awassi sheep breed.

The intent is that the money will be used to develop or implement NZ agricultural technologies, techniques and equipment for the Saudi environment, in such a way that future business opportunities may be developed in Saudi Arabia and the states that make up the GCC region, and potentially into Africa.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Demonstration Breeding Farm and Operation

The demonstration farm and operation will showcase a breeding and fattening unit that produces product that suitable to meeting the tastes of the growing middle class in Saudi Arabia and the GCC. While this will initially focus on opportunities for partnerships inside Saudi Arabia and the GCC, it is the government's ambition that it has the potential to serve as a base for creating partnerships between New Zealand agricultural expertise and GCC capital in third party countries, especially in Africa where 60% of the world's undeveloped arable land is to be found.

The farm and operation will be built in partnership with a group of long-time Saudi investors in the New Zealand red-meat sector whose investments and assets in transportation, farming, abattoir, property development, and retail in Dammam and Jeddah in Saudi Arabia are substantial. The group's main farm, near Damman, (the site of the proposed demonstration breeding farm and operation) is a large one, into which major new investment is already being made around breeding livestock. This is a commercial operation, and as such the New Zealand investment needs to demonstrate commercial benefit both to the Saudi group, as well as the involved New Zealand interests.

A group of New Zealand agribusiness experts visited Saudi Arabia 9-16 April 2013. The purpose of the visit was to assess the opportunity for New Zealand. The participants of the study tour included officials from MFAT, NZTE and the Ministry of Primary Industries and representatives of the following firms: PGG Wrightson, Sourceworld, AsureQuality, Deloitte NZ, Proand, Brownrigg Agriculture and Awassi NZ.

While further research is needed to understand fully the local conditions to ensure that any New Zealand solutions are sustainable and scalable, the experts suggested that the farm and operation should:

- Be assisted where possible by a New Zealand based research and development programme focusing on genetics and feeding of sheep adapted to Saudi Arabian conditions;
- Be designed around a combination of Saudi Arabian and New Zealand on-farm best practices;
- Involve and showcase in Saudi Arabia a number of New Zealand firms or technologies representing best practice across the value chain (genetics, nutrition, farm management systems and farm equipment, processing design and technologies and marketing were identified);
- Have staff capacity and capability to showcase the operation to interested business delegations;
- Leverage the Saudi group's brand, investments and expertise in both markets while providing a new sustainable business;
- Support Saudi Arabia's food security and safety objectives; and
- Build awareness of the New Zealand brand and complement the existing chilled and frozen meat trade.

The participants of the study visit are not precluded from tendering for this opportunity and given the small number of New Zealand firms with current Saudi Arabian market experience or networks it is possible that they will be involved in the final consortium to a greater or lesser degree. None of the private sector participants of the study tour will be involved in the EOI evaluation.

Potential Focus Areas

The overall investment objective is to support the design and build of a demonstration farm and operation that represents best practice, and upholds the reputation of New Zealand Agri-business excellence - showcasing New Zealand on-farm capability, products and expertise in market generating repeat purchases. Potential areas of focus or value include:

Animal Performance and Management

Animal selection, husbandry, welfare, performance
Genetics
Infrastructure development (i.e. feedlots)
Nutrition management

This area focusses on the end to end breeding programme to meet a market specification. This will span a genetics programme in NZ through to a breeding and fattening operation in Saudi Arabia. This will be complemented by a nutrition programme developed for an extreme environment. A combination of NZ expertise and Saudi local knowledge will be needed to deliver a superior outcome.

Technology and Equipment

Processing design and technologies
Ear tags/EID tags
Tag readers
Scanners and scales
Agricultural technology

Access to enabling technology will underpin the necessary best practice elements of the demonstration farm. Any technology will need to be coupled with the appropriate expertise for design, implementation and use of it to achieve the best outcomes on farm in Saudi Arabia.

Management and Marketing

Planning and project management
Farm management
People development
Farmer selection and contracting
Marketing and branding

Demonstrated ability to deliver this project between New Zealand Saudi Arabia is a critical success factor. The project is part of sustainable long term business for Saudi Arabia will require capability and ambition to achieve this over the longer term – i.e. beyond the project funding horizon.

Assumptions

When preparing the response, the following assumptions should be taken into account:

- A key focus of the project is developing a high-value red-meat product for the Saudi market, focusing on the Awassi breed of sheep
- Land and major infrastructure to support the breeding operation will be made available by the Saudi interests
- The Saudi interests will assist with access to capability and people where required, and with the showcasing aspects of the project.

- It is expected that successful delivery will involve a range of services and products, ranging from sourcing and installing New Zealand technology and equipment in Saudi Arabia, to research, design, training and consultancy services. We are expecting the Lead Provider and consortia to demonstrate the most effective emphasis and programme of work within the identified potential areas of focus.

Commercial Operation

The New Zealand investment in a demonstration farm and operation outlined in this document is part of a wider Saudi Arabian owned commercial breeding, farming and livestock operation. The design and implementation of any solutions will be done in close discussion between the Lead Provider/consortia and the Saudi interests. There is the expectation that Lead Provider/consortia members would spend time within the commercial operation in Saudi Arabia, as a key part of the design and/or implementation of any proposed solutions.

Broad agreement on how much of the proposed funding will be invested in what specialist areas will be reached via the competitive dialogue process. It is unlikely that all of the areas noted under the 'Potential Focus Areas' above, will receive the same level of focus or investment.

A large farm property outside of the port city of Dammam, has been identified as the site of the hub and demonstration breeding farm and operation for these New Zealand technologies and capabilities, and is being made available to the consortia.

The Saudi interests will retain the commercial rights to any investment made as part of the Government's investment. It is anticipated that consortium will work with the Saudi interests to ensure that New Zealand agribusinesses can leverage off local relationships, networks and the physical demonstration of New Zealand agricultural techniques/equipment to win further business in Saudi Arabia and other GCC states and countries.

Breeding Protocol

An important part of the project is the supply of New Zealand breeding stock, focusing on the Awassi breed of sheep, to the Saudi Arabia farm. To facilitate this, the relevant Ministries in New Zealand and Saudi Arabia are currently discussing the necessary documentation and approvals for this to occur. The Saudi interests are investing significantly into breeding infrastructure at the property near Dammam in preparation for the receipt of breeding stock, and the development of the breeding operation in Saudi Arabia.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

3. Procurement Process

We are seeking a firm that will act as the Lead Provider to propose and manage agreed consortium partners; and deliver the demonstration breeding farm and operation in New Zealand and Saudi Arabia.

Suppliers interested in responding to this EOI as potential Lead Providers have the opportunity to attend a supplier briefing on at MFAT offices in Wellington on the 26 August. Suppliers interested in attending should confirm via e mail their intention by e mailing the name of their company and names of proposed attendees to procurement@mfat.govt.nz by the 22 August.

We are seeking Responses only from Suppliers capable of acting as a Lead Provider. Responses should indicate the consortium partners with which the Supplier proposes to work to deliver the demonstration breeding farm and operation.

Following the evaluation of Responses MFAT may prequalify, as a potential consortium, a Supplier together with that Supplier's suggested consortium partners.

Alternatively, we may seek to work with a Supplier to expand on or modify the Supplier's proposed consortium. To this end, MFAT retains the right to introduce potential Lead Providers and consortium partners to each other, including consortium partners proposed by a Lead Provider whose Response is not shortlisted through this EOI process to progress to the Competitive Dialogue stage. The intent of such introductions is to ensure that well qualified agribusinesses are not precluded from offering their services through the agribusiness hub simply because they were not known to the successful Lead Provider.

Firms who are invited to be named as consortium partners in more than one Response are free to be represented by more than one Supplier.

If more than one Supplier and/or proposed consortium is prequalified as having the attributes to deliver a successful outcome MFAT will utilise the Ministry of Business, Innovation and Employment's (MBIE) guidelines on 'Competitive Dialogue in a New Zealand Context' to work with the shortlisted supplier(s) to develop final Proposals. Final Proposals will be provided in the form of the Funding Agreement appended to this EOI document and will define the scope of Outputs, estimated budget, payment and reporting milestones as developed during the Competitive Dialogue stage.

Final Proposals will be evaluated based on the relative:

- value for money,
- risks,
- potential benefits,
- likely sustainability of agribusiness hub; and
- additional criteria that may be established as a result of the information provided in this EOI stage, which will be communicated to shortlisted Suppliers during the Competitive Dialogue stage.

Evaluation of final Proposals will be undertaken by representatives of MFAT, NZTE, and interested Saudi parties, together with any independent expert(s) whose input is considered desirable by MFAT and NZTE. MFAT will work with Supplier(s) shortlisted through the EOI evaluation to ensure that the evaluation criteria proposed to assess final Proposals are well understood, prior to final Proposals being submitted.

The successful Lead Provider will be accountable for the management of all consortium partners and the delivery of all services and outputs in accordance with the final Funding Agreement.

4. Our Evaluation Methodology

Criteria to be used in selecting a consortium lead and prequalify potential consortium partners proposed in this EOI	Weighting
Capacity and Credibility of the Supplier (as Lead Provider) Agribusiness/red-meat industry innovator, with proven capability to deliver and credibility in the New Zealand industry, and balance sheet to support on-going involvement in the agrihub.	20%
Capability and Commitment of the Supplier (as Lead Provider) Demonstrated business relationships in offshore agribusiness, or successful offshore agri business operations preferably in the Middle East, and Saudi Arabia in particular, or climatically similar areas.	30%
Industry knowledge, and networks of the Supplier (as Lead Provider) Proven ability to collaborate with value chain participants and contribute to a wider programme of work. Industry knowledge, and networks in the three key areas noted above under the 'potential focus areas' section.	30%
Proposed Methodology Proposed project plan, governance structure, milestones, performance measures, project outputs, response to proposed Funding Agreement and risk management processes.	20%
Total	100%

Rating	Definition	Score
Excellent	Exceeds the requirement. Exceptional demonstration by the Supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods / services. Response identifies factors that will offer potential added value, with supporting evidence.	9-10
Good	Satisfies the requirement with minor additional benefits. Above average demonstration by the Supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods / services. Response identifies factors that will offer potential added value, with supporting evidence.	7-8
Acceptable	Satisfies the requirement. Demonstration by the Supplier of the relevant ability, understanding, experience, skills, resource, and quality measures required to provide the goods / services, with supporting evidence.	5 - 6
Minor Reservations	Satisfies the requirement with minor reservations. Some minor reservations of the Supplier's relevant ability, understanding, experience, skills, resource and	3 - 4

	quality measures required to provide the goods / services, with little or no supporting evidence.	
Serious Reservations	Satisfies the requirement with major reservations. Considerable reservations of the Supplier's relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods / services, with little or no supporting evidence.	1 - 2
Unacceptable	Does not meet the requirement. Does not comply and/or insufficient information provided to demonstrate that the Supplier has the ability, understanding, experience, skills, resource & quality measures required to provide the goods / services, with little or no supporting evidence.	0

The EOI evaluation panel will consist of MFAT and NZTE personnel and independent expert(s).

5. Supplier's Response Form & Declaration

Section A: Profile of organisation

1. Supplier's contact person for this EO			
Contact person:			
Position:			
Phone number:			
Mobile number:			
Email address:			
Is the contact person authorised to negotiate?	Yes	No	

2. Supplier's organisational profile	
Full legal name:	
Trading name: (if different)	if applicable
Name of parent company:	if applicable
Physical address:	for company insert registered office
Postal address:	
Company website:	
Location of head office:	city in New Zealand / if overseas please specify city and country
Type of entity (legal status):	sole trader / partnership / limited liability company / other please specify
Company registration #:	if applicable, registered number for a company
Country of residence:	insert country where organisation is resident for tax purposes
GST registration number:	NZ GST number / if overseas please state

Section B: Referees

Please supply the details of at least two referees. These must be from agricultural sector organisations with sufficient experience of working with you to comment on your capability to be effectively build and lead a consortium of agribusinesses capable of delivering to the expectations set out above. Briefly describe the nature, duration and purpose of your association with the nominated referees

Referee #1	
Name of organisation:	
Name of referee:	
Relevance of this referee:	
Address:	
Telephone:	
Email:	
Goods / Services provided:	summarise the nature of the goods or services provided
Dates when provided:	state the dates when the goods or services have been provided
Key personnel	names and roles of key personnel involved in this project who are nominated for involvement in establishing, leading, managing the proposed consortium

Referee #2	
Name of organisation:	
Name of referee:	
Address:	
Telephone:	
Email:	
Goods / Services provided:	summarise the nature of the goods or services provided
Dates when provided:	state the dates when the goods or services have been provided
Key personnel	Names and roles of key personnel involved in this project who are nominated for involvement in establishing, leading, managing the proposed consortium

• Add tables for referees as required

Section C: Response to EOI

Supplier's Response

Your responses to the questions set out below will be used to assess your capability against the criteria set out in Section 4 – Our Evaluation Methodology.

In preparing your Response you are required to respond to all of the questions set out below and encouraged to provide as much supporting evidence as possible in the form of, case studies, referees, published material or in-house tools, templates, examples.

Your responses will be scored by members of our evaluation team independently and the individual scores of the evaluation panel will be moderated via consensus or failing consensus a majority view.

The evaluation team may further amend their scoring of your initial written Response based on information provided during Supplier presentations that may clarify questions or concerns related to your written response.

Capacity and Credibility of the Supplier (as Lead Provider)	
Successful agribusiness/red-meat industry importer and exporter with credibility in the New Zealand industry	
Criteria	Supplier's Response
Succinctly explain and provide evidence of your credibility and success as a business in the New Zealand agricultural sector	
Provide evidence that you have sufficient economic scale and expertise to be selected as the consortium lead responsible for managing this project	
What attributes / experience would make you a good lead for the consortium of companies required to deliver the expectations set out in this EOI?	
Discuss any relationships or interests that you have with the proposed consortium partners.	

Declare any actual, potential or perceived Conflicts of Interest you believe you may have in regard to the tender.

Capability and Commitment of the Supplier (as Lead Provider)

Demonstrated business relationships in offshore agribusiness or successful offshore agribusiness operations preferably in the Middle East and Saudi Arabia or a culturally similar region.

Note the names and responsibilities of staff you would nominate to deliver the outcomes set out in this EOI. – Append brief CVs for nominated staff.

Explain what offshore agribusiness interests you have currently and in which countries

Describe the level, type and location of investment you have committed to develop offshore agribusiness.

Would you anticipate making any additional investment beyond the New Zealand Government investment to ensure the demonstration farm and operations effectively establish a successful GCC agribusiness hub? What level of investment are you contemplating?

What are the on-going opportunities for you and

your proposed partners that will result from this project?	
How do you see this project benefiting other New Zealand firms not directly involved in delivery of the project?	

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Industry knowledge and networks of the Supplier (as Lead Provider)

Proven ability to collaborate with value chain participants and contribute to a wide programme of work, industry knowledge and networks

Refer to the list of potential focus areas set out on page 8. Note the organisations you would see as potential consortium partners and what value you believe they would add to the consortium.

Add tables for additional specialist expertise you believe may be useful to achieving the objectives of the project. (Note. The Ministry reserves the right to provide the names of potential consortium partners noted below to the selected Lead Provider (or shortlisted potential Lead Providers) should you not be shortlisted or selected as the Lead Provider)

The specialist areas listed below are indicative only and work completed in the business planning or research phases of this project may identify other specialist areas.

NOTE: Processing design and technology are likely to be areas of strong interest

Animal Performance and Management

Company Name	
Nature of relationship	
Capability to assist in the delivery of the programme	

Technology and Equipment

Company Name	
Nature of relationship	
Areas of expertise	
Capability to assist in the delivery of the programme	

Management and Marketing

Company Name	
Nature of relationship	
Areas of expertise	

Capability to assist in the delivery of the programme

Methodology

Proposed project plan, governance structure, milestones, performance measures, project and risk management processes

What Project Management / Governance /reporting arrangements would you suggest?

Append an indicative high level plan indicating what you believe may be useful milestones in terms of completing activities or deliverables

What project and risk management processes would you suggest be implemented?

How would you provide assurance that you and the consortium partners are delivering value for money?

How do you propose incentivising consortium partners?

How would you suggest your performance is managed and by extension the performance of your consortium partners?

Refer to section 6 – Proposed Funding Agreement

The proposed Funding Agreement sets out NZTE's minimum requirements in terms of the level of commercial detail and standard terms and conditions that will form part of any final contract with the successful Supplier. These minimum requirements will be expanded on to reflect the final project design.

Each Supplier is asked to confirm its full acceptance of the terms of the proposed

[Yes I confirm]

OR

[No I do not confirm. The clauses that have not been accepted are:

Clause	Why is the clause not accepted?	Supplier's proposed amendments

Funding Agreement, as the minimum terms of any future relationship arising out of this procurement.

If the Supplier does not confirm full acceptance of the proposed terms, the Supplier must, on a clause by clause basis:

- (a) Identify and explain why the relevant terms have not been accepted; and
- (b) Set out the Supplier's proposed amendments.

1

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Supplier's Check List

Make sure you include everything that is asked for in this EOI. Use this check list when finalising your Response.

Things to be included with your Response	Schedule 3	Electronic copy required
1. Profile of organisation	Section A	✓
2. Referees	Section B	✓
3. Response to EOI	Section C	✓
4. Supplier's Declaration	Section D	✓

Section D: Supplier's Declaration

Each Supplier / Lead Provider is required to complete the following Declaration.

Topic	Requirement	Supplier's declaration
EOI response:	The Supplier has prepared this Proposal independently to supply the goods/services.	agree / disagree
EOI terms and conditions:	The Supplier has read and fully understands this EOI, and the EOI Conditions, and agrees to be bound by them.	agree / disagree
Collection of further information:	<p>The Supplier authorises the Buyer to:</p> <ul style="list-style-type: none"> a. collect any information about the Supplier and proposed consortium partners, except commercially sensitive pricing information, from any relevant third party, including a referee, or previous or existing client b. use such information in the evaluation of the Response <p>The Supplier agrees that all such information will be confidential to the Buyer</p>	agree / disagree
Proposed Funding Agreement:	The Supplier has read and fully understands and accepts the Proposed Funding Agreement. If successful, the Supplier agrees to sign a contract based on these terms and conditions.	agree / disagree
Conflict of Interest:	<p>The Supplier warrants that it has no actual, potential or perceived conflict of interest in submitting this Response, or entering into a contract to deliver the Requirements. Where a conflict of interest arises during the procurement process the Supplier will report it immediately to the Buyer's Contact Person.</p> <p>Any actual, potential or perceived Conflicts of Interest are to be documented and submitted as part of the EOI Response</p>	agree / disagree
Ethics:	<p>In submitting this Response the Supplier warrants the following:</p> <ul style="list-style-type: none"> a. it has not entered into any improper, illegal, collusive or anti-competitive arrangements with any Competitor or parties currently or potentially involved in this project b. its Response has not been prepared with 	agree / disagree

consultation, communication, arrangement or understanding with any Competitor (other than potential consortium partners nominated in the Response)

- c. directly or indirectly approached any representative of the Buyer to lobby or solicit information in relation to the EOI (other than the Buyer's nominated Contact Person)
- d. has not attempted to influence, or provide any form of personal inducement, reward or benefit to any representative of the Buyer.

Offer Validity Period:

The Supplier confirms that this Response remains open for acceptance for a period of 6 from the Closing Date. This is called the Offer Validity Period.

agree / disagree

Declaration:

The Supplier declares that in preparing this Response it:

agree / disagree

- a. has provided complete and accurate information in all parts of the Response, in all material respects
- b. has secured all appropriate authorisations to submit this Response and is not aware of any impediments as to its ability to enter into a formal contract to deliver the Requirements.

The Supplier understands that should it be successful in being awarded a contract with the Buyer then the falsification of information, supplying misleading information or the suppression of material information in relation to this EOI will be grounds for termination of the contract.

If, in completing this Declaration, you fail to indicate 'agree' or 'disagree' against any of the above statements you will be deemed to agree with each of these statements.

DECLARATION

This Response has been approved and is signed by a representative of the Supplier who has the authority to do so. This representative is named below.

This representative declares that the particulars provided above and in the attached Response documents are accurate, true and correct.

Signature:

Full name:

Title / position:

Date:

6. Proposed Funding Agreement

It is anticipated that NZTE will, subject to the NZTE Board's approval, contract with the selected Lead Provider to implement the project.

The accompanying Funding Agreement sets out NZTE's minimum requirements in terms of the level of commercial detail and general terms and conditions that will form part of any final contract with the successful Supplier.

These minimum requirements will be expanded on to reflect the final project design, including in respect of how the Funding will be paid, details of outputs, performance measures and reporting requirements.

These details will be worked through during the Competitive Dialogue or other subsequent tender stage and should form part of any final Proposal.

7. Instructions to Suppliers and EOI Conditions

Introduction

This document contains instructions for Suppliers interested in submitting a Response to this EOI. It also sets out the Standard Conditions that apply to the EOI process.

The following words and expressions (where they appear in the EOI-Part 1, EOI-Part 2, this document and any Schedule or attachment) have the meanings described below.

Business Day	A day when most businesses are open for business in New Zealand. It excludes Saturday, Sunday and public holidays.
Business Hours	Business hours means the period from 8.30am to 5.00pm on any Business Day.
Buyer	The Buyer is the organisation that has issued the EOI with the intent to purchase the goods or services described in the Requirements. For this EOI, the Buyer is the Ministry of Foreign Affairs and Trade and its partner agency, New Zealand Trade and Enterprise.
Clarification Period	The period within which a Supplier can ask for clarification or additional information from the Buyer in relation to the EOI.
Closing Date	The deadline for Responses (or final Proposals, as the context dictates) to be received by the Buyer as stated in Part 2.
Competitive Dialogue	The anticipated second stage of this procurement process, following the shortlisting of Suppliers as a result of the evaluation of EOI Responses. Refer to the accompanying MBIE guidance on 'How Competitive Dialogue works in New Zealand'.
Competitors	Any other business that is in competition with a Supplier either in relation to

the goods or services sought under the EOI or in general.

Confidential Information

Information that:

- a. is by its nature confidential
- b. is marked by either the Buyer or a Supplier as 'Confidential' or 'Commercially Sensitive'
- c. is provided by the Buyer, a Supplier, or a third party 'In Confidence'
- d. the Buyer or a Supplier knows, or ought to know, is confidential
- e. is of a sensitive nature, or commercially sensitive to the Buyer, a Supplier or a third party

Conflict of Interest

A Conflict of Interest arises if a Supplier's personal or business interests or obligations do, could or be perceived to, conflict with its obligations to the Buyer under the EOI or in the anticipated provision of the goods or services. It means that the Supplier's independence, objectivity or impartiality can be called into question. A Conflict of Interest may be:

- a. actual: where the conflict currently exists
- b. potential: where the conflict is about to happen or could happen, or
- c. perceived: where other people may reasonably think that a person is compromised.

Contact Person

Both the Buyer and Suppliers are required to appoint a Contact Person. This is the person who is the single point of contact for all communications during the EOI process and any subsequent Competitive Dialogue, negotiations, or other tender stage. The Buyer's Contact Person is identified in Part 2. The Supplier's Contact Person is identified in its Response.

EOI Conditions

The instructions to Suppliers, containing an outline of the process and the terms and conditions which apply to the process. This document contains the EOI Conditions.

Evaluation Methodology

The methodology set out in Part 2 used by the Buyer to evaluate Responses.

Expression of Interest (EOI)

The EOI comprises Part 1, Part 2, this set of Standard Conditions and any other Schedule attached by the Buyer.

Funding Agreement

The legally enforceable written contract for the delivery of the project between the successful Supplier and the Buyer/NZTE based on the proposed Funding Agreement appended to this EOI..

GETS

Government Electronic Tenders Services www.gets.govt.nz

GST

The goods and services tax payable in accordance with the New Zealand Goods and Services Tax Act 1985.

Indicative Timeline

The suggested dates and times for the EOI process as described in Part 2. These may be subject to change at the Buyer's sole discretion.

Intellectual Property

All Intellectual Property rights and interests, including copyright, trademarks,

	designs, patents and other proprietary rights, recognised or protected by law.
Lead Provider	A Supplier that is responsible for the overall management and delivery of a project.
Part 2	The second section of the EOI which contains key information on the contracting opportunity.
Proposal	A final offer for the delivery of the project described in this EOI following a Competitive Dialogue or other subsequent tender stage,
Representative of the Buyer	A person who represents the Buyer. This can be a member of staff, contractor, consultant, agent or second. Suppliers must not directly or indirectly approach, lobby or solicit information from a representative of the Buyer, other than the Buyers' Contact Person named in the EOI.
Requirements	The goods and/or services described in the EOI Part 2.
Response	The response a Supplier submits in reply to the EOI. It should include all information specified by the Buyer in the EOI.
Schedule	Any attachment to the EOI with the title 'Schedule'.
Supplier	A person, organisation, business or other entity that submits a Response in response to the EOI. It includes subcontractors, successors and permitted assignees.

1. Preparing a Response

Preparing a Response

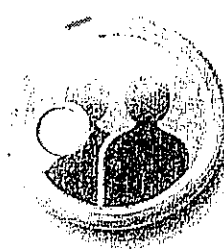
- Suppliers must provide in their Response all information requested by the Buyer in the EOI. The information must be supplied in the format specified by the Buyer.
- Failure to provide all information requested or in the correct format may result in the Response being rejected as non-conforming.

Language

- Responses must be in English.

Clarification Period

- Each Supplier must satisfy itself as to the interpretation of the EOI. If there is any perceived ambiguity or uncertainty in the EOI documents Suppliers should seek clarification before the end of the Clarification Period.
- All requests for clarification must be made by email to the Buyer's Contact Person. Please allow a reasonable period of time for the Buyer to respond to a request. Requests will be dealt with by the Buyer during Business Hours.

- 
6. The Buyer does not intend to answer questions submitted after the Clarification Period ends, although it reserves the right to do so.
 7. If the Buyer considers a request to be of sufficient importance to all Suppliers it may provide details of the question and answer to other Suppliers. This information may be posted on GETS. In deciding whether or not to publish the question and answer the Buyer will take into account the risk of disclosing information which may be commercially sensitive to the Supplier making the request.
 8. If a Supplier identifies an inaccuracy or inconsistency in the EOI please notify the Buyer as soon as possible.

Joint Responses

9. Suppliers may collaborate with their proposed consortium partners in the preparation of their Response, provided that each consortium partner signs the Supplier's Declaration in Section D. Note however that the Buyer reserves the right to treat Suppliers and their proposed consortium partners as separate and independent entities for the purpose of any Competitive Dialogue or other subsequent tender stage.

2. Submitting a Response



Submitting a Response

1. Responses must be received by the Buyer before the Closing Date.
2. The Buyer accepts no responsibility for Responses that are delivered to the wrong address or, for whatever reason, are not received by the Buyer.
3. The Buyer will acknowledge receipt of each Response by telephone or email.
4. By submitting a Response each Supplier warrants that all information provided is complete and accurate in all material respects

Late Responses

5. The Buyer reserves the right to accept a late Response in exceptional circumstances where it considers that there is no material prejudice to other Suppliers. However, the Buyer will not accept a late Response if it considers that it would be unfair to any other Supplier to accept the late Response.

3. Evaluation of Responses

Evaluation

1. The Buyer will convene an evaluation panel comprising members chosen for their relevant expertise and experience. The Buyer may, at its sole discretion, invite independent advisors to evaluate any Response, or any aspect of any Response. Suppliers must not communicate with any member of the evaluation panel.
2. The Buyer will evaluate each Response in accordance with the Evaluation Methodology set out in Part 2.

Collection of further information

3. Each Supplier authorises the Buyer to collect further information (except commercially sensitive pricing information) from any publicly available sources or relevant third parties (such as a referee or a previous or existing client) and to use that information as part of its evaluation of the Supplier's Response.
4. The Buyer reserves the ability to adjust its evaluation and scoring of a Supplier's Response following the collection of further information.

Short listing

5. Following the evaluation process the evaluation team aims to shortlist those Suppliers who are capable of delivering the Requirements and rank them in order of their evaluated scores.
6. The Buyer will notify the shortlisted Suppliers. Such notification does not constitute acceptance by the Buyer of the Response, or imply or create any obligation on the Buyer to enter into negotiations with, or award a contract to any shortlisted Supplier.
7. At this stage in the process the Buyer does not intend to publicise the names of the shortlisted Suppliers.

Supplier debrief

8. Following the short listing process, the Buyer will advise all unsuccessful Suppliers. The debrief may be provided by email, or phone.

4.

General terms and conditions

Buyer's terms

1. The EOI comprises Part 1 and Part 2. The EOI sets out the Buyer's terms upon which Suppliers may submit Responses. These terms are non-negotiable.
2. Each Supplier should carefully read the EOI to ensure that its Response complies with the Buyer's terms. By submitting a Response the Supplier accepts that it is bound, without reservation or variation, by the terms set out in the EOI.
3. The Buyer is not required to accept any Response for evaluation that does not comply with these terms.

Suppliers' obligations

4. Each Supplier will be considered to have:
 - a. examined the EOI and any documents referenced in the EOI and any other information provided by the Buyer
 - b. satisfied itself as to the correctness and sufficiency of its Response.

Reliance on the Response

5. Each Supplier must ensure that all information provided to the Buyer is complete and accurate. The Buyer may rely upon all information provided by a Supplier in its Response and in any correspondence or negotiations with the Buyer, or the Buyer's representatives.

Indicative Timeline

6. The Indicative Timeline for the EOI process is stated in Part 2. Please note that these dates and times may be changed at the sole discretion of the Buyer. The Buyer will notify Suppliers of any material changes to these dates or times. This may be by notice posted on GETS.

Buyer's Contact Person

7. All enquiries regarding the EOI must be directed to the Buyer's Contact Person, whose details are provided in Part 2. The Buyer requests that email be used for all communications in relation to the EOI.
8. Only the Contact Person, and any person authorised by the Contact Person, are authorised to communicate with Suppliers regarding any aspect of the EOI.
9. The Buyer will not be bound by any written or oral statement made by any person, other than the Contact Person.
10. The Buyer may change the Contact Person at any time. The Buyer will notify Suppliers of any such change. This notification may be posted on GETS.
11. Where a Supplier has an existing contract with the Buyer then business as usual communication, for the purpose of that contract, will continue using the usual contacts. Suppliers must not use business as usual contacts to lobby the Buyer, solicit information or discuss aspects of the EOI.

Conflict of Interest

12. Each Supplier must include a Declaration with its Response Section D, which includes a statement regarding Conflicts of Interest. Each Supplier must immediately inform the Buyer should a Conflict of Interest arise during the EOI process.

Ethics

13. Suppliers must direct all enquiries to the Buyer's Contact Person. Suppliers must not directly or indirectly approach, contact, lobby or solicit information concerning any aspect of the EOI from any other representative of the Buyer.
14. Suppliers must not attempt to influence or provide any form of personal inducement, reward or benefit to any other representative of the Buyer.
15. A representative of the Buyer includes any employee, consultant, contractor or advisor engaged by the Buyer.
16. Any Supplier, who attempts to do anything prohibited by the above clauses 13 and 14 may be disqualified from the EOI.

Confidentiality

17. The Buyer, and each Supplier, will keep confidential all Confidential Information provided by the other. No Confidential Information will be provided to a third party without the other's prior written consent.
18. Where a Supplier's Response contains information, such as Intellectual Property, that it considers should be held confidential, the Supplier must clearly identify the information and mark it confidential and commercially sensitive. The Supplier may be asked by the Buyer to indicate the reason why such information should be held as confidential.
19. Suppliers acknowledge that the Buyer's obligations under the above clause are subject to the requirements imposed by the Official Information Act 1982, the Privacy Act 1993, parliamentary convention and any other obligations imposed by the law.

Response costs

20. Each Supplier must meet all of its own costs associated with the preparation and presentation of its Response .

Ownership of documents

21. All documents forming the Response will, when delivered to the Buyer, become the property of the Buyer. Responses will not be returned to Suppliers at the end of the process.
22. Ownership of Intellectual Property rights does not pass on a Response being delivered to the Buyer. However, the Supplier grants to the Buyer a license to retain, use, disclose and copy information contained in the Response for any purpose related to the EOI process.

No binding legal relations

23. Responses are submitted on the basis that no contract or binding legal relations with the Buyer are created unless, and until, a written contract between the Buyer and any Supplier selected following a subsequent stage of this tender process is signed by both parties.

Status of EOI

24. The Buyer aims to demonstrate fair dealing and due process, and to act lawfully, fairly and reasonably in its interactions with Suppliers.
25. Neither the EOI nor the EOI process shall create any legal relationship between the Buyer and a Supplier. This EOI process does not give rise to a process contract.

Buyer's rights

26. In addition to any other term described in the EOI the Buyer may at any time:
- amend, suspend, re-issue or cancel the EOI or any part of the EOI on notice to the Suppliers
 - change any date in the Indicative Timeline contained in Part 2 on the proviso that any material change is notified to Suppliers
 - delete, change or add to the Requirements contained in Part 2 on the proviso that any material change is notified to Suppliers
 - reject or accept any non-compliant Response on notice to the Supplier
 - reject or accept any alternative Response on notice to the Suppliers
 - waive any irregularities or information in the EOI process
 - proceed or not proceed to a Competitive Dialogue or other subsequent tender stage
 - not enter into a contract with any Supplier
 - exclude any Supplier from the EOI process where the Supplier has breached a term or condition of the EOI on notice to the Supplier
 - liaise or negotiate with any Supplier without disclosing this to, or doing the same with, any other Supplier
 - provide or withhold from any Supplier information in relation to any question arising in relation to the EOI. Information will only be withheld if it is deemed unnecessary, is commercially sensitive to a Supplier, or is inappropriate to supply at the time of the request
 - deal separately with any divisible element/s of the Requirements or any Response
 - split the provision of the Requirements and enter into separate contracts with separate suppliers or run separate subsequent tender stages.

Public statements

27. Suppliers must not issue any public statement in relation to the EOI, or any subsequent tender stage or contract awarded, without the prior written approval of the Buyer.

New Zealand law

28. The laws of New Zealand shall govern the EOI and each Supplier agrees to submit to the exclusive jurisdiction of the New Zealand courts in respect of any dispute concerning the EOI or the EOI process.

Disclaimer

29. While all reasonable care has been taken in compiling the EOI, the information and details are presented in good faith. No warranty (expressed or implied) is given by the Buyer as to the completeness or accuracy of the documents or information.
30. The Buyer and its agents or advisors will not be liable in contract, tort, equity, or in any other way whatsoever for any direct or indirect damage, loss or cost incurred by any Supplier or any other person in respect of the EOI process.

Indicative Business
Case

Investing in a NZ demonstration
breeding farm and operation in Saudi
Arabia

Final Draft 13 August 2013

Contents

Better Business Cases

Contents

Executive Summary

Introduction

Strategic Case

The strategic context

The case for change

Economic Case

Commercial Case

Financial Case

Management Case

Next Steps

Introduction

Al Khalaf Group

Progress to date

The Strategic Case – Making the Case for Change

Strategic Context

Organisational overview and alignment to existing strategies

Investment Objectives, Existing Arrangements and Business Needs

Investment Objectives

Existing Arrangements and Business Needs

Potential Business Scope and Key Service Requirements

Main Benefits

Main Risks

Key Constraints and Dependencies

The Economic Case – Exploring the Preferred Way Forward

The Commercial Case

Outlining the procurement strategy

Required services

Potential for risk sharing

Proposed key contractual clauses

Accountancy treatment

Payments

Contract length

Contract structure

Procurement timeline

The Financial Case

Funding sources

The Management Case

Project management strategy and framework

Proposed timeline

Risk management

Next Steps

Error! Bookmark not defined.

2

3

3

3

3

Error! Bookmark not defined.

4

4

5

5

5

5

6

6

7

10

10

10

13

13

13

15

16

17

18

19

22

22

26

26

26

26

26

26

26

27

28

28

29

29

30

31

31

Executive Summary

Introduction

1. This Indicative Business Case seeks formal approval to procure a lead provider to design and implement the Government's investment in a demonstration breeding farm and operation in Saudi Arabia that will showcase New Zealand agribusiness capability and technology. This will be developed and delivered in partnership with the Al Khalaf Group, a large Saudi Arabian company specialising in farming, transportation and sale of livestock.
2. The key purpose of this Indicative Business Case is to¹:
 - Confirm the strategic context and fit of the proposed investment;
 - Provide an update on progress to date and report back on the results of the technical visit to Saudi Arabia in April 2013;
 - Propose how New Zealand can best assist and partner with the Al Khalaf Group to develop a New Zealand/ demonstration farm and agrihub in Saudi Arabia; and,
 - Recommend a procurement strategy to select a lead provider to design and implement the Government's investment.

Strategic Case

3. The strategic case outlines the context and case for the investment proposal.

The strategic context

4. For the past three years the Minister of Foreign Affairs, supported by Ministry officials, has been working to resolve a major relationship issue with Saudi Arabia which has spilled over into the wider GCC.^{s 9(2)(j)}
the more serious problem lies in the threat to existing trade in goods and services unless steps are taken to resolve it.
5. The attached Cabinet Paper outlines in more detail the background and context of this wider issue.

The investment proposal presented in this paper aligns New Zealand's interest in resolving this issue, pursuing a stronger relationship with the GCC (protecting and extending market access), and increasing agri-sector export revenues in the GCC region. A technical field visit with private and public sector experts to Saudi Arabia was undertaken in April 2013 to identify the investment objectives and gain a better understanding of the business needs². The participants identified the following key investment objectives

- Investment objective one: Research, plan and design a demonstration breeding farm and hub designed around a combination of Saudi Arabian and New Zealand on-farm best practices

¹ This Indicative Business Case follows the Better Business Case guidance, and is organised around the "five case model"

² The contract between MFAT and the Al Khalaf Group outlines the basis for access to Al Khalaf Group's IP, staff, systems and networks, and their assistance in developing and undertaking the technical visit to Saudi Arabia.

- Investment objective two: Develop a demonstration breeding farm and operation which supports Saudi Arabia's food security objectives
 - Investment objective three: Showcase and promote NZ best practice, technology, capability and approaches representing best practice across the value chain.
6. The benefits from achieving these investment objectives are expected to be:
- Protection of current market access to the GCC
 - Improved market access to the GCC
 - Increased agrisector revenues
 - Increased tax revenue

Economic Case

7. As part of the technical visit, a value chain assessment was undertaken of Al Khalaf Group's current capabilities to deliver against their business objectives, and the proposed breeding operation. This identified several areas where assistance and support from New Zealand would be beneficial to the development of the breeding farm and operation. Based on the scale of New Zealand's proposed investment this list was further reduced to the core areas that were both critical to Al Khalaf Group and where New Zealand could provide a demonstrable difference. The four areas that have been agreed with the Al Khalaf Group are:
- Animal performance and management
 - Nutrition management
 - Design and provision of technology and equipment
 - Governance and marketing

Refer to Table four for more detail regarding each of the above

Commercial Case

8. The commercial case outlines the proposed procurement strategy. At a conceptual level, the procurement and contracting structure is based on the Primary Growth Partnership Programme run by the Ministry of Primary Industries³.
9. It is proposed that a two stage tender process to enable the prequalification of a consortium lead (lead provider) and likely consortium members. Having completed the initial Registration of Interest (ROI) and associated screening the shortlisted provider(s) will progress through into a competitive dialogue process to better define the scope of the service delivery model, prior to being invited to submit a more detailed proposal(s). The selected lead provider will organise a consortium to meet the programme scope and requirements and deliver of the services and deliverables documented in a contract signed with MFAT/NZTE (to be determined).

³ The PGP programme focuses on contracting to deliver value, joint setting of objectives and milestones, inclusive governance models and a planning process that allows for variations over the duration of the contract within an agreed framework.

Financial Case

10. The financial case outlines the funding requirements of the preferred way forward.
11. Cabinet has agreed that the \$6m funding for purchasing New Zealand goods and services as part of the partnership will be met within the current baselines of the Ministry of Foreign Affairs and Trade. Funding has been allocated for this purpose.
12. It is proposed that the funding and responsibility for managing the selected lead provider will be transferred to NZTE.(to be agreed).

Management Case

13. The management case addresses the planning arrangements required to both ensure successful delivery and to manage project risks.
14. The project governance structure is based around a contract between the Government agencies and the lead provider. The lead provider will then establish a management group and project teams utilising key consortium staff. It is proposed NZTE will manage the contract through a set of milestones jointly developed with the lead provider.

Next Steps

15. This Indicative Business Case seeks formal approval to commence the procurement process.

Introduction

16. This Indicative Business Case seeks approval to procure a lead provider to design and implement the Government's investment in a demonstration breeding farm and operation in Saudi Arabia that will showcase New Zealand agribusiness capability.

17. The purpose of this Indicative Business Case is to:

- Confirm the strategic context and fit of the proposed investment
- Provide an update on progress to date and report back on the results of the technical visit to Saudi Arabia
- Propose how New Zealand can best assist and partner with the Al Khalaf Group to develop a New Zealand/Saudi Arabia demonstration farm and operation in Saudi Arabia
- Recommend a procurement strategy to select a lead provider to design and implement the Government's investment

18. This plan seeks approval for the Ministry of Foreign Affairs, in partnership with NZTE and the Al Khalaf Group to:

- Undertake an EoI, competitive dialogue and contracting process to design the programme of work in more detail and contract with a lead provider and associated consortium members
- Invest \$6million in the partnership created by the contract (of which NZTE has indicated it will invest 500K)
- Participate in the on-going contract management required over a defined period.

19. The principles behind MPI's Primary Growth Partnership have been utilised to underpin the approach outlined in this paper and should be utilised throughout the rest of the process. The concept of partnership is important to the Al Khalaf Group, and is key to ensuring that the Government's investment in this programme is able to be leveraged into new commercial opportunities for New Zealand agribusiness in Saudi Arabia and the wider GCC.

20. The key outcomes that the Government aim to achieve are:

- A demonstration farm and operation that represents best practice, and upholds the reputation of New Zealand agri-business excellence - showcasing New Zealand on farm capability, products and expertise in market generating repeat purchases
- Protected and improved market access to the GCC
- Support Saudi Arabia's food security and safety objectives
- Increased New Zealand agri- sector revenues

Al Khalaf Group

21. The Al Khalaf Group is a large Saudi Arabian based company specialising in the farming, importing and processing of red meat for consumption in the Saudi Arabian market. It has for over 20 years remained committed to New Zealand and still own two farms in the Hawke's Bay with an Awassi flock of 8,000 breeding ewes and over 500 stud rams. Al Khalaf

continues to show a commitment to New Zealand through these investments in land, livestock breeding contracts with New Zealand farmers and local communities

22. The Al Khalaf Group is Saudi Arabia's largest livestock importer - importing livestock from Australia, Africa and Europe into Saudi Arabia via the port cities of Dammam and Jeddah. The group also owns farms in Australia and in the Hawke's Bay, and owns a quarantine centre near Timaru, which is currently used as part of the existing trade in exporting breeding dairy cattle and sheep to destinations such as South America and China.
23. The Group has significant holdings in Saudi Arabia including its core business of livestock transportation and trading, as well as construction, retail and contracting businesses. As the largest livestock trading company in Saudi Arabia it owns significant assets in the red-meat supply chain, and has access to Saudi customers and influencers that will benefit New Zealand firms involved in the partnership.
24. Trading in New Zealand as Awassi NZ Ltd the Group bred, contracted and transported sheep from New Zealand from the late 1980s to 2003 when the practice was banned. During this time the group spent hundreds of millions of dollars in the New Zealand farming sector, and has developed a highly-prized breed of Awassi sheep using New Zealand genetic and pastoral expertise. It works closely with a range of New Zealand firms in its New Zealand operations.
25. The Group advised that it has entered into a contract
§ 9(2)(b)(ii)
The Group has advised that this vessel will be used in any transportation of breeding stock to develop the breeding operation in Saudi Arabia.
26. The Group has shown an interest in working with New Zealand Government and firms in assisting Saudi Arabia with its food security needs and religious festival red-meat requirements. The Group is investing along with the Saudi Government in increased breeding facilities and farms in Saudi Arabia.
27. The owner of the Group, Sheikh Hamood Al Khalaf, has a close relationship with key players in the Saudi agricultural sector, including the Minister of Agriculture and the Chairman of the Saudi Arabia Livestock Investment Company – a large agri investment fund.
28. The Al Khalaf Group has confirmed it wants to build a demonstration breeding farm on an existing site that it owns in Saudi Arabia, using New Zealand technologies and knowhow and welcomes a proposal from New Zealand on how that may be achieved for the benefit of both countries. The Al Khalaf Group has a substantial business in Saudi Arabia to build a solution around. The Al Khalaf Group has made it clear that any proposed solution should provide a valid role and commercial opportunity for the past and current investment in New Zealand farms and Awassi genetics. Any proposed solution should have a strong livestock component to it. For example, live export of breeding stock both sheep, cattle and in time dairy stock.
29. The Al Khalaf Group will be key in identifying and researching market opportunities in Saudi Arabia and elsewhere in the Middle East for the products produced from the demonstration farm.

Progress to date

30. In order to develop a solution, a group of New Zealand technical experts (see related papers) travelled to Saudi Arabia to review Al Khalaf's existing value chains. The objective was to

identify how best New Zealand could assist Al Khalaf to achieve its objectives of a demonstration breeding farm and contribute to the Saudi Arabian food security programme.

31. New Zealand based technical experts identified a range of areas where New Zealand could assist Al Khalaf with building the demonstration farm. The components of a value chain were identified and documented. A well-funded demonstration farm could act as a showcase of New Zealand technologies for the wider GCC market where Saudi Arabian, GCC farmers and agribusinesses and other sector participants could observe New Zealand systems and technologies in operation. The initial costs from Al Khalaf indicate it will cost approximately \$80 million to establish a sustainable breeding operation of 50,000 breeding ewes. New Zealand's \$6 million investment will be used to procure specialist expertise to make it a success. Al Khalaf is committed to a partnership arrangement to build the demonstration farm and promote New Zealand capability which will in turn assist with contributing over time to Saudi Arabia's food security objectives.
32. While the discussions continue to develop with Al Khalaf's representatives, there is now a need to consider the programme of work which will determine the optimal solution for New Zealand before these discussions can progress.
33. The immediate opportunity, and the focus of this paper, is the development of a demonstration breeding farm and hub in Saudi Arabia that will mean New Zealand companies are well placed to assist Saudi Arabia and Al Khalaf with wider and more extensive goals.
34. The pilot programme will enable the development of market demand for New Zealand products and capabilities by showcasing New Zealand's primary sector capabilities within market (initially Saudi Arabia – and progressively through the GCC states). The programme will also contribute to stronger regional relationships with connections throughout the Saudi Arabian food value chain – through the promotion of Al Khalaf and his leadership role in the formation of a partnership and consequentially the development of closer Government-to-Government connections through contributing to Saudi Arabia's food security.

Cabinet Decision

In regards to the partnership, Cabinet:

- Noted the proposal to invest in a pilot agribusiness operation with Saudi Arabia as a means to resolve this dispute and form a long term food security partnership;
- Agree there will be an ongoing investment in the pilot agribusiness operation of up to \$6 million for the delivery of services by NZ agricultural service entities, and that the \$6 million will be undertaken in strict conformity with Government Procurement requirements;
- Noted that the cost of these initiatives will be met from the MFAT baseline;
- Noted that the procurement and selection of New Zealand firms and services to participate in the food security partnership will be done with agreement of the Saudi partners, MFAT, and NZTE, and funding will be disbursed using usual NZTE mechanisms;
- Noted that any related proposal to export livestock for breeding purposes must meet existing MPI criteria and be the subject of an application in the normal way;
- Noted that any export of livestock for breeding purposes under the partnership must be undertaken to achieve the effective relocation of breeding stock to Saudi Arabia for the

purposes of shaping the new business model, and not to establish a new business in New Zealand in the export of livestock for breeding.

- Cabinet also agreed that MFAT was to work with OAG and Treasury on developing the programme.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

The Strategic Case – Making the Case for Change

35. This part of the strategic case confirms the strategic context for the investment proposal and makes a compelling case for change.

Strategic Context

36. The strategic context provides an overview of the organisation and the outcomes that it is seeking to achieve, or contribute to, through its operations.

Organisational overview and alignment to existing strategies

37. The investment proposal aligns to New Zealand's interest in pursuing a stronger relationship with the GCC.
38. The GCC is a six member regional grouping of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. With a population of 28 million, Saudi Arabia is by far the largest and most influential GCC state.⁴ The GCC comprises one of the wealthiest trading blocs in the world. Qatar has the highest GDP per capita (US\$102,000) in the world. Surrounded by the Arab Spring, GCC nations are utilising oil wealth to improve the lives of their citizens, as a means of ensuring longer term stability.
39. For the past three years the Minister of Foreign Affairs, supported by Ministry officials, has been working to resolve a major relationship issue with Saudi Arabia which has spilled over into the wider GCC.
- s 9(2)(j)
- the more serious problem lies in the threat to existing trade in goods and services unless steps are taken to resolve it.
40. The investment proposal aligns to the three related Government entity objectives as outlined at a high level below:

⁴ Saudi Arabia (28 million people), United Arab Emirates (7.9m), Kuwait, (2.8m), Oman (2.7m), Qatar (1.8m), Bahrain (1.3m).

Table 1: Alignment to key Government Agencies

Ministry of Foreign Affairs and Trade	<p>MFAT is responsible for protecting and promoting New Zealand's interests overseas. Relevant SOI enduring outcomes are:</p> <ul style="list-style-type: none"> • New Zealand's ability to influence key relationships and safeguard our interests enhanced • Economic growth and international competitiveness advanced through New Zealand's international connections • New Zealand's interests secured through regional and multilateral engagement and effective international rules <p>And relevant strategic priorities are:</p> <ul style="list-style-type: none"> • Achieve influential relationships with key emerging economies • Build comprehensive partnerships with the European Union and the Middle East • Help New Zealand firms to internationalise and export.
New Zealand Trade and Enterprise	<p>NZTE's as New Zealand's international business development agency helps New Zealand businesses grow bigger, better, faster in international markets. NZTE's strategy supports the Government's Business Growth Agenda which creates conditions that encourage successful businesses to grow globally.</p>
Ministry of Primary Industries	<p>Relevant aspects of MPI's strategy are:</p> <ul style="list-style-type: none"> • Increasing sector investment in innovation • Increasing access to new and changing markets • Increasing primary sector contribution to GDP

41. The GCC is a region where:

- Economies are growing quickly
- Markets are maturing
- Consumer demand for imported goods and services is high and on an upward growth trajectory
- Economic indicators underline the importance of New Zealand securing a stable, strategic economic partnership on a par with other countries, and recognition as a supplier of choice.

42. The GCC is a significant market for New Zealand:

- If treated as a single destination, the GCC was New Zealand's fifth-largest export market by value in the year to December 2011, .
- New Zealand's exports to the Gulf region have experienced on average 10% growth per year over the last six years, compared with average growth in New Zealand's total exports of 3.7% per year over the same period.
- New Zealand goods exports to the GCC already exceed \$1.57 billion (higher than the UK and India) and have grown at an average of over 10% over the past three years. This reflects a recognition by both the Government and the private sector of the fact that significant effort could see these figures lift dramatically. The only new New Zealand embassy opened anywhere in the world in the last three years was established in Abu

Dhabi, and private sector interests have also invested heavily in their presence in the Gulf.

43. The objective of an FTA with the GCC would be to move towards deeper economic integration between New Zealand and the GCC countries. There are, at this stage, three broad benefits accruing to New Zealand in pursuing FTA negotiations with the GCC.

Table 2: Benefits of an FTA to NZ

Benefit	Description
Removal of tariff barriers to maintain our competitive edge	<ul style="list-style-type: none">• New Zealand's top two export items to the GCC, dairy and sheep meat, together account for an average of 80% (or NZ\$554 million) of exports to the region over the last three years.• In 2006 the GCC was New Zealand's fourth largest market for sheep meat by volume, and fifth by value. For beef, the GCC was New Zealand's 11th largest market by volume and 12th by value.
A platform to develop trade in services and investment	<ul style="list-style-type: none">• While goods currently dominate our exports, New Zealand has growing interests in services areas such as information and communications technology, education services, architecture and engineering services, consultancies, legal services, environmental services, and construction. Saudi Arabia and Oman are a growing and important source of international fee-paying students.
Reducing non-tariff barriers to trade	<ul style="list-style-type: none">• Longer-term, an FTA would also provide a basis for consultation to deal with a range of non-tariff issues affecting trade, such as Sanitary and Phyto-sanitary (SPS) measures (i.e. animal and plant quarantine, including food safety); and Technical Barriers to Trade (TBT) (e.g. standards, technical regulations and conformity assessment procedures).

44. Importantly for the depth of New Zealand's on-going relationship with Saudi Arabia, the investment proposal is aligned to Saudi Arabia's food security goals.
45. According to the Economist Intelligence Unit, the six GCC states currently import 90% of all food products. High reliance on imports means the region is particularly vulnerable to price increases when supplies are interrupted. For example, interruptions in supply and demand lead to shortages in food commodities and a surge in prices during the world food crisis from mid 2007 to mid 2008.
46. Saudi Arabia is currently investing US\$23.1 billion in food security initiatives, including a US\$12.3 billion allocation to the development of the food processing sector. Some of the actions taken include:
- Increasing the salaries of all government officials.
 - Increasing the allowances of all social security beneficiaries.

- Subsidising some basic products (rice, baby milk powder, barley and other animal feed ingredients).
- Controlling the prices of some products (cement, steel).
- Lowering the local prices of fuel (Gasoline and Diesel).
- Reducing the fees on some services such as seaport services, passports, driving licenses, and residences permits. Cutting the import tariffs of 180 basic commodities of which some are food products such as wheat products, chickens, eggs etc.

47. The proposal for a demonstration breeding farm is timed well with new Saudi initiatives to improve its food security. The Saudi Agricultural Development Fund has, for example, recently launched an initiative to increase the number of sheep after seeing sheep in the Kingdom drop from 12 million in 2008 to 8.7 million in 2012. They want to make the industry sustainable with the preservation of natural resources while also developing the methods used by herders, breeding-improvement programs, genetic improvement, and feeding methods.

- New Zealand's best practice agricultural capability, and reputation for excellence, means that we are well placed to assist Saudi Arabia, and the wider gulf region, with food security initiatives.

Investment Objectives, Existing Arrangements and Business Needs

Investment Objectives

- 49. As stated in the introduction the overall investment objective is to support the design and build of a demonstration farm and operation that represents best practice, and upholds the reputation of New Zealand Agri-business excellence - showcasing New Zealand on farm capability, products and expertise in market generating repeat purchases.
- 50. To that end a technical field visit with key stakeholders was undertaken to identify the investment objectives and gain a better understanding of the business needs. The key stakeholders identified and agreed the following key investment objectives:
 - Investment objective one: Research, plan and design a demonstration breeding farm designed around a combination of Saudi Arabian and New Zealand on-farm best practices
 - Investment objective two: Build and implement demonstration breeding farm which support Saudi Arabia's food security objectives
 - Investment objective three: Showcase and promote NZ best practice, technology, capability and approaches representing best practice across the value chain

Existing Arrangements and Business Needs

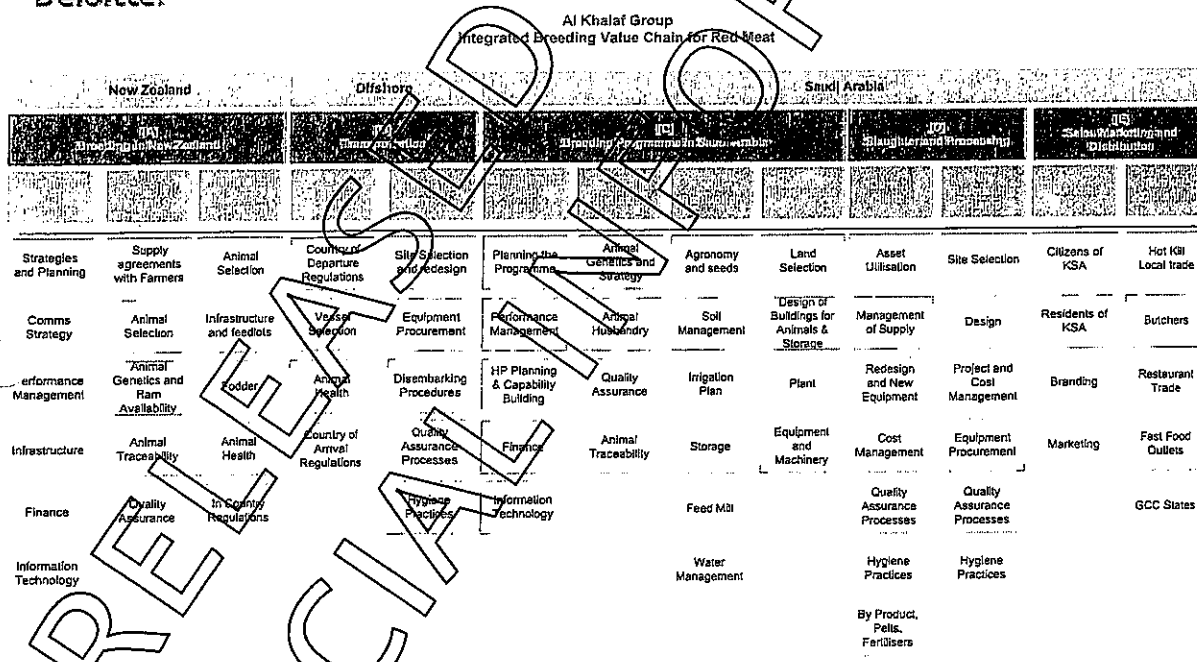
- 51. The demonstration farm will showcase a breeding and fattening unit that produces product that would be targeted to the growing middle class in Saudi Arabia and the GCC. This would complement Al Khalaf's existing value chains and provide a premium market return. Al Khalaf will be seen as the driver of innovation in the red meat sector in its resolve to contribute to addressing food security risks. Visitors to the demonstration farm will see New Zealand products and services in action.

52. The demonstration farm will:

- Be designed around a combination of Saudi Arabian and New Zealand on-farm best practices
- Involve and showcase in Saudi Arabia a number of New Zealand firms or technologies representing best practice across the value chain (genetics, farm management systems and farm equipment were identified)
- Have staff capacity and capability to showcase the operation to interested business delegations
- Leverage Al Khalaf's brand, investments and expertise in both markets while providing a new sustainable business
- Support Saudi Arabia's food security and safety objectives
- Build New Zealand brand awareness and complement the existing chilled and frozen meat trade

53. During the study tour to Saudi Arabia the participants developed an integrated breeding chain for red meat from New Zealand to Saudi Arabia – see the diagram below. Using this tool we identified those areas where New Zealand could best assist Al Khalaf and developed their new value chain.

Deloitte.



54. An assessment was undertaken of Al Khalaf's current capabilities to deliver against their objectives. This identified several areas where they required assistance and support from New Zealand. Based on the quantum of the New Zealand's investment this list was further reduced to the core areas that were both critical to Al Khalaf and where New Zealand could provide a demonstrable difference. The four areas that have been agreed are:

- Animal performance and management
- Nutrition management

- Provision and design of technology and equipment
- Governance and marketing

55. Al Khalaf intends to build a processing plant next to the demonstration farm once planning consent is given. They anticipate New Zealand expertise will be procured to design and build this facility – potentially under a separate arrangement.

56. Al Khalaf believed that sales and distribution was an area where they had existing capability and intended to invest further as the programme comes on stream.

The Economic Case sets out the programme areas in more detail and also outlines high level milestones and achievement measures.

Potential Business Scope and Key Service Requirements

57. As outlined above, the business scope and key service requirements were identified and assessed by key stakeholders during the study tour. The group concluded that the following was the scope required to deliver essential and desirable service requirements:

Table 4: Potential business scope and key service requirements

Service Requirements	Key Assumptions
Animal performance and management	<ul style="list-style-type: none"> • Animal husbandry, welfare, performance • Animal selection • Genetics strategy • Infrastructure development (i.e. feedlots)
Nutrition management	<ul style="list-style-type: none"> • Nutrition formulations • Agronomy and seeds selection • Fodder production • Water management systems • Irrigation systems
Provision and design of technology and equipment	<ul style="list-style-type: none"> • Ear tags/EID tags • Tag readers • Scanners • Scales • Sprayers • Irrigators • Fencing • Slaughter and processing design and technologies
Governance and marketing	<ul style="list-style-type: none"> • Business planning and project management • Farm management planning • HR strategies and people development • Farmer selection and contracting • Marketing and branding

Main Benefits

58. Stakeholders identified the following benefits during the study tour and subsequent analysis.

Table 5: Analysis of potential benefits that can be expressed in monetary terms (more detailed analysis will be undertaken through the contracting process with the lead provider).

Main Benefits	Who Benefits?	Direct or Indirect?	Description
Protection of current market access to the GCC	Government and current exporters to the GCC	Indirect	This is part of a strategy to resolve a major relationship issue with Saudi Arabia which has spilled over into the wider GCC
Increased tax revenue	Government	Indirect	Tax revenue in the form of income tax and PAYE through growth of New Zealand companies. The portion of the investment recycled through the tax system via Income and PAYE taxes (for companies based in New Zealand). Very little GST will be captured primarily due to the services being delivered offshore
Increased sector revenues	Agri sector	Direct and indirect	<p>Increased sector revenues through</p> <ul style="list-style-type: none"> • Commercialisation of Government IP (through Government Ministries and Departments) • Increased export revenues from sales of products and services by New Zealand Companies in Saudi Arabia initially then the GCC • Increased services and product sales • Increased benchmarking services • Potential for IP licencing fees • Potential long term customer base

59. Some benefits cannot be reliably quantified in monetary values. These non-monetary benefits are described below.

Table 6: Analysis of potential benefits that cannot be reliably expressed in monetary terms

Main Benefits	Who Benefits?	Direct or Indirect?	Quantitative or Qualitative?	Description and Possible Measures
Improved market access	Government and current and future exporters to the GCC	Indirect	Quantitative	This project will improve the relationship between the New Zealand and Saudi Arabian Governments – ultimately resulting in improved market access to Saudi and the broader GCC. This will have significant spill over benefits to New Zealand organisations doing or wishing to do business in Saudi and the GCC

60. Measures of these and other benefits will be developed with the selected provider for inclusion in the contract. These will then be tracked in the form of progress reporting through the contract management process.

Main Risks

61. Risks result from uncertain events that either improve or undermine the achievement of benefits. The main risks that might create, enhance, prevent, degrade, accelerate or delay the achievement of the investment objectives are identified and analysed below:

Table 7: Initial risk analysis

Main Risks	Consequence (H/M/L) ⁵	Likelihood (H/M/L)	Comments, Mitigation and Strategies
Market interest and capability	Medium	Medium	<p>There are no guarantees that substantial sales will result from the demonstration farm. Attracting a lead supplier and consortium partners who will invest their own time/money in developing sales in the GCC may be challenging</p> <p>Mitigate: Ensure the Notice of Procurement and ROI are posted on GETs for a sufficient period of time for consortia to be organised, briefed and to formulate responses.</p>
Procurement Process	Medium	Medium	<p>Undertaking a two stage tender including competitive dialogue will require at least 50 business days from the initial notice of procurement , supplier briefing, tender evaluation, to agreeing a contract.</p> <p>Mitigate: Be realistic in the time required develop and refine requirements with suppliers. Be transparent in the ROI and communicate progress regularly with the Minister responsible</p>
Saudi border being closed to animal imports	High	Low	<p>Risk of an animal health risk</p> <p>Mitigate: Al Khalaf are experienced in live animal exports and have the resources to manage pre-export animal checks, resources on the boat and in country to manage any issues</p>
The ability to scale up Awassi NZ's production or source of animals	Medium	Medium	<p>Lack of interest from local farmers to shift their production systems</p> <p>Mitigate: Develop a supplier group with support and contractual certainty to support their transition and performance</p>
IP protection	High	Medium	<p>Benefits from investment are not attained because competitors duplicate our systems and capabilities</p> <p>Mitigate: Processes and farming systems are easy to replicate but hard to apply, the focus is on continual refinement and development to stay ahead</p>

⁵ High, medium or low.

Main Risks	Consequence (H/M/L)	Likelihood (H/M/L)	Comments and Risk Management Strategies
Customer perception	Medium	Medium	The customers are very sophisticated and assess quality by where they were breed Mitigate: Provide customers with the story of where they were breed and where they were finished
Threat of new competitors (entrants) in the start exporting restricting access to animals	Medium	Low	New entrants to the industry could provide additional competition, and reduce the impact of this programme by decreasing our market share and therefore decreasing uptake Mitigate: Al Khalaf's infrastructure, identity and experience provides an end-to-end capability that generates commercial efficiencies
Security of supply of raw materials	High	Medium	Reliance on suppliers of for supplementary feed to the farms Mitigate: This programme itself mitigates this risk by developing the crop and pastoral capabilities on farm.

62. A risk register will be developed as part of the contractual management framework developed with the lead provider and will be progressively updated as more detailed analysis is undertaken.

Key Constraints and Dependencies

63. The proposal is subject to the following constraints and dependencies. These dependencies will be carefully monitored during the project through the contract management framework with the lead provider.

Table 8: Key constraints and dependencies

Constraint	Management Strategies
New Zealand's investment	The key constraint is the size of the New Zealand investment. Estimates from Al Khalaf are that to build a demonstration farm for 50,000 breeding ewes is in the order of \$80million. Therefore support is required from Al Khalaf to develop the farm.
Dependency	Management Strategies
Al Khalaf	The success of this project is reliant on Al Khalaf to partner with the New Zealand Government to design and build the demonstration farm. For example, the success of the project is reliant on Al Khalaf providing access to land to build the farm, capital to procure the livestock and the availability of a livestock transport ship to the deliver the animals to Saudi Arabia.

The Economic Case – Exploring the Preferred Way Forward

64. The purpose of the economic case is to identify the investment option that optimises value for money. However, due to preliminary approval of the approach through the Cabinet Paper, and the technical visit to determine the most suitable technical approach to progressing the partnership, we have outlined only the preferred option below.
65. Based on the findings of the technical experts, the development of a value chain and the subsequent discussions with Al Khalaf four primary areas of investment have been identified where New Zealand can offer significant value.
66. The following table outlines these key areas of the New Zealand commitment. It is expected that these four areas will form the distinct Project Teams within the framework outlined in the Management Case Section.

Table 9: Key investment areas

Investment Areas	Expected Outcomes	Investment Providers
Animal Performance and Management <ul style="list-style-type: none"> Animal husbandry, welfare, performance Animal selection Genetics strategy Infrastructure development (i.e. feedlots) 	<p>This area focusses on the end to end breeding programme to meet a market specification. This includes the genetics programme in New Zealand through to the breeding and fattening operations in Saudi Arabia.</p>	<p>s 9 (2) (b) (i)</p>
Nutrition management <ul style="list-style-type: none"> Nutrition formulations Agronomy and seeds selection Fodder production Water management systems Irrigation systems 	<p>A nutrition programme will complement the animal plan and it is critical to get this right given the extreme environment. Once again a combination of New Zealand expertise and local knowledge will deliver a superior outcome than is currently achieved.</p>	<p>s 9 (2) (b) (ii)</p>

⁶ This is an indicative list of the types of firms and technologies that could participate in this programme

Investment areas	Explanation	Possible NZ providers ⁸
Technology and Design <ul style="list-style-type: none"> • Ear tags/EID tags • Tag readers • Scanners • Scales • Sprayers • Irrigators • Fencing • Slaughter and processing 	Access to enabling technology will underpin the necessary best practice elements of the demonstration farm. Any technology will need to be coupled with the appropriate expertise for design, implementation and use to achieve the best outcomes on farm.	
Governance and Marketing <ul style="list-style-type: none"> • Business planning and project management • Farm management planning • HR strategies and people development • Farmer selection and contracting • Marketing and branding 	Al Khalaf has identified strong governance and execution capability as a critical success factor. They plan to build a sustainable long term business and will require capability around them to achieve this over the longer term – i.e. beyond the New Zealand funding horizon.	

67. Having identified the four areas where New Zealand will invest, the key activities to be undertaken and the draft timeline (see Management Case section) the team has developed a preliminary and high level performance management framework (see below) designed around milestones and achievement measures. Clearly these will be refined during the competitive dialogue process, with additional milestones and achievement measures being developed around the four key project areas above. As previously stated these milestones and outcomes will form the basis of a subsequent contract with the Government.

Table 10: A high level view of the potential programme milestones

Milestones	Research and Design	Construction	Operating farm
Achievement measures	<ol style="list-style-type: none"> 1. Develop a research, design and feasibility plan including: <ol style="list-style-type: none"> a. Preliminary information of the cost of the landed animals b. Market research on the likely returns in Saudi for the premium stock c. An evaluation of the existing operation compared to relevant benchmarks d. The training components needed and a training plan e. Market research to provide a plan for required breeds to maximise returns and then a plan to achieve this starting with the imported animals and males that could be exported along with the pregnant female cattle and sheep. E.g. Awassi f. Identification of local animal health risks and a prevention programme to minimise losses and ill thrift, ensuring maximum returns 		

- g. Review of the current feed production systems and determination of the level of performance currently and some prediction on the likely improvements possible.
- h. Land selection including ground type for building good foundations, water table, slope for building, rainfall for water runoff
- i. Design of buildings for animals and storage and the feedlot farms for both sheep and cattle breeding
- j. Estimate of cost of the development after initial design work
- k. **Stop/go decision point for Government and the Lead Provider – is this a feasible, achievable and realistic programme and can we achieve the desired benefits?**

Start date July 2013

End date TBC

Milestone 2: Build and implement demonstration breeding farm

Achievement measures

1. Based on the business plan and the approved designs of the infrastructure, implement a breeding programme and demonstration farm to achieve maximum returns, utilising the best of technology applicable to the situation
2. Select and utilise the best available technologies to give the best results taking into account the climate, facilities and human resources including tagging systems needed for animal management, and then a computerised means of recording this information
3. Preparation for the arrival of the breeding stock and the lambing

Start date January 2014

End date TBC

Milestone 3: Develop and implement communication channels / reach / by an approach

Achievement measures

1. Develop communication channels to ensure extensive promotion
2. Develop communication tools (e.g. story boards on process undertaken, lessons learnt, NZ capability etc)
3. Set up showcase infrastructure and make available personnel for promotion purposes
4. Encourage delegations and broader involvement to increase awareness and maximise profile

Start date TBC

End date TBC

The Commercial Case

68. This section outlines the proposed procurement approach in relation to the preferred way forward.

Outlining the procurement strategy

69. Subject to the approval of this indicative business case, it is proposed that a two stage tender is undertaken. A Notice of Procurement will be posted on GZTs providing early notification to the market of the planned Registration of Interest (ROI) and a supplier briefing. A supplier briefing will be held before or soon after the ROI is released. The second stage of the tender will be competitive dialogue process with the short-listed lead provider/s and their consortium partners. The competitive dialogue process will be used to more closely define requirements and deliverables, in advance of formal proposals being invited.
70. . An open approach to market is the most robust means of identifying and qualifying the range of agribusiness expertise required to maximise the benefits that NZ may derive from the Governments investment in this initiative..
71. **Lead Provider:** To ensure that the various specialist NZ agricultural products and services are identified and effectively showcased through the proposed demonstration farm it is necessary to identify an organisation with the scale, networks and commercial experience to organise and manage the activity required in NZ and Saudi Arabia. The selected lead provider will be responsible for the final design and delivery of the agreed outcomes within the \$6 million budget. It would be the lead provider's responsibility to sub contract the necessary New Zealand capability to deliver the programme.
72. This approach ensures that there are clear accountabilities between Government, Al Khalaf and the lead provider and takes the day to day delivery of the programme away from Government, allowing them to have a contract management role. This approach is not too dissimilar to the Governments collaborative approach to investment in our own productive sector through the Primary Growth Partnership.
73. **Procurement options:** Accepting that having single point of accountability for delivery of the proposed programme of work, is the right strategy, the next challenge is how to procure a lead provider. From the research completed to date it is clear that there are few companies that have the networks /knowledge of the NZ agricultural sector and experience in GCC to be a credible lead provider. The following table outlines the procurement options we have considered.

Table 11: Procurement options

Advantages	Disadvantages
<p>Direct sourced</p> <ul style="list-style-type: none"> • Have already identified potential providers in the agri-sector that may meet the evaluation criteria • Least cost option • Least time consuming option 	<ul style="list-style-type: none"> • High procurement/perception risk • May have inadvertently missed out a potential provider • Ability to demonstrate value for money

Option	Advantages	Disadvantages
Two Stage tender ROI process – then enter into competitive dialogue/ negotiations	<ul style="list-style-type: none"> • Gaining insight in to the market • Encouraging collaboration of Agri-Sector providers • Pragmatic given small market, knowledge of market and strict criteria • Ability to work with the short-listed provider/s to shape the programme and benefits schedules • Competitive negotiations will provide insights to VFM and tighten requirements • Potential to identify small medium sized firms who may be able to contribute or benefit through the work of the lead provider and main consortium partners 	<ul style="list-style-type: none"> • Can be costly if the competitive dialogue process is not managed well and draws out • If only one viable lead provider / consortium bid is received the competitive dialogue process will not deliver as much value as would be the case if an alternative solution were proposed or two consortia were contributing to a refined specification of requirements.
ROI and traditional RFP process	<ul style="list-style-type: none"> • Opportunity to narrow down respondents for the full RFP based on written ROI responses, reference checks, presentations – therefore taking less time than working through a competitive dialogue process. • Can produce a good outcome if the specification of requirements in the RFP are sufficiently well developed. 	<ul style="list-style-type: none"> • Potential to miss out on the innovative ideas that the market may have regarding how the services proposed may be delivered and how incentives in the contract may be structured.
Single Stage RFP	<ul style="list-style-type: none"> • Potentially the quickest sourcing alternative. • Given the likely low level of responses this is viable option. • Can produce a good outcome if the specification of requirements in the RFP are sufficiently well developed 	<ul style="list-style-type: none"> • Lacks an opportunity to work with responders to more fully develop a specification of services and develop a programme plan and associated processes

74. Based on the experience of the technical team the preferred approach is the Two Stage competitive dialogue process – The ROI will determine the competitiveness and the capability of the market to deliver the services required, and competitive dialogue phase will enable expectations on all sides of the proposed initiative to be clarified.

75. **Procurement process** The objective of the procurement process is to procure a consortium of suppliers and organisation to lead and implement New Zealand's contribution to the Agri-Hub in Saudi Arabia. The following diagram outlines the preferred process at a high level and its fit within the context of the broader programme:

Consent for ROI process	ROI process	Competitive dialogue	Contracting process	Programme delivery
<ul style="list-style-type: none"> • Consultation with Al Khalaf and Agri-Sector participants • Indicative Business Case seeking consent for an ROI process 	<ul style="list-style-type: none"> • ROI development • ROI dissemination • ROI response • ROI evaluation • Preferred supplier selection (based on a lead provider and consortium approach) 	<ul style="list-style-type: none"> • Programme and milestone schedule (including financials) development and negotiation • Benefit schedule development and negotiation 	<ul style="list-style-type: none"> • Overarching contract development and negotiation • Contract signing 	<ul style="list-style-type: none"> • Programme Governance • Programme Management by agreed Project Teams • Programme delivery as per negotiated milestones

76. **Notice or Procurement:** A notice of procurement provides the market early notification of the intended ROI and provides them some time ensure they will have the resources and time available to provide a good quality RFI response.

77. **The ROI:** The following provides an indication of the the content and evaluation criteria that may be considered in preparing the ROI. An ROI will be issued to the market clearly outlining:

- The purpose of the ROI – being to understand the market for a lead provider – and associated consortium partners, to establish a demonstration breeding farm (Agri-Hub) for sheep and beef in Saudi Arabia. The purpose of the demonstration farm being to promote New Zealand companies and Government Department IP in the form of services, policies, equipment, and capabilities to new markets.
- The high level background to the project, its strategic importance to bilateral relationships and desired outcomes sought
- The four key areas of the programme that the lead provider and consortium members will be expected to deliver
- The concept of Partnership and its importance to this programme and an introduction to the existing participants in the partnership – Al Khalaf and the New Zealand Government
- The evaluation criteria for a lead provider and consortium members
- The expected outcomes and benefits of the programme to the New Zealand Government including:
 - A number of New Zealand companies across the value chain will be involved in the delivery of the programme
 - The demonstration farm will have staff capacity and capability to show through interested New Zealand delegations
 - The demonstration farm and associated show room will represent best practice, and uphold the reputation of New Zealand Agri-business excellence
- The request for information on:
 - Lead provider

- Consortium members *(A list of potential providers is set out in the Economic Case section. The list is indicative only and is based on market research completed to date. The ROI will be used to identify new, additional or alternative providers.)*
- For each of the parties, experience, capability and commitment against each of the evaluation criteria
- A commitment to enter in to the next steps with the Government in good faith if selected to proceed
- The expected next steps including:
 - Timelines
 - Programme schedule (including financials) development and negotiation
 - Benefit schedule development and negotiation
 - Overarching contract development and negotiation (in line with PGP contract structure)
 - Contract signing
 - Programme Governance via contract management
 - Programme Management by agreed Project Teams
 - Programme delivery as per negotiated milestones
- The intention of working together in partnership to develop the approach etc.

78. **Draft evaluation criteria.** The following table outlines draft characteristics of success. These characteristics could be utilised as the basis for evaluation criteria.

Table 12: Draft evaluation criteria

Characteristic	Lead provider	Consortium member
The ability to build strategic partnering relationships in another country	x	
Proven track record of contracting with Government – preferably by way of partnership	x	
Proven ability to collaborate with wider value chain participants and contribute to a wider programme of work	x	x
Proven ability to deliver like projects in any or all of the four key project areas	x	x
Reputation for excellence in New Zealand and overseas	x	x
Ability to adapt New Zealand best practice to other environments	x	x
Strategic focus, demonstrated experience and operational reach or relationships in the GCC	x	x
Adequate economic scale	x	x
Understanding and appreciation of the Partnership approach	x	x

Characteristic	Lead provider	Consortium member
Commitment to delivering direct and indirect net economic benefits to New Zealand (based on PGP principles)	x	x
Commitment to providing spillover benefits to New Zealand (based on PGP principles)	x	x

Required services

79. The required services in relation to the preferred way forward are outlined at a high level in the Economic Case section.

Potential for risk sharing

80. The proposed procurement approach and contract will deliver the accountabilities and incentives for all stakeholders to perform. It provides Government with market choice (to proceed or not as the case may be). The concept of a lead provider provides clear incentives to perform and contracted accountabilities. This approach will provide the Government with simplicity, transparency and effectiveness, while encouraging collaboration in the private sector. Risk is better shared with those incentivised to manage it.

Proposed key contractual clauses

81. The contract provisions will be loosely based on the PGP contract structure. The content of the overarching template will largely be set by the Government, with limited opportunity for negotiation. However the contract schedules will be developed in collaboration (competitive dialogue) with the lead provider and consortium members. The programme costings and contributions will need to be adequately specified, realistic and appropriate (based on PGP principles).

Accountancy treatment

82. As part of the partnership arrangement, Al Khalaf is utilising its extensive land base for the Agri-Hub. This \$6 million investment is a programme designed around the purchase of goods and services that showcase good practice NZ agribusiness tools and techniques on a demonstration farm owned by Al Khalaf.

Payments

83. The organisation intends to make payments with respect to the proposed products and services through the times and amounts specified in the contract – jointly developed between the lead provider and the Government, up to a total amount of \$6 million. This will generally be monthly as expenses are incurred, as long as milestones, achievement measures and timelines are being regularly met in accordance with the programme of work set out in the contract. Invoicing and payment details will be provided in the contract.

Contract length

84. The contract length will be determined as part of the collaborative negotiation process but is anticipated to be between 2 – 3 years.

Contract structure

85. The following diagram outlines the structure of the contract that will be signed between the lead provider (supported by consortium members), and MFAT/NZTE.

Overarching Contract

Sets out nature of relationship, expectations regarding annual planning, reporting, audit, payment mechanisms, variations, change events, termination, liability, indemnity etc.

Management Group Terms of Reference

Sets out composition, meetings, roles, responsibilities, scope, procedure, consensus

Principles for IP Management

Sets out management principles for IP developed by the consortium, and obligations for spillover

Communications Plan

Sets out plan for public communications, holding of information, release of information, parliamentary questions, OIA requests

The Programme Plan

Sets out expected benefits schedule, programme outcomes, milestones and achievement measures, programme financials and stop/go decision points by the Government

Procurement timeline

86. It is anticipated that the implementation milestones to be agreed with the service provider(s) will be as follows:

Table 13: Procurement timetable

Procurement Milestones	Approximate Date
ROI to market	Mid August
Dialogue with potential respondents	Late August
AT/NZTE selection of preferred provider/s	Early September
Expense transfer from MFAT to NZTE	Late September
Receipt and approval of detailed proposal and implementation plan	Late September
Contract finalised	Late September
NZTE management of contract and release of funding against agreed milestones	Ongoing

87. This approach would be consistent with Government procurement guidelines. In accordance with Cabinet instructions, it has been discussed with the Office of the Auditor-General and with The Treasury.

The Financial Case

89. The purpose of this section is to set out the indicative financial implications of the preferred way forward. The split of funding across the four key service areas has been tentatively estimated below:

Table 14: Tentative split of funding across activity areas

Governance and Marketing	\$600,000
Animal Performance and Management	\$3,000,000
Nutrition management	\$1,200,000
Technology	\$1,200,000
Total	\$6,000,000

90. This split and its breakdown will be further assessed through the contract negotiation and design phase.

Funding sources

91. Cabinet has agreed that the \$6m funding for purchasing New Zealand goods and services as part of the partnership will be met within the current baselines of the Ministry of Foreign Affairs and Trade (NZTE has indicated that it would contribute 500K of this \$6m). Funding has been allocated for this purpose.

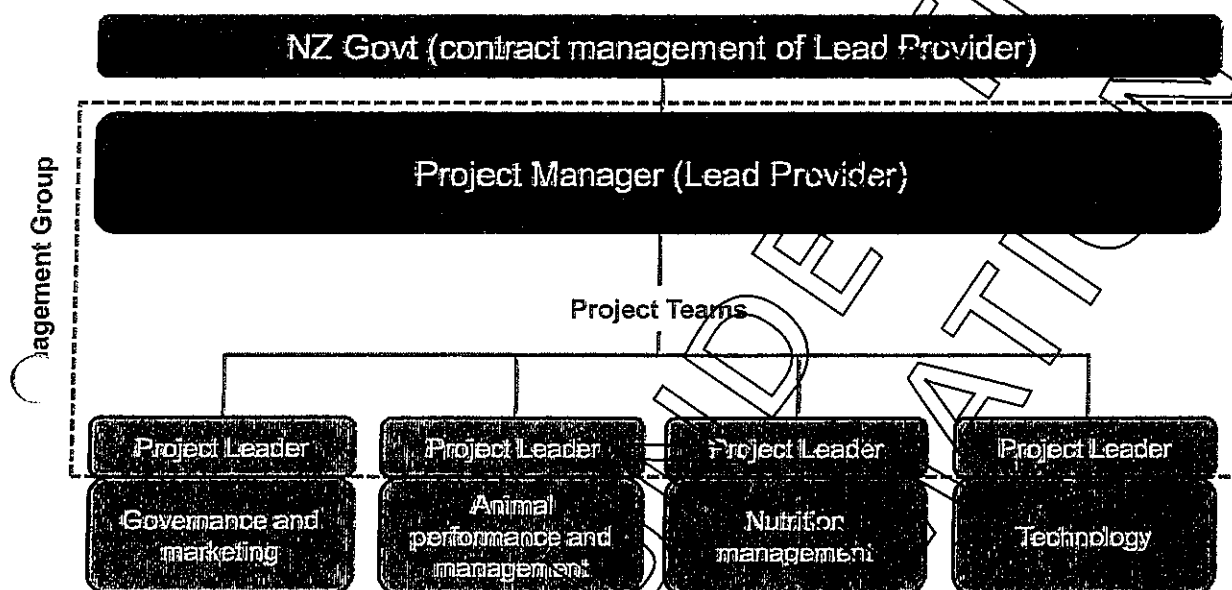
92. This will be transferred to NZTE for the purposes of managing the contract.

The Management Case

93. The management case addresses the achievability of the proposal and planning arrangements required to both ensure successful delivery and to manage project risks.

Project management strategy and framework

94. The following diagram outlines the proposed framework:



95. **NZ Government:** The Government, through NZTE, will provide a Contract Management role. It will manage the lead provider and consortium members on delivery against the milestones in the contract and will track the progress being made against expected benefits. NZTE will also be responsible for approval of scope and business plans – including vision and objectives, reviewing the risk register and adjudicating any disputes escalated by the project manager.

96. **Lead Provider:** The Lead Provider will have day-to-day control of the initiative and has five main responsibilities:

1. **Set the expectations;** draft the Project Team Terms of Reference for delivery by the project leaders and prepare standards for how the Project Teams will operate. They will set reporting requirements and templates and mandate meeting schedules and attendances.
2. **Ensure tasks and deliverables are completed properly and on time;** support and monitor Project Team operation in relation to expectations and standards; ensure interdependencies and collaborative work requirements are facilitated and operate smoothly; monitor deliverables over time and assist with removing roadblocks.
3. **Report regularly to the Government through the contract management process** with collated Project Team data on progress and raise issues and matters for advice or decision at other levels.
4. **Provide guidance and advice for Project Team Leaders;** assist in problem resolution and advise on risk mitigation and management and issue resolution.

97. The Lead Provider will manage all communications, will have excellent project management skills, make appropriate decisions, motivate and inspire Project Teams, bring a tactical focus to the process and champion the changes that will need to be made.

98. **Management Group:** The four Project Team Leaders and the Lead Provider represent the Management Group. The Project Leaders will:

- Ensure milestones are met
- Liaise with the lead provider on a day-to-day basis and report regularly
- Support the lead provider in their role
- Ensure continuity of service where this already exists and draw on external assistance as necessary.

99. The Project Leaders must have the enthusiasm to champion the programme and motivate others. They will need to have a clear understanding of the big picture in order to promote and deliver on the programme plan. They will also need to be:

- Respected for subject expertise
- Excellent communicators, and
- Motivated leaders.

100. **Project Teams:** The Project Teams, built around the four key areas of the programme, undertake their work in accordance with the Terms of Reference to deliver on the programme plan. The Project Teams will have specific objectives, milestones, activities, deliverables and deadlines and will need to work closely with other areas/ Project Teams to meet their obligations for establishment.

101. **Reporting:** Project leaders provide data and information to the lead provider who then collates this material and presents it in a clear and transparent way to the Government through NZTE and the contract management process.

102. The key features of the reporting are regularity and detail to the level appropriate for the audience. The key function of the reporting during the programme is to allow progress to be monitored and to ensure surprises are avoided if and when changes to approach are needed.

Proposed timeline

103. The proposed timeline requires careful planning. The first shipment needs to arrive in Saudi Arabia so that the lambs are prime before the commencement of the Northern Summer – June 2015. The following outlines a draft timeline which the detailed programme plan can be based on:

KSA seasons	Summer	Autumn	Winter	Spring	Summer	Autumn	Winter	Spring
NZ seasons	Winter	Spring	Summer	Autumn	Winter	Spring	Summer	Autumn
Year / Quarters								
RFI & contracting								
Financing agreed								
Planning/Governance								
Farmer preparation								
Design and build infrastructure in KSA								
Animal selection								
Feedlot NZ								
Shipment to KSA								
Gestation period								
Lambing								
Fatten animals								
Prime animals								
Milestone 1: Research, Plan & Design								
Milestone 2: Build & Implement								
Milestone 3: Showcase & Promote								

Risk management

104. A risk manager will be appointed and a risk register established as per the usual risk management approaches of NZTE and MFAT.

Next Steps

This Indicative Business Case seeks formal approval to commence the procurement process as outlined in the Commercial Case.

Better Business Cases

Indicative Business Case Template

Prepared by	Alex Matheson
Prepared for	MFAT CEO
Date	17 June 2013
Version	0.1
Status	Draft

DOCUMENT CONTROL

Document Information

Field	Position
Document ID	
Document Owner	
Issue Date	
Last Saved Date	
File Name	

Document History

Version	Issue Date	Change
0.1	12 June 2013	Final draft for Project Manager review and completion

Document Sign-off

Role	Signature
Project Manager	Alex Matheson
Senior Responsible Owner / Project Sponsor	Jonathan Austin
Chief Finance Officer (or Delegate)	Phil Goulin
Division Manager - Procurement	Peter Cooper

59(2)(a)

From: RIYADH
Sent: Sunday, 21 July 2013 7:27 p.m.
To: MEA
Cc: UNHC; DS APE; DS MLG; ...MEA POSTS; NEW YORK; GENEVA; FM.P/S MFA; RIYADH
Subject: Call on Saudi Deputy MFA Al Jindan
Categories: Transferred to SharePoint

[RESTRICTED]

Summary

59(2)(b) + 59(2)(a)

out of scope

Action

For information.

Report

We (HOM and both Second Secretaries) met today with Dr Khaled Al-Jindan, Undersecretary (Deputy Minister) for Bilateral Affairs, Saudi Ministry of Foreign Affairs to update him on developments and initiatives in the bilateral and GCC relationship over the last six months.

out of scope

59(2)(b)
Sheep

3 We noted that trade between KSA and New Zealand was healthy and increasingly diverse, and that New Zealand was also pursuing a Food Security Partnership with KSA to increase agricultural cooperation.

59(2)(b) HOM explained that a way forward, including a partnership for promoting New Zealand agricultural know-how, had been agreed between MFA and the Saudi

Minister of Agriculture and also with Sheikh Hmood Al Khalaf, the affected investor.

s 6(a), s 9(2)(ba), s 9(2)(j)

The remainder of this document
is out of scope.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT