

19 Feb 2013
Poti-144-35

Contract for Services

The Parties to this Contract

Ministry of Foreign Affairs and Trade

(Buyer)

and

Hmood Al Ali AlKhalaf Trading and Transportation Est
(Hereinafter HAATT Est)

(Supplier)

s 9(2)(a)

Dammam

Kingdom of Saudi Arabia

The Buyer and the Supplier are each a Party to the contract and are together the Parties.

The Contract

The Buyer appoints the Supplier to deliver the Services described in this Contract and the Supplier accepts that appointment. This Contract sets out the Parties' rights and obligations.

Contract documents

This Contract consists of:

1. this page
2. the Contract Details and Description of Services
3. the Standard Terms and Conditions
4. any other attachments described at Schedule 1.

Page 1

Schedule 1

Schedule 2

How to read this Contract

Together the above documents form the Contract. If there are any differences between the documents, Schedule 1 overrides Schedule 2. Clause numbers refer to clauses in Schedule 2. Words starting with capital letters have a special meaning, as stated in Schedule 2 Definitions section (clause 12).

Schedule 1

Contract Details and Description of Services

Start Date 19 February 2013

Reference Schedule 2 clause 1

End Date 30 June 2014

Reference Schedule 2 clause 1

Contract Managers

Reference Schedule 2 clause 4

Name:

Buyer's Contract Manager

Alex Matheson

Supplier's Contract Manager

George Assaf

Title / position:

Special Representative for Government Commercial Partnerships

CEO Australasia Division

Address:

Phone:

Fax:

Email:

s 9(2)(4)

Addresses for Notices

Reference Schedule 2 clause 9

For the attention of:

Buyer's address

Jonathan Austin

Supplier's address

George Assaf

Delivery Address:

Fax:

Email:

s 9(2)(4)

Supplier's Reporting Requirements

Reference Schedule 2 clause 2

Report to:

Contract Manager

Type of report

Interim Progress Report

Due date

Completed

Two Monthly Progress Report

End of each second month

Project completion report

30 June 2014

Description of Services

Phase One - Immediate

To recognise the investment HAATT Est has made in the Awassi breeding programme and its unique and valuable knowledge based assets and networks in Saudi Arabia, the Buyer is purchasing the following Services from the Supplier:

- access to the output of the research and development, capital investment and market-analysis of HAATT Est, particularly related to the Awassi breed of sheep;
- facilitation of access to HAATT Est's key customer, business and influencer networks in Saudi Arabia; and

assistance with preparation of a New Zealand agri-business delegation to Saudi Arabia to study the HAATT Est in-market supply-chain and provide recommendations regarding the potential New Zealand intellectual property and technologies that could be used to enhance and improve the existing animal welfare standards and red-meat productivity in Saudi Arabia.

A payment of \$4 million will be paid as soon as practicable on signing of this Contract.

Phase Two – Partnership Business Plan and Investment

In the spirit of partnership between HAATT Est and the Buyer, as part of the above payment of \$4 million, the Buyer procures from the Supplier the Services to establish an investment in research and development into the relevant technologies for the purpose of producing and exporting Awassi and New Zealand livestock for breeding, and thereby enhancing the supply of fresh meat to the Saudi market, while promoting the advancement of animal handling, husbandry and breeding technology, red-meat technology and capability. In so doing to assist in the development and delivery of Saudi Arabia's food security programme. To implement this, the Buyer will purchase the following Services from the Supplier in Phase Two of this Contract:

- participation of key personnel and/or associates of HAATT Est in the New Zealand Agri-business study tour to Saudi Arabia in April 2013;
- the development, in cooperation with the Buyer, of a detailed business plan by the end of May 2013, and following the study tour in March, outlining the research and development and procurement of relevant technologies to be carried out, along with the timing of implementation. The development in the business plan, in cooperation with the Buyer, of a project management and governance model to facilitate delivery of the objectives specified in Phase 2.
- implementation of the business plan, in cooperation with the Buyer, between June 2013 and June 2014.

As indicated by the Minister of Foreign Affairs in his letter of 12 November 2012, a contribution of up to NZ\$6 million will be made as an investment in the Partnership to be disbursed as agreed between the Parties to fund research and development into the relevant technologies for the purpose of producing and exporting Awassi and New Zealand livestock for breeding, while promoting the advancement of animal handling, husbandry and breeding technology, red-meat technology and capability to Saudi Arabia and the Middle East.

Charges & Fees

Reference Schedule 2
clause 3

NZ\$4 million for Phase One of this Contract. There is no GST applicable to this payment as it is solely for Services to be supplied by the Supplier in and from Saudi Arabia.

Expenses

Reference Schedule 2
clause 3

Expenses will be outlined in the business plan.

Invoices

Reference Schedule 2
clause 3.

Phase 1: \$4m Immediate

Phase 2: Disbursements to approved applicants based on invoices and in accordance with the processes as set out in the agreed business plan. Expenses as previously agreed by the Buyer (at cost without margin).

Changes to Schedule 2 Standard Terms & Conditions

None

Additional clauses

Confidential information includes this Contract and all its details.

This Contract may be assigned by the Buyer to another New Zealand Government entity (including a Crown entity or a Crown entity subsidiary).

Attachments

Reference 'Contract
documents' described at
page 1

Letter from Hon Murray McCully to Hmood Al Khalaf dated 12 November 2012

Letter from Hmood Al Khalaf to Hon Murray McCully dated 25 November 2012

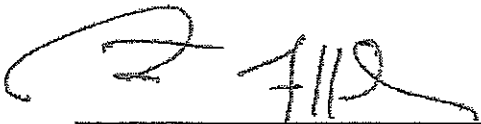
Acceptance

The date of execution of this Contract is the later of the two dates below.

In signing this Contract each Party acknowledges that they have read and agree to be bound by it.

For and on behalf of the **Buyer**:

For and on behalf of the **Supplier**:




Signature

Name: John Allen

Position: Secretary of Foreign Affairs and Trade

Date: 19th February 2013



Signature

Name: George Assaf

Position: CEO Australasia, HAAT Est

Date: 20th February 2013

RELEASED UNDER THE OFFICIAL INFORMATION ACT

Schedule 2 - Standard Terms and Conditions: Services

1. Length of Contract

This Contract starts on the Start Date, and ends on the End Date unless terminated earlier. Both Parties can also extend this Contract by mutual agreement.

2. The Services

2.1 Both Parties agree to act in good faith and demonstrate honesty, integrity, openness and accountability in their dealings with each other, and will discuss matters affecting this Contract or the delivery of the Services, whenever necessary. Both Parties will comply with all applicable laws and regulations.

2.2 The Buyer must:

- provide the Supplier with any information it has reasonably requested to enable the delivery of the Services
- make decisions and give approvals reasonably required by the Supplier to enable delivery of the Services. All decisions and approvals must be given within reasonable timeframes, and
- pay the Supplier the Charges for the Services as long as the Supplier has delivered the Services and invoiced the Buyer, all in accordance with this Contract.

2.3 The Supplier must deliver the Services:

- on time and to the required performance standards or quality set out in Schedule 1 or reasonably notified by the Buyer to the Supplier from time to time
- within the amounts agreed as Charges, and
- with due care, skill and diligence, and to the appropriate professional standard.

2.4 The Supplier must:

- ensure that its Personnel have the necessary skills, experience, training and resources to successfully deliver the Services, and
- provide all equipment and resources necessary to deliver the Services.

3. Charges and payment

3.1 The Charges are the total maximum amount payable by the Buyer to the Supplier for delivery of the Services, including Fees, Expenses and any taxes. The Supplier must provide a valid invoice for all Charges.

3.2 If the Buyer receives a valid invoice on or before the 3rd Business Day of the month, the Buyer must pay that tax invoice by the 20th calendar day of that month. Any valid invoice received after the 3rd Business Day of the month will be paid by the Buyer on the 20th calendar day of the month following the month it is received.

4. Contract management

4.1 The persons named in Schedule 1 as the Contract Managers are responsible for managing the Contract, including managing the relationship between the Parties, the performance of the Contract and acting as a first point of contact for any issues that arise.

4.2 If a Party changes its Contract Manager, it must tell the other Party, in writing, the name and contact details of the replacement within 5 Business Days of the change.

5. The contractual relationship

5.1 Nothing in this Contract constitutes a legal relationship between the Parties of partnership, joint venture, agency, or employment.

5.2 Neither Party has authority to bind or represent the other Party in any way or for any purpose.

5.3 The Supplier may transfer any of its rights or obligations under this Contract only if it has the Buyer's prior written approval. The Buyer will not unreasonably withhold its approval.

5.4 The Supplier must not enter into a contract with someone else to deliver any part of the Services without the Buyer's prior written approval. The Buyer will not unreasonably withhold its approval.

5.5 The Supplier warrants that as at the Start Date, it has no Conflict of Interest in providing the Services or entering into this Contract, and will do its best to avoid situations that may lead to a Conflict of Interest arising. The Supplier must inform the Buyer immediately in writing if any Conflict of Interest arises in relation to the Services or this Contract. If a Conflict of Interest does arise the Parties will agree how it should be managed.

5.6 The Parties agree to use their best endeavours to resolve any dispute or difference that may arise under this Contract.

6. Ending this Contract

6.1 Either Party may terminate this Contract immediately, by giving Notice, if the other:

- becomes bankrupt or insolvent, or otherwise enters into some form of administration
- ceases for any reason to continue in business or to deliver the Services
- is unable to deliver the Services for a period of 20 Business Days or more due to an Extraordinary Event
- is in breach of any of its obligations under this Contract and the breach cannot be remedied, or the other fails to remedy the failure after Notice
- has a Conflict of Interest that is so material as to impact adversely on this Contract, or
- provides information that is misleading or inaccurate in any material respect.

6.2 On termination or expiry of this Contract, the Supplier must, if requested by the Buyer, immediately return or securely destroy all Confidential Information and other material or property belonging to the Buyer.

6.3 The termination or expiry of this Contract does not affect those rights of each Party which accrued prior to the time of termination or End Date.

7. Intellectual Property Rights

Pre-existing Intellectual Property Rights remain the property of their current owner, and New Intellectual Property Rights in the Deliverables remain the property of the Supplier.

8. Confidential Information

8.1 Each Party confirms that it has adequate security measures to safeguard the other Party's Confidential Information from unauthorised access or use by third parties, and that it will not use or disclose the other Party's Confidential Information to any person or organisation other than:

- to the extent that use or disclosure is necessary for the purposes of providing the Services or in the case of the Buyer using the Services
- if the other Party gives prior written approval to the use or disclosure
- if the use or disclosure is required by law (including under the Official Information Act 1982), Ministers or parliamentary convention, or
- in relation to disclosure, if the information has already become public, other than through a breach of the obligation of confidentiality by one of the Parties.

8.2 Each Party will ensure that its Personnel are aware of the confidentiality obligations in this Contract, and do not use or disclose any of the other Party's Confidential Information except as allowed by this Contract.

9. Notices

All Notices to a Party must be delivered by hand or sent by post, courier, fax or email to that Party's address for Notices stated in Schedule 1. Notices must be signed or in the case of email sent by the appropriate manager or person having authority to do so.

10. Extraordinary Events

Neither Party will be liable to the other for any failure to perform its obligations under this Contract where the failure is due to an Extraordinary Event. On occurrence of an Extraordinary Event, the Party affected will notify the other, and the Parties will discuss and agree the way forward.

11. General

Any change to this Contract is called a Variation. A Variation must be agreed by both Parties and recorded in writing and signed by both Parties or through an exchange of emails where the authors have delegated authority to approve the Variation.

11.2 This Contract, including any Variation, records everything agreed between the Parties relating to the Services. It replaces any previous communications, negotiations, arrangements or agreements that the Parties had with each other relating to the Services before this Contract was signed, whether they were verbal or in writing.

11.3 If a Party breaches this Contract and the other Party does not immediately enforce its rights resulting from the breach that does not mean that the Party in breach is released or excused from its obligation to perform the obligation at the time or in the future, and does not prevent the other Party from exercising its rights resulting from the breach at a later time.

11.4 This Contract will be governed and interpreted in accordance with the laws of New Zealand. All money is in New Zealand dollars, unless Schedule 1 specifies a different currency. Dates and times are New Zealand time.

11.5 Both Parties must agree in advance concerning any disclosures about this Contract.

11.6 The date of execution is the date this Contract is signed. This Contract may be signed in counter-parts.

11.7 The clauses that by their nature should remain in force on expiry or termination of this Contract do so.

11.8 If there is any conflict or difference between the documents forming this Contract (as stated on Page 1) then the order of precedence is:

- a Variation agreed between the Parties under clause 11.1
- Schedule 1
- any Attachment to Schedule 1
- Schedule 2.

12. Definitions

Attachment Any supplementary document named in Schedule 1 as an Attachment to this Contract.

Buyer The Buyer is the Purchaser of the Services and is named as the Buyer on page 1 of this Contract for the purposes of this Contract.

Charges The total amount payable by the Buyer to the Supplier as stated in Schedule 1. The Supplier's Charges include Fees and any Expenses and Daily Allowances stated in Schedule 1. Charges are payable on successful delivery of the Services provided a valid tax invoice has been submitted.

Confidential Information Information that:

- is by its nature confidential
- is marked by either Party as 'confidential', 'in confidence', 'restricted' or 'commercial in confidence'
- is provided by either Party or a third party 'in confidence'
- either Party knows or ought to know is confidential, or
- is of a sensitive nature or commercially sensitive to either Party.

Conflict of Interest A Conflict of Interest arises if a Party or its Personnel's personal or business interests or obligations do or could conflict or be perceived to conflict with its obligations under this Contract. It means that its independence, objectivity or impartiality can be called into question. A Conflict of Interest may be:

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

Contract The legal agreement between the Buyer and the Supplier that comprises Page 1 (the front sheet), Schedule 1, this Schedule 2, any other Schedule, and any Variation and Attachment.

Contract Manager The person named in Schedule 1 as the Contract Manager.

Deliverables A tangible output resulting from the delivery of the Services as stated in Schedule 1. A deliverable may be a document, a piece of equipment, goods, information or data stored by any means including all copies and extracts of the same.

End Date The earlier of the date this Contract is due to end as stated in Schedule 1, the date of termination as set out in a Notice of termination or any other date agreed between the Parties as the date the Contract is to end.

Expenses Any actual and reasonable out-of-pocket costs incurred by the Supplier in the delivery of the Services and agreed to in Schedule 1.

Extraordinary Event An event that is beyond the reasonable control of the Party immediately affected by the event. An Extraordinary Event does not include any risk or event that the Party claiming could have prevented or overcome by taking reasonable care. Examples include:

- acts of God, lightning strikes, earthquakes, tsunamis, volcanic eruptions, floods, storms, explosions, fires, pandemics and any natural disaster
- acts of war (whether declared or not), invasion, actions of foreign enemies, military mobilisation, requisition or embargo
- acts of public enemies, terrorism, riots, civil commotion, malicious damage, sabotage, rebellion, insurrection, revolution or military usurped power or civil war, or
- contamination by radioactivity from nuclear substances or germ warfare or any other such hazardous properties.

Fees The amount payable to the Supplier for the time spent in delivery of the Services calculated on the basis stated in Schedule 1.

Intellectual Property Rights All Intellectual Property Rights and interests, including copyright, trademarks, designs, patents and other proprietary rights, recognised or protected by law.

New Intellectual Property Rights Intellectual Property Rights developed after the date of this Contract and incorporated into the Deliverables.

Notice A formal or legal communication from one Party to the other that meets the requirements of clause 9.

Party The Buyer and the Supplier are each a Party to this Contract, and together are the Parties.

Personnel All individuals engaged by either Party in relation to this Contract or the delivery of Services. Examples include: the owner of the business, its directors, employees, Subcontractors, agents, external consultants, specialists, technical support and co-opted or seconded staff.

Pre-existing Intellectual Property Rights Intellectual Property Rights developed before the date of this Contract. It does not cover later modifications, adaptations or additions.

Services All work, tasks and Deliverables, including those stated in Schedule 1 that the Supplier must perform and deliver under this Contract.

Schedule An attachment to this Contract with the title 'Schedule'.

Start Date The date when this Contract starts as stated in Schedule 1.

Subcontractor A person, business, company or organisation contracted by the Supplier to deliver or perform part of the Supplier's obligations under this Contract.

Supplier The person, business, company or organisation named as the Supplier on page 1. It includes its Personnel, successors, and permitted assignees.

Variation A change to any aspect of this Contract that complies with clause 11.1.

RESTRICTED



Cabinet

CAB Min (13) 47

Copy No: 1

Minute of Decision

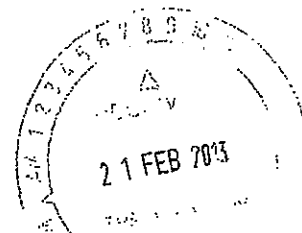
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Saudi Arabia Food Security Partnership

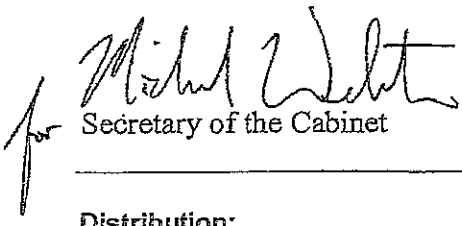
Portfolio: Foreign Affairs

On 18 February 2013, Cabinet:

- 1 noted the progress reported by the Minister of Foreign Affairs to address a significant impediment in the bilateral relationship between New Zealand and Saudi Arabia, as outlined in the paper under CAB (13) 74;
- 2 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;
- 3 noted that the cost of this food security platform will be \$4 million initially, which recognises the intellectual property which the Saudi investor brings to the platform and the services and in-market networks he will contribute, as well as the settlement of the long-running dispute;
- 4 agreed that there will be an ongoing investment in the pilot agribusiness operation of up to \$6 million for the delivery of services by New Zealand agricultural service entities, and that the \$6 million will be undertaken in strict conformity with government procurement requirements;
- 5 noted that the costs of these initiatives will be met from within the Ministry of Foreign Affairs and Trade's baseline;
- 6 noted that the procurement and selection of New Zealand firms and services to participate in the food security partnership will be done with the agreement of the Saudi partners, the Ministry of Foreign Affairs and Trade, and New Zealand Trade and Enterprise;
- 7 noted that any related proposal to export livestock for breeding purposes must meet existing Ministry for Primary Industries criteria and be the subject of an application in the normal way;



- 8 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;
- 9 directed the Ministry of Foreign Affairs and Trade to work with the Treasury, the Office of the Auditor-General and New Zealand Trade and Enterprise on the execution and management of the contract.


Secretary of the Cabinet

Reference: CAB (13) 71

Distribution:

Prime Minister
Chief Executive, DPMC
Director PAG, DPMC
Minister of Finance
Secretary to the Treasury
Minister of Foreign Affairs
Secretary of Foreign Affairs and Trade
Minister of Trade
Chief Executive, New Zealand Trade and Enterprise
Minister for Primary Industries
Director-General, Ministry for Primary Industries
Controller and Auditor-General
Secretary, ERD

Chair,
Cabinet

Saudi Arabia Food Security Partnership

Proposal

This paper updates Ministers on progress in resolving a serious bilateral relationship issue with Saudi Arabia that poses a major threat to New Zealand's trade and economic interests.

This paper asks Cabinet to note the proposals that have been developed to address this situation, prior to moving into the implementation phase. Broadly, the proposal involves facilitating the relocation of those aspects of the trade in live sheep for slaughter that are no longer permitted in New Zealand, to Saudi Arabia, and creating a new hub for New Zealand agribusiness service providers to build foreign exchange earning opportunities in the Middle East and Africa as a three year pilot project.

The cost of this initiative is \$4m. To leverage the benefits it is essential that it is accompanied by a package of New Zealand goods and services valued at up to \$6m. Costs will be met from MFAT savings reallocated to NZ Inc leveraging initiatives.

Background

The Gulf Cooperation Council 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.¹ 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.

The GCC countries share a common problem – an acute need for future food security resulting from a shortage of arable land (on average less than 1.5% of the land mass of GCC countries). In each case, well funded food security initiatives represent a priority for their government. The Qatar National Food Security Programme and the King Abdullah Initiative for Agricultural Holdings Abroad are good examples of well funded initiatives focused on achieving future food security, actively seeking out partners, especially from countries like New Zealand.

The threat to New Zealand trade and economic interests

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

¹ Saudi Arabia (28 million people), United Arab Emirates (7.9m), Kuwait, (2.8m), Oman (2.7m), Qatar (1.8m), Bahrain (1.3m).

Briefly, the history of these events is:

- In 1995, acting on specific encouragement from New Zealand Ministers, Saudi interests commenced investing in the purchase of New Zealand farms in order to build a business supplying live lambs for slaughter to the Saudi market, commanding premium prices at the time of the Haj religious festival.
- In 2003, prompted by media controversy over the practice of exporting live sheep for slaughter, a de facto voluntary moratorium was introduced. The Clark Government then put in place a Customs Export Prohibition Order (CEPO) on animals for slaughter in 2007. This CEPO was renewed for three years in 2010.
- Despite this step, Ministers in the Clark Government continued to encourage Saudi interests to hold and increase their investment, promising that the issues curtailing their trade would be resolved.
- By the time the Key Government was appointed in 2008, tensions around this matter had become a serious irritant to the Saudi relationship.

The Saudi Government stated unequivocally that the concerns of their investor needed to be addressed.

- Exchanges with Ministers in the Key Government underlined the potential for major damage to our trade and economic interests and it was agreed that the Minister of Foreign Affairs would lead efforts to resolve what had become a major relationship issue.

Confidence-building steps

Following an initial visit to offer apologies for previous misunderstandings, comprehensive efforts have been made to find a solution to this problem. These have focused on the purpose of original Saudi interest in New Zealand – a need for greater food security. The Saudi Government has been clear that any solution must involve the Saudi interests that have invested in New Zealand over nearly two decades. The Minister of Foreign Affairs has initiated a process by which officials from MFAT, with input from MPI and NZTE have held discussions with those parties, and with a range of New Zealand agri-business interests potentially interested in the Saudi market. In order to provide appropriate structure, Deloitte was engaged to format these discussions in a business case and provide officials with external advice. These discussions focused on how the current stalled model for breeding Awassi sheep for export for slaughter could be reconfigured to link the benefits of the breeding programme in New Zealand to a relocated farming operation in Saudi Arabia which could then serve as a hub for the export of New Zealand agricultural services in the Gulf states and potentially Africa.

The proposal

In simple terms the proposal is to work with the existing Saudi investors in New Zealand to relocate the parts of their business that are no longer able to operate here as a result of the ban on live sheep exports for slaughter. The objective is to use the investment they have made in the genetic development of the Awassi breed, their logistical, supply

chain and market connections to create a base for New Zealand service suppliers to leverage the New Zealand brand and reputation for agricultural excellence in the Middle East market. For this purpose Deloitte conducted a modelling exercise and prepared a business case.

The resulting plan falls into two parts:

- A \$4m commitment to acquire from the Saudi investors the components of the platform to conduct a three year pilot.
- The allocation of up to \$6m for a project to use the platform as a hub for New Zealand agricultural service providers to build an enduring presence in the Middle East and African markets. This will depend on securing relevant New Zealand company commitment to the project.

The funding for both of these elements would be met from MFAT baseline savings reallocated to NZ Inc leveraging initiatives. There needs to be further discussion between agencies, including NZTE, to determine who is to administer the project and disburse funds. NZTE view this project as an extension of their normal activity, and support for this project will be via the New Zealand companies, and is conditional on company support, commitment and co-investment. NZTE has allocated approximately \$500,000 for this project within their Agribusiness High Impact Programme.

The platform

The \$4m figure has been established after negotiations with the parties who have invested in the trade in live sheep between New Zealand and Saudi Arabia, attempting to identify a commercial basis for acquiring access to the breeding systems, supply chains and trade relationships that will be required if the hub is to replicate in Saudi Arabia the business that they had intended to base wholly in New Zealand.

While the Saudi parties would have preferred to enter discussions on the basis of seeking compensation for commercial loss as a result of Government decisions (and indicated that they had received legal advice suggesting they pursue a claim for between \$20 million and \$30 million), the Government has made it clear that we would not be a party to such discussions.

Some consideration was given to an offer to purchase the New Zealand investments of these parties as a basis for resolution. However it became clear that the capital cost of doing so would have been much greater -

s 6(a), s 9(2)(g)(i) and s 9(2)(b)(a)

The focus has therefore shifted to negotiating a contract for services between MFAT and the Saudi interests to recognise the investment that has been made in the Awassi breeding programme to date, the value of access to research and development, capital investment and market analysis, and of access to key customer, business and influencer networks in Saudi Arabia. The contracted services would also include assistance with the preparation of New Zealand agribusiness delegations to Saudi Arabia to study the in-market supply chain. This work will determine the shape of the New Zealand agribusiness hub. It also includes an obligation to use their best offices to connect New Zealand Government and trade interests with key government and commercial decision makers in Saudi Arabia.

s 9(2)(g)(i) there will be strong incentives for the Saudi parties to promote the ratification of the NZ-GCC FTA as a basis for expanding this new business partnership.

Saudi interests have indicated that once the contract is signed they expect to make further significant investments in their New Zealand farming operations.

The services

The long term value of this arrangement can only be secured for New Zealand if there is an immediate engagement of agricultural service providers on the ground in the region. Extensive discussions with such providers suggest a high level of interest in becoming involved in the type of project outlined by Deloitte. Exploratory discussions with Saudi investors suggest a serious level of interest in purchasing additional services, which would see the hub grow quickly.

The range of New Zealand interests which might form part of the hub, subject to the study tour proposed for April 2013, include:

- Technical services (core science, R&D, advisors and educational courses)
- Farm inputs (animal feed and health products, fertilisers, chemical sprays, building and fencing materials)
- On-farm equipment (readers, scanners, scales, irrigators)
- On-farm business systems and expertise (specialist farm and benchmarking systems)
- Genetics testing and mapping expertise

Officials believe that a commitment of \$6m to the pilot programme over three years would be an appropriate investment in the pilot.

Export of animals for breeding purposes

It is likely that the export of breeding animals, focused on Awassi sheep breeding stock currently in New Zealand, will form part of this proposal. The export of livestock for breeding purposes is permitted from New Zealand and all parties understand that they will need to meet the normal criteria and make applications in the normal way.

The opportunities

A key goal in resolving this longstanding issue is of the GCC FTA.

on ratification

A concluded FTA will add significant impetus to already significant trade opportunities for NZ in the Gulf.

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. It is estimated that New Zealand exports to the GCC could double to \$3 billion (half our current exports to China) in the space of five years if we can achieve an FTA.

Around 8,000 students, mostly from Saudi Arabia, make the GCC our fourth largest international education market. The Saudi consulate in Auckland (which supports the Saudi students here on scholarships) is already the largest diplomatic mission in New Zealand. Both the United Arab Emirates and Kuwait have advised that they plan to open embassies in New Zealand during the term of this Government.

The increased tempo of New Zealand Ministerial visits into the Gulf has already attracted significant interest, with six GCC trade and investment delegations through here in recent months and several more planned. In recent weeks we have signed Government to Government partnerships with the Governments of Qatar and the UAE, creating an umbrella for a new flow of economic partnerships.

As a potential source of investment, the GCC states offer some of our largest opportunities. The Abu Dhabi Investment Authority (US\$600 billion), the Saudi Arabia Sovereign Wealth Fund (US\$500 billion), the Kuwait Fund (US\$300 billion) and the Qatar Investment Authority (\$115m) have all shown recent interest in New Zealand assets.

s6(a) and s9(2)(d)

s6(a) and s9(2)(d)

Conclusion

We have now reached the point at which discussions regarding proposals must move into an implementation phase. Already there is an expectation on the part of both the Saudi Government and private sector investors that discussions will now lead to actions. This sense will be reinforced by the planned study tour.

This is, then, the appropriate point to report progress and to seek the comfort of colleagues prior to embarking on the next phase.

It is my view that it is strongly in New Zealand's interests to proceed as envisaged. Even if we achieve nothing more than the removal of the source of major aggravation in the relationship, while creating a hub for New Zealand businesses to launch into the Middle East and Africa, their proposal would be justified. But the potential is there to do much more than this. There is an opportunity to unlock a huge source of badly needed capital. And there is a serious prospect of getting the GCC FTA across the line, with billions of dollars of advantage for New Zealand. For this reason I strongly support this project.

Consultation

The Ministry for Primary Industries and New Zealand Trade and Enterprise have been consulted. The Minister of Trade has been consulted and strongly supports this paper.

Financial implications

The cost of the food security partnership will be met within the current baselines of the Ministry of Foreign Affairs and Trade. Funding has been allocated for this purpose. A contribution of \$500,000 from NZTE is also being discussed.


Legislative implications

None.

Recommendations

The Minister of Foreign Affairs recommends that the Cabinet:

- Note the progress reported by the Minister of Foreign Affairs to address a significant impediment in the bilateral relationship between New Zealand and Saudi Arabia;
- Note 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;
- Note the cost of this food security platform will be \$4 million initially, which recognises the intellectual property which the Saudi investor brings to the platform, the services and in-market networks he will contribute, as well as the settlement of the long-running dispute;
- 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;
- Note that the cost of these initiatives will be met from the MFAT baseline;
- Note 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;
- Note 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;
- Note 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.



Hon Murray McCully
Minister of Foreign Affairs

Date: 13 February 2013

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Office of the Minister of Foreign Affairs

Chair,
Cabinet External Relations and Defence (ERD)

Food Security Partnerships in the GCC

Proposal

This paper proposes that the Committee note the steps being taken by the Minister of Foreign Affairs to promote Food Security Partnerships with the members of the Gulf Cooperation Council (GCC). It also outlines steps being taken specifically in relation to Saudi Arabia to promote agricultural partnerships taking into account the cessation of live sheep exports since 2002.

Executive summary

2 Food security is a policy priority for the GCC States. Given New Zealand's world-class agricultural expertise, it is a natural food security partner for the arid countries of the Gulf Cooperation Council (GCC).

3 A NZ Inc. GCC Strategy will shortly be put to Cabinet for consideration. This Strategy will outline how New Zealand should effectively position itself as a food security partner for the Gulf States.

4

A proposed food security partnership that will allow livestock to be bred in Saudi Arabia using New Zealand technology and expertise has been positively received by Saudi Arabia,

s 6 (a)

s 9 (2)(j)

s 9 (2)(j)

Comment

5 The six states of the GCC represent a substantial market opportunity for New Zealand. Comprising nearly 50 million people, the GCC includes the wealthiest nations in the world (e.g. Qatar with a per capita GDP of over US\$102,000). Despite their substantial wealth, however, GCC members share a common problem: the virtual absence of arable land. The question of future food security is their number one preoccupation.

6 New Zealand is therefore a natural partner for the GCC. The current level of New Zealand exports to Gulf countries not only in goods – currently \$1.4Bn – but agricultural services too, could be increased significantly with effective partnerships. Positioning New Zealand as an expert and reliable food security partner for the GCC States is a central pillar of the NZ Inc. GCC Strategy, which will come to Cabinet for consideration in the coming weeks.

7 Reflecting this natural alignment of interests, an FTA has been negotiated to completion with the GCC.

8 Over the past three years significant steps have been taken to try to prepare a way forward. The idea of high-level food security partnerships has been suggested bilaterally to GCC members and to the GCC organisation. This has led to a significant number of visits by GCC food security delegations to New Zealand;

out of scope and the Saudi Agriculture and Livestock Investment Company (SALIC) have both sent delegations in the last year

9 This has been difficult given that Saudi investors, with strong encouragement from New Zealand Ministers, have invested substantially in acquiring farms and breeding capability specifically targeting returns from the live lamb market at the time of the Haj festival. Substantial relationship-building work has focused therefore on the original purpose of the investment - improved food security for Saudi Arabia - and on how we might build a future trade without exporting live sheep for slaughter.

10 Key features of the proposal now being advanced are:

- Initial funding of \$4m increasing over time depending upon progress with the partnership (with the possibility of additional contributions from participating firms and the government of Saudi Arabia) to provide a hub of New Zealand agribusiness partners working alongside Saudi co-investors to showcase New Zealand agricultural expertise and technology. The initial \$4m in funding will come from operational savings achieved through 2011/2012 and rolled over for future NZ Inc leveraging purposes.

- Possible export, once or twice a year, of a significant number (in the tens of thousands) of pregnant livestock for breeding purposes to form the basis of a New Zealand hub in Saudi Arabia. These arrangements will need to satisfy the

normal MPI criteria. However this is well explored territory given that New Zealand has exported over 85,000 head of livestock in the last three years for breeding purposes.

- o Provision of genetic and breeding technology and scientific support services from New Zealand companies.

11 The response from the Saudi Government has been very positive to these proposals. It is now my intention to ask officials to take the next steps to put these proposals into action.

Consultation

12 New Zealand Trade and Enterprise (NZTE) and the Ministry for Primary Industries were consulted in the development of this paper.

Financial implications

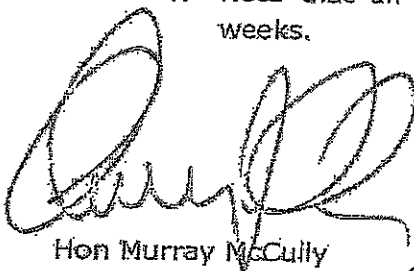
13 Any costs incurred will be met within the current baselines of the Ministry of Foreign Affairs and Trade, a contribution from NZTE is also being discussed.

Legislative implications

14 There are no legislative implications.

Recommendations

- 15 The Minister of Foreign Affairs recommends that the Committee:
1. Note that work has been ongoing to develop food security partnerships with the member states of the Gulf Cooperation Council (GCC).
 2. Note that a proposal for developing a partnership with Saudi Arabia has been positively received and I will be instructing officials to put the proposal into action.
 3. Note that the costs incurred in implementing a food security partnership with Saudi Arabia will be met from within MPAT baselines.
 4. Note that an NZ Inc. GCC Strategy will be put to Cabinet in the coming weeks.



Hon Murray McCully
Minister of Foreign Affairs

29/1/2013

RIDINGS, Penelope (LGL)

From: MATHESON, Alex (MEA)
Sent: Friday, 25 January 2013 3:24 a.m.
To: RIDINGS, Penelope (LGL)
Cc: s9(2)(a) AUSTIN, Jonathan (MEA)
Subject: Fw: Contract for Signing [SEC=UNCLASSIFIED]
Attachments: HAAT Draft INVOICE.jpeg; Contract for Services/AK Group - Revised Terms.docx

[UNCLASSIFIED]

MFAT Device Tag:UNCLASSIFIED

Hi Penny.

George's changes below are consistent with the letters between the Minister and Hmood, and are consistent with the appropriation (by investing in development of technologies to facilitate increased trade with Saudi and the Middle East)

We are going with this version tonight, and sending George the version to sign.

Thanks for all of your assistance, and see you back in Wellington.

Best

From: George Assaf
Sent: Friday, January 25, 2013 02:46 AM
To: MATHESON, Alex (MEA)
Subject: Re: Contract for Signing [SEC=UNCLASSIFIED]

Hi Alex,

Thank you for your revised contract. Please find attached my revised Copy, can you please amend to read as indicated in red before we can finalise and sign.

Also attached is a draft copy of the Invoice. Please check and mark your amendments if and where is required. Does the account number need to go on the invoice or can we forward it after to you separately.

Regards,

George Assaf
Managing Director/CEO
Arrow Export Services Pty Ltd/AlKhalaf Group Australasia
Phone:
Fax: s9(2)(a)

Cell:
Email:

59(2)(a)

Consideration

Unless expressly stated otherwise, this message is confidential and may be privileged. It is intended for the addressee(s) only. Access to this email by any other person is unauthorised. If you are not an addressee, any disclosure or copying of the contents of this email or any action taken (or not taken) in reliance on it is unauthorised and may be unlawful. If you are not an addressee, please inform the sender above immediately.

On 24-Jan-13 6:12 PM, MATHESON, Alex (MEA) wrote:

[UNCLASSIFIED]

MFAT Device Tag:UNCLASSIFIED

From: 59(2)(a)
Sent: Thursday, January 24, 2013 08:10 PM
To: MATHESON, Alex (MEA)
Subject:

Hi George

I think we are there.

Throughout the attached contract, and in particular in Phase 2 (and emphasising the bigger picture of increasing food security trade and investment flows between NZ and Saudi Arabia/GCC), we have been careful to use the words from the Minister's letter to Hmood referring to "a \$6m contribution to invest in the partnership" and noting Hmood's reply that he and the Minister "remain in ultimate control of this expenditure and its allocation" and that a plan be developed to deliver on the Minister's and Hmood's joint objectives.

The two letters between the Minister and Hmood provide the basis for the partnership, the contract enables the Ministry to make the necessary payments and other arrangements - everything the Minister and Hmood agreed can be accommodated with this contractual mechanism.

I take your point on establishing the most effective mechanism for disbursing the \$6m, and you and I can flesh your suggested option out some more when I see you in Sydney - along with the start of the business plan.

We haven't got certainty around dates of the Minister's proposed travel to Saudi - but looks like it could be around 10 March. We can give our teams a heads-up that the visit could be then, and I will come to Sydney on Feb 6 for the day to work out details for who is coming/payment rules and arrangements/draft itinerary etc. We should have certainty from the Minister then.

For your invoice of \$4 million please state that it is for services set out under the contract dated 25 January 2013.

Please make sure the invoice is on letterhead/invoice paper from Hmood Al Ali Khalaf Trading and Transportation Est, 59(2)(a) Dammam, Kingdom of Saudi Arabia, addressed to the Ministry of Foreign Affairs and Trade.

If you are ready to go on this - please sign this version of the contract and scan and email me and Jonathan, and we will ask John Allen to sign. We will then send you the scanned version with both signatures, and I will bring original version with me to Sydney in February. Please email me the invoice as well.

Please call if you want to discuss anything.

kind regards

"The information contained in this email message is intended only for the addressee and is not necessarily the official view or communication of the Ministry. If you are not the intended recipient you must not use, disclose, copy or distribute this message or the information in it. If you have received this message in error, please email or telephone the sender immediately."

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OFFICIAL INFORMATION ACT

RIDINGS, Penelope (LGL)

From: RIDINGS, Penelope (LGL)
Sent: Thursday, 24 January 2013 3:50 p.m.
To: MATHESON, Alex (MEA);
Cc: AUSTIN, Jonathan (MEA)
Subject: RE: NZ Al Khalaf Partnership [SEC=UNCLASSIFIED]

Hi Alex

In anticipation of s9(2)(a) absence today, I checked with FIN as to what would be acceptable so that it would fit within the appropriation. The following sentence can be included:

The Buyer will establish a fund of \$6 million as an investment in the partnership to be disbursed as agreed between the Parties to fund proposals to develop technologies to facilitate trade flows to Saudi Arabia and the Middle East.

The last bit is important so that it fits within the appropriation.

The invoice for the \$4 million just needs to include the statement that it is "For the provision of services per the contract dated"

s9(2)(a) let us know if you have anything different to suggest.

Kind regards

Penny

From: MATHESON, Alex (MEA)
Sent: Thursday, 24 January 2013 2:29 a.m.
To: s9(2)(a)
Cc: AUSTIN, Jonathan (MEA); RIDINGS, Penelope (LGL)
Subject: Fw: Fw: NZ Al Khalaf Partnership [SEC=UNCLASSIFIED]

[UNCLASSIFIED]

Device Tag: UNCLASSIFIED

Hi s9(2)(a)

I just spoke to George and agreed that we should try and accommodate his first request relating to the 6m below, but that we couldn't accommodate his second s9(2)(g)(i)

Are you also please able to provide me advice as to what the invoice for the 4m should say. George made it clear he wouldn't want his first invoice returned for alterations...

Best

From: George Assaf
Sent: Thursday, January 24, 2013 01:10 AM
To: MATHESON, Alex (MEA)
Subject: Re: Fw: NZ Al Khalaf Partnership [SEC=UNCLASSIFIED]

RIDINGS, Penelope (LGL)

From: MATHESON, Alex (MEA)
Sent: Wednesday, 16 January 2013 2:58 p.m.
To: AUSTIN, Jonathan (MEA); RIDINGS, Penelope (LGL)
Subject: Fw: Draft Al Khalaf Partnership Q&As [SEC=UNCLASSIFIED]

[UNCLASSIFIED]

MFAT Device Tag:UNCLASSIFIED

From: Alex Matheson s 9(2)(a)
Sent: Wednesday, January 16, 2013 02:57 PM
To: MATHESON, Alex (MEA)
Subject: Draft Al Khalaf Partnership Q&As

Jonathan - let's discuss. Penny - just a bit more flavour fyi

Regards

Draft Q&As

What are we doing this for?

A key focus of New Zealand's renewed efforts to develop stronger business and investment linkages with the Gulf States is around assisting these countries with their food security needs.

This is outlined in more detail in the draft NZ Inc/GCC strategy document - to be considered by Cabinet in the next few months.

The GCC States see New Zealand as having a range of public and private products, services and expertise to assist with its food security needs.

New Zealand is developing several Government to Government arrangements in the Gulf that outline the broad areas of expertise that New Zealand public and private sectors can bring to the table, and a commitment from both parties to work together.

Discussions and diplomatic efforts with the Gulf countries over the last couple of years showing that New Zealand is willing and equipped to assist with this issue and the wider food-security need, while not resuming shipments of live sheep for slaughter, have seen the discussion on increased trade and investment flows with the region reopened.

What is the "partnership"?

A key part of the renewed dialogue with KSA is our developing partnership with the Kingdom's largest livestock transportation company, Al Khalaf Group.

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.

The partnership is based around assisting Saudi Arabia with red-meat production and access, and improved livestock breeding techniques using New Zealand technology and knowhow, as part of a wider NZ Inc food security programme with the Kingdom and GCC.

Why the Al Khalaf Group?

For several reasons:

- it has a proven track record in the New Zealand in the red meat sector over the past 20 years, and own farms in the Hawke's Bay.
- it has developed a highly-prized breed of Awassi sheep using New Zealand genetic and pastoral expertise.
- the ^{56(a)} combined with the firm's New Zealand heritage, makes it an ideal partner to take the country to country relationship forward.
- the Al Khalaf Group owns significant assets in the red-meat supply chain in KSA and globally, and has access to Saudi customers and influencers that will benefit New Zealand firms involved in the partnership.

How much is the NZ Government committing?

The NZ Government is committing \$10m to the the partnership over the next couple of years.

How does it benefit NZ?

- the partnership provides a platform to showcase New Zealand food and agriculture technology and knowhow in Saudi Arabia, and as a stepping-stone to other Gulf countries.
- the bulk of the partnership funding will go directly to New Zealand firms who are able to assist Saudi Arabia and Al Khalaf with its business needs around food security and red-meat production and access.

How will you work out which firms are to be involved?

Working with experts from the Al Khalaf Group, Saudi Arabia and New Zealand, a business plan will developed to outline the areas where the partnership will invest. Procurement of the identified products and services will be outlined in the business plan.

Which New Zealand firms have signed up?

None as yet. A business plan is being developed over the next few months.

What is "food security?"

It basically means ensuring that your population is able to access protein and other food staples and at an affordable price.

It is generally a combination of increasing food production capacity and capability in your own country, and ensuring that you have a secure supply of these foods if they are sourced externally.

s 9 (2) (a)

From: RIYADH
Sent: Wednesday, 16 January 2013 3:25 a.m.
To: MEA
Cc:

out of scope

Subject: FORMAL MESSAGE: CALL ON THE SAUDI MINISTER OF AGRICULTURE, 13 JANUARY 2013 – LIGHT AT THE END OF THE LIVE SHEEP TUNNEL

[RESTRICTED]

RESTRICTED – NOT FOR CABLE EXCHANGE

Summary

Post called on Saudi Agriculture Minister on Sunday to seek agreement to our proposals to resolve the live sheep issue and to test Saudi interest in a wider food security partnership. *During a 90 minute meeting with excellent atmospherics, we outlined NZ's proposal to enable live sheep for breeding exports to take place by concluding a zoosanitary protocol, and our intended measures to rectify the commercial impact on Saudi investor Al Khalaf of the live sheep for slaughter restriction including plans to build an ongoing partnership with him. We also sought Saudi views on whether a food security partnership would be helpful and what it might look like (paras 3-6).

s 9 (2) (b) (i)

s 6 (a)
s 6 (b) (i)

*We judge on the basis of this meeting that the NZ strategy to date has been well targeted, but it is crucial that NZ now follows up quickly and unambiguously on what we have said we will do in order to consolidate the fragile trust that has now been re-introduced to the relationship.

s 9 (2) (j)

Action

Grateful if consideration could be given to:

- Finalising the draft of the zoosanitary protocol for handing across to Saudi MAF and sending appropriate officials to Riyadh if necessary (para 10)

- Recording the solutions proposed in relation to export for breeding and Al Khalaf, perhaps in the form of a ministerial letter (para 10)
- Issuing a letter of invitation, at the appropriate time, to a JMC this year (para 17)
- The possible content of and mechanism for a food security partnership (paras 11-17)
- Inward agricultural investment proposals, and whether NZ wishes to be listed as a destination for investment under the King Abdullah Agricultural Initiative (para 15)

Report

We (HOM, DHOM, Second Secretary) called on HE Dr Fahad bin Abdulrahman bin Sulaiman Balghunaim, Saudi Minister of Agriculture, on 13 January to deliver the messages set out in your FM of 16 November as supplemented by further excellent technical material sent through shortly before Christmas (TND-RIY emails refer). He was accompanied by his Deputy Ministers for Agriculture (s 6(a)), Fisheries (s 6(a)), and for Animal Resources (s 6(a)) - a very senior group.

Presentation of NZ proposals

2 We set out this part of the conversation in some detail as it provides important context for Balghunaim's response (paras 7-16), and for how we should take the relationship forward (comment, paras 19-21).

3 HOM explained that the New Zealand system, led by Minister McCully, had been working very hard to find a solution to this thorny and longstanding issue for some time. We were grateful for Minister Balghunaim's patience, but it seemed worth taking the time to find a solution that would prove durable rather than to attempt a quick fix. The New Zealand side was sensitive to the needs of the Kingdom in this area, both as host to millions of *Hajj* pilgrims every year – a responsibility we knew the Kingdom took very seriously – and in terms of developing long term food security in a region which lacked water. As friends we wanted to help. Another key motivation was the strong desire to restore trust and confidence to our relationship with a country that we regarded as a close friend and with which we sought a long term partnership in many fields, not just agriculture. That relationship was going from strength to strength, but the one cloud on the horizon had been the sheep trade. Ministers Groser and McCully had both acknowledged in person to Minister Balghunaim that NZ could have handled aspects of the issue better, and realised that NZ also had to take concrete steps aimed at putting things right. We were also aware of the wholly unintended impact that our policies had had on a Saudi investor, Mr Hmood al Khalaf, who had made a long term commitment to NZ that we valued.

4 We had, therefore, come up with three main proposals which sought to respect and accommodate the sensitivities and needs on both sides – the Minister already being aware, we noted, of concerns held by parts of the NZ public about livestock exports for slaughter, and of the risk to billions of dollars of meat exports to e.g. the EU and North America if international NGOs attempted to lead a consumer boycott. First, we could enable the export of pregnant ewes for breeding. An essential prerequisite would be agreement on a zoosanitary protocol; with the Minister's permission we would submit a draft protocol as soon as possible for consideration by his officials and there may be a need for technical experts on both sides to meet. We noted Mr Al Khalaf's desire to send an initial shipment as early as mid October. We were uncertain whether

this would be possible in practical terms, but that was a commercial matter for Mr Al Khalaf; we were committed to doing our best to make sure a protocol was in place in time for this to occur.

5 We set out, second, the precise measures which had been agreed with Mr Al Khalaf to address his grievances (s 6(a)) We were not simply paying Mr Al Khalaf to 'walk away' – we wanted to engage and build a closer partnership to our mutual benefit, which recognised and valued his long term commitment to NZ. Resources had thus been made available to enable the supply of NZ expertise to assist Mr Al Khalaf to build a more efficient and productive business in NZ and Saudi. This might include e.g. research and development projects such as livestock and pasture improvement and improved killing chain technology; we would know more after the planned March visit by a delegation of technical experts who would look at his whole operation and make recommendations. We noted that Mr Al Khalaf has expressed his satisfaction with the measures proposed.

6 This brought us to the third limb of our proposals. It had occurred to us that our co-operation with Mr al Khalaf might form the starting point for a wider partnership between our two countries on food security, if this is something Saudi Arabia would value. New Zealand was well aware of the challenges faced by Saudi Arabia and other GCC countries in this area. We had already initiated a discussion with the GCC over collaboration with NZ on food security among other selected areas, but in reality much of the substance would be implemented through bilateral mechanisms. Saudi Arabia would enjoy high priority given its political and economic predominance in the region. In fact we were already exploring the potential for specific co-operation in areas like red meat supply, given impetus by the recent visit by SALIC CEO s 9(2)(a)) and Chairman s 9(2)(a) . The Minister of Trade had invited the Secretary-General of the Muslim World League to NZ, partly for the purposes of formalising co-operation around halal certification. We had also been asking ourselves whether NZ expertise might be leveraged to increase the supply of livestock to Saudi Arabia from the region, as there would always be natural constraints on what NZ could provide in terms of quantity.

Minister Balghunaim's response

7 Minister Balghunaim was fulsome in his praise of the proposals, interjecting at various points and then setting out his thoughts in a more structured way once we'd finished.

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

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

Zoosanitary Protocol – and the need for written confirmation of the NZ proposals

10 More specifically, Balghunaim requested that we submit without delay a draft protocol on zoosanitary hygiene for livestock export for breeding, for review by his officials. They were keen to conclude this as soon as possible so that the trade could commence; it may be necessary for technical experts on both sides to hold discussions and if this were the case, he implied it would be very helpful if NZ officials could come to Riyadh in the near future for that purpose. More broadly he said he wanted to report to the King and the Saudi Council of Ministers on this very welcome progress in the relationship and on the livestock issue.

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

What might a food security partnership look like?

This page is withheld
under sections 6(e) and
9(e)(1)(b).

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

out of scope

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

Comment

19 In our view this crucial meeting went as well as we could possibly have hoped, and was a solid endorsement of the NZ approach and of the judgments we have made along the way. This includes the decision to defer a visit by Minister McCully until we were fully ready to communicate clear proposals and progress to the Saudis; and waiting for Al Khalaf to give his own positive readout to the Minister before seeking a meeting ourselves.

s 6(a)

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OFFICIAL INFORMATION ACT

s 6(a)

s 9(2)(g)

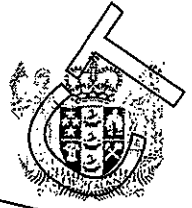
IN CONFIDENCE



NEW ZEALAND
MINISTRY OF FOREIGN AFFAIRS & TRADE

14 January 2013

Minister of Foreign Affairs



For action by 18 January 2013

Saudi Arabia: Al Khalaf Group - Next Steps

SUBMISSION Issue

PURPOSE To seek your agreement that the Ministry finalise arrangements with the Al Khalaf Group to support a livestock breeding programme in Saudi Arabia which could form part of a broader bilateral food security partnership.

Recommended referrals

Prime Minister	For information
Minister for Primary Industries	For information
Minister of Trade	For information

Contact details

NAME	ROLE	DIVISION	WORK PHONE	MOBILE PHONE
Jonathan Austin	Manager	MEA		
Alex Matheson	Special Envoy for Government Commercial Partnerships	MEA		

59(2)(a)

Minister's Office comments

Signed / Referred

Date: 28 / 1 / 2013

Minister
approved while
handing

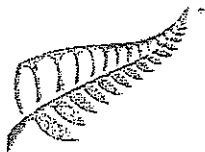
TEAM-42-92

IN CONFIDENCE

IN CONFIDENCE

41 INZ/114

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NEW ZEALAND
FOREIGN AFFAIRS DEPARTMENT

14 January 2013

Minister of Foreign Affairs

For action by 18 January 2013

Saudi Arabia: Al Khalaf Group – Next Steps

SUBMISSION Issue

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Minister for Primary Industries	For information
Minister of Trade	For information

Contact details

NAME	ROLE	DIVISION	WORK PHONE	MOBILE PHONE
Jonathan Austin	Manager	MEA		
Alex Matheson	Special Envoy for Government Commercial Partnerships	MEA		

59(2)(c)

Minister's Office comments

Minister approves while
traveling Jonathan
Austin has the original

Signed / Referred

Date: ___ / ___ / ___

28/1/2013

TEAM 42-82

IN CONFIDENCE

IN CONFIDENCE



NEW ZEALAND
FOREIGN AFFAIRS

14 January 2013

Minister of Foreign Affairs

For action by 18 January 2013

Saudi Arabia: Al Khalaf Group - Next Steps

SUBMISSION Issue

PURPOSE To seek your agreement that the Ministry finalise arrangements with the Al Khalaf Group to support a livestock breeding programme in Saudi Arabia which could form part of a broader bilateral food security partnership.

Recommended referrals

Prime Minister	For information
Minister for Primary Industries	For information
Minister of Trade	For information

Contact details

NAME	ROLE	DIVISION	WORK PHONE	MOBILE PHONE
Jonathan Austin	Manager	MEA		
Alex Matheson	Special Envoy for Government Commercial Partnerships	MEA		

59(2)(a)

Minister's Office comments

Signed / Referred

Date: ____ / ____ / ____

TEAM 42-02

IN CONFIDENCE

AL KHALAF GROUP - NEXT STEPS

Recommendations

It is recommended that you:

- 1 Agree that the Ministry pay \$4 million to Al Khalaf Group as outlined in your letter of 12 November 2012 as a necessary first step in establishment of the New Zealand/Al Khalaf Group partnership, as part of a wider food security partnership with Saudi Arabia. Yes / No
- 2 Note that Ambassador Harris has had a positive meeting with the Saudi Agriculture Minister, following Mr Al Khalaf's earlier discussion with the Minister, and note the anticipated timetable for development of the New Zealand/Al Khalaf partnership as outlined above. Yes / No
- 3 Note that officials will prepare a letter from you to the Saudi Agriculture Minister summarising the agreement with Al Khalaf and proposing broader food security cooperation with Saudi Arabia. Yes / No
- 4 Note that a paper proposing the formation of a public-private NZ Inc reference group to assist with management of issues and opportunities emerging from increased food-security related government and business activity in the GCC region will be prepared for your consideration in February. Yes / No

C J Seed
for Secretary of Foreign Affairs

Agree officials should proceed to put in place agreed steps. Lab Committee paper to advise colleagues for first week of Feb please. As advised orally, please ensure careful steps to apply appropriate product standards to any processed.

AL KHALAF GROUP - NEXT STEPS
Background and Comment

Formalisation of Partnership

- Your letter of 12 November 2012 to Hmood Al Khalaf (copy attached) outlines the basis of a partnership between Al Khalaf Group and NZ Inc to assist with the development of a livestock breeding programme in Saudi Arabia, as part of a wider GCC/NZ Inc food security programme. Now that Mr Al Khalaf has accepted our proposal, we need to finalise arrangements with the Al Khalaf Group and to make the first payment.
- The Ministry has taken legal advice that the most appropriate arrangement between the Ministry and Al Khalaf Group is a contract for services, where the first milestone is the payment of \$4 million as outlined in your 12 November letter. Provision for this payment has been made within the Ministry's 2012/2013 baselines (from the NZ Inc Partnerships Leveraging Fund).
- Since the meeting you had with Mr Al Khalaf at his Hawke's Bay property in November last year, he has advised that he met the Saudi Agriculture Minister, Dr Fahad Balghunaim, in late December 2012 to brief him on the developing partnership.
- Ambassador Harris called on Dr Balghunaim on 13 January to seek agreement to our proposals to resolve the live sheep issue and to test Saudi interest in a wider food security partnership.

s9(2)(ba)
s6(a)

s6(a)
s9(2)(ba)

s6(a)
s9(2)(ba)

- It is crucial that New Zealand now follows up quickly on what we have said we will do in order to consolidate the still fragile trust which has been re-introduced to the relationship. Discussions on the protocol will need to be managed delicately.

AL KHALAF GROUP – NEXT STEPS

Programme

Following the initial milestone payment, the anticipated timeline for the development of the partnership, as well as the timetable for the Al Khalaf Group's business intentions, is:

February 2013:

MFAT to facilitate engagement with MPI and Saudi officials, and the Al Khalaf Group, to begin preparation of the necessary documentation to allow for the shipment of breeding animals between New Zealand and the Kingdom. This could take at least several months – and is particularly dependent on the Saudi officials agreeing to receive the shipments.

March 2013:

NZ agri-business delegation to Saudi Arabia (and potentially via Ethiopia) to study the Al Khalaf in-market supply-chain, and provide recommendations to the partnership as to the potential New Zealand intellectual property and technologies that could be used to enhance red-meat productivity in Saudi Arabia.

April 2013:

Development of a business plan for the remaining partnership funding, following the study tour in March. The business plan will include the recommended New Zealand technologies and IP to be transferred, timing for this to occur, governance and management arrangements, process for procurement, and timing for drawdown of the partnership funding. The business plan will need to be agreed by yourself and Mr Al Khalaf. NZTE is currently working through its own role in facilitating the ongoing transactions between the potential New Zealand firms and the partnership, and its financial contribution to the project.

October 2013:

The earliest that a shipment of breeding animals between New Zealand and Saudi Arabia is likely to happen. This will be dependent on the export certification, the completion of Al Khalaf's new "state-of-the-art" livestock vessel currently under construction in Singapore, and the ability of the Al Khalaf Group to arrange contracts with New Zealand farmers to supply sufficient numbers of breeding animals.

Proposal for Reference Group

- With the increase in activity and complexity of the food-security relationship with the GCC region (for instance the emerging Qatar National Food Security Programme partnership with New Zealand) the Ministry considers a public-private reference group should be established to assist with managing the associated opportunities and issues. These include considerations around NZ Inc risk and

AL KHALAF GROUP – NEXT STEPS

reputation management, procurement, capacity and capability and ensuring long-term value for New Zealand.

- A separate paper on the proposed reference group, including a draft Terms of Reference and potential participants, will be forwarded for your consideration in early February.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

MATHESON, Alex (MEA)

From: MATHESON, Alex (MEA)
Sent: Tuesday, 8 January 2013 3:05 p.m.
To: AUSTIN, Jonathan (MEA)
Subject: Deloitte Invoice for Al Khalaf Partnership work

Jonathan

As you are aware, in September 2012 the Ministry engaged Deloitte to assist with the development of a strategy and model for the proposed New Zealand/Al Khalaf partnership.

We have received the invoice for completion of this work, totalling \$48,147.19, which I recommend that the Ministry now pay.

Attached to this invoice is:

- The agreed scope of work
- MFAT CEO's approval for the Government-Commercial partnerships budget - including noting of this piece of work
- A file note outlining the rationale for selection of Deloitte
- The Deloitte deliverables

regards

Project Phases:

The project is broken down into three phases:

1. Phase one – to prepare a road map / blue print for agreement between the parties
2. Phase Two – prepare a feasibility study for the agreed market led approach to be investigated
3. Phase Three – implementation.

The scope of this engagement is to provide assistance with Phase One.

Objective:

The objective of Phase One is to prepare a road map / blue print for the development of a best practise sheep beef farm and dairy farm to improve the returns on Al Khalaf's New Zealand investments (and possibly other components of their international business) and to grow the animals available for their Saudi Arabian supply chain, within the policy constraints of no live export for slaughter from New Zealand.

Background:

Al Khalaf invested in New Zealand to grow a sustainable value chain of half breed Awassi sheep to Saudi Arabia. The plan was to grow the productive capacity for Awassi cross sheep in New Zealand to approximately 200,000 animals annually to be processed in Saudi Arabia.

Government policy changed in 2003 and stopped live exports for slaughter and as a result the return on investment on the assets in New Zealand has been significantly impaired. Currently Al Khalaf owns two farms in New Zealand with approximately 8,000 breeding ewes.

As a result of the policy changes the New Zealand Government wishes to partner with Al Khalaf to investigate how they can participate/collaborate in improving the returns on their New Zealand investment and growing the animals into their Saudi Arabian supply chain, within the policy constraints of no live export for slaughter.

Process:

The project will commence Monday 21 August 2012. The process is as follows:

1. Understand the Saudi Arabian's food security policy position and explore how this project can contribute to achieving their desired outcomes.
2. Explore how to develop a true partnership to improve returns on Al Khalaf's New Zealand investments (and possibly other components of their international business) and develop international opportunities for New Zealand businesses.
3. Investigate how New Zealand's portfolio of intellectual property and agribusiness management capability can be a part of the solution.
4. Work with the NZ staff of Al Khalaf to develop the preferred option.
5. Prepare a summary of the Crown's risks and mitigation strategies with the support of MFTA staff
6. Prepare a draft road map / blue print for presentation to the Minister of Foreign Affairs and Trade for his approval, include a budget for Phase Two and a summary of the Crown's risk.
7. Prepare a draft road map / blue print for presentation to Al Khalaf's representative based in Sydney.

For the sake of clarity the scope of this project excludes:

1. Any investigation – other than desk top research into markets or demand for red meat in Saudi Arabia.

Output Phase 1:

The output from Phase One is to:

1. Prepare a road map / blue print for the way forward with Al Khalaf for their approval
2. Prepare an estimated budget for Phase Two
3. Prepare a road map / blue print for the way forward with Al Khalaf for approval by the Minister of Foreign Affairs and Trade

Estimated Costs

The estimated costs for Phase One are s 9(2)(b)(ii)

Disbursements will be recovered at cost and it is expected to include, but not limited to, New Zealand Travel and accommodation. Expense will be preapproved before incurred.

Why Deloitte

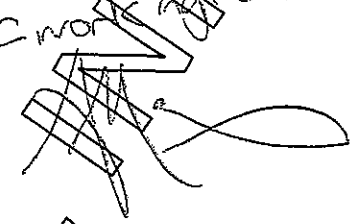
Deloitte understands what is required to develop a successful partnership between investing parties and more broadly has built an experienced team of experts in economic development and agribusiness. Below are some summaries of work they have recently undertaken.

s 9(2)(a)

s 9(2)(b)(ii)

s 9(2)(b)(a)

scope of work agreed



MATHESON, Alex (MEA)

From: DUNCAN, Lucy (GM SGG)
Sent: Thursday, 27 September 2012 10:39 a.m.
To: MATHESON, Alex (MEA); MacMASTER, Hamish (MEA); GOULIN, Phil (FIN)
Cc: SEED, Chris (DS APE)
Subject: FW: Approval of NZ Inc leveraging fund allocation for GCC projects
Attachments: img-926124818-0001.pdf

[UNCLASSIFIED]

Dear all

John's approval is attached.

Phil - funds to be transferred to MEA's budget with Chris's oversight on expenditure.

Who needs to keep the original? (I will send to Hamish for filing unless otherwise advised).

Cheers

y

-----Original Message-----

From: s 9(2)(a)
Sent: Wednesday, 26 September 2012 11:54 a.m.
To: DUNCAN, Lucy (GM SGG)
Subject: FW: Scan Data from FX-B35532

[UNCLASSIFIED]

Scanned document attached Lucy.

Thanks, s 9(2)(a)



NEW ZEALAND
FOREIGN AFFAIRS
BUREAU

MEMORANDUM

To CEO
From GM-SGG
cc DS APE; Director MEA; GCC-NZ Inc Strategy Co-ordinator, PM MEA designate,
Special Envoy for Government-Commercial Partnerships
Date 10 September 2012
Regarding GOVERNMENT-COMMERCIAL PARTNERSHIPS: 2012-2013 BUDGET

Purpose

To seek approval for the allocation of up to NZ\$260,000 from the NZ Inc. Leveraging Initiatives Fund to fund the work and expenses of the Government-Commercial Partnerships Initiative as outlined at Appendix 1.

2 The budget requested will cover the project management, subject matter expertise, travel expenses and cost of developing marketing collateral to establish:

out of scope

- c) a long term Food Security partnership with Saudi Arabia, initially through the Al Khalaf Group (the group that has for many years invested in the breeding of Awassi sheep in the Hawkes Bay).

3 These projects will involve a very high degree of NZ Inc. coordination, both across agencies and between the government and private sectors. They will form the foundation of the NZ Inc. GCC Strategy and will inform the development of a permanent Government-Commercial Partnerships mechanism.

Background

4 The Minister of Foreign Affairs established the role of Special Envoy for Government-Commercial Partnerships in response to a need for a central NZ Inc. point for coordinating strategic

commercial priorities in the GCC region. A note from the Minister to his colleagues is attached at Appendix 2 and outlines the rationale and broad focus of the role. In addition to the development of a permanent structure for carrying this work forward in future, the Special Envoy's work programme consists of three specific projects requiring public-private partnerships overlaid by Government to Government agreements in the GCC region. Specifically those projects are:

out of scope

- developing a food security joint venture with the Saudi Arabian Awassi sheep investors, the Al Khalaf Group (the paper attached at Appendix 3 refers);

out of scope

6 With the Saudi investors, the successful development of a food security partnership may go a long way to removing the impediments to the implementation of the NZ-GCC FTA. This is one of MFAT's strategic priorities and is reflected in the NZ Inc. GCC Strategy.

7 Beyond that, partnerships may span between 3-5 years or even longer, giving added strength to the bilateral relationships with those countries, and implementation will provide evidence for the systematisation of government-commercial partnerships arrangements in the future.

Link to Business Growth Agenda

8 The Building Export Markets document, released as part of the Government's Business Growth Agenda, signals MBIE and MFAT responsibility to establish mechanisms to secure commercial export opportunities on the basis of core public sector intellectual property and expertise:

"In a number of emerging markets, for example in the Middle East, governments often seek 'Government' partners when developing commercial partnerships, even those involving the

private sector. New Zealand's expertise in the primary sector – for example in food security – and resource management is highly valued. We are exploring opportunities for strategic Government to Government partnerships, and ways to facilitate commercial opportunities in partnership with the private sector under a New Zealand Government umbrella."

The NZ Inc. Leveraging Initiatives Fund

9 The proposed investment of \$200,000 from the NZ Inc. Leveraging Initiatives Fund will fund MFAT, working with NZTE and MBIE, to develop a joint plan designed to:

- determine options for a permanent structure for facilitating government/commercial partnerships, including the required governance arrangements;
- develop a network of nominated personnel in core government agencies that will be able to support and resource such a structure;
- develop a strategy to mitigate risks to governments of promoting specific companies or consortia to foreign governments; and
- develop professional NZ Inc. branded collateral to sell New Zealand as a trusted food security partner in the GCC.

10 NZTE has appointed a full time resource, Paul Gestro, to partner with MFAT on the work programme, and discussions have been held with MBIE on their resource commitment to the programme.

Draft Organisational Responsibilities:

MFAT	NZTE	MBIE
	<ul style="list-style-type: none">• Governance• NZ Inc. offshore• G2G commercial arrangements• Specific projects agreed with MFA• IDG Linkages• Risk Management	<ul style="list-style-type: none">• Governance• NZ Inc. onshore relationship with NZ-based agencies (purchase agreements etc.)• Commercialisation of IP• Contractual frameworks• Receipt and disbursement of offshore revenues• Procurement• Risk Management

Reimbursement, Administration and Procurement

11 It is anticipated that as the projects above evolve contributions and fees for some of the activity will come from either the foreign governments/agencies (e.g. EAD), or from the private participants in consortia formed to deliver on the opportunities (e.g. project management for food security). The proposed budget will allow MFAT to kick-start some of the projects, including negotiations with public and private delivery partners, detailed project specification, and risk management.

12 It is proposed that the funding referred to above will be transferred to the MEA cost centre for administrative purposes, and approval for the disbursement of these funds will be done within the Ministry's usual delegated financial authorities, and be overseen by DS APE.

13 It is anticipated that the nature of the Government Commercial Partnerships will require procuring external contractors and subject matter experts that will be selected on an open and contestable basis. It is also anticipated that if this first tranche of work is successful there may be a range of subsequent opportunities that could be pursued (possibly subject to additional funding). With this in mind the resources required to complete the initial scope of work will be selected through an open tender to ensure we:

- Select the best available resources;
- Negotiate a competitive fee structure recognising the scope of this work may grow substantially; and
- Are compliant with our own procurement policies and the 'Mandatory Rules for Procurement by Government Departments'.

14 It is likely a small panel of providers will be selected that will provide the flexibility and capacity to ramp up resourcing quickly should we need to, as we move through the feasibility, establishment and growth phases of this initiative. The Procurement team is assisting the Special Envoy and MEA to ensure this process is expedited as quickly and effectively as possible.

Recommendations

This paper recommends that you:

Approve the allocation of up to NZ\$268,000 from the NZ Inc. Leveraging Initiatives Fund to fund a work programme during 2012/2013 for developing Government Commercial Partnerships as outlined in appendices 1 and 2; and

Agree that DS/PE will maintain oversight of the disbursement of this allocation on advice from DM MEA and the Special Envoy.

Lucy Duncan
Group Manager Strategy and Governance

Appendix 1 – 2012/2013 Government Commercial Partnerships Work Programme and Budget

Scoping	Activity	Funding sought
	Initial scoping work on feasibility of breeding programme/food security partnership with Saudi Arabia (this could come from overall settlement funding for the Saudi investors discussed below) has been started. Deloitte has been engaged to do this initial and urgent work.	NZ\$40,000
Project management and subject matter expertise	The formation of the consortia of public and private entities to deliver on the proposed G2G arrangements (including contract development, secondment agreements between NZ institutions and foreign governments, commercial arrangements between parties etc)	NZ\$60-80,000
Travel expenses	Estimates based on recent travel booked through the Ministry travel provider, Orbit, and current MFAT travel daily rates. 2-3 trips to Australia NZ\$2,000 each 4-5 trips to GCC NZ\$10,000 each 8-10 overnight trips to AKI NZ\$700 each Per diems, phone, data, taxis NZ\$5,000 each	NZ\$50-60,000
Collateral	Professional, accessible, consistent collateral (presentation deck and brochure, incorporating NZ inc branding and a high-quality a/v) particularly needed for food security projects.	NZ\$60-80,000
Total:		NZ\$268,000



Office of Hon Murray McCully
Minister of Foreign Affairs
Minister for Sport and Recreation

RECEIVED
21 JUN 2012

BY:

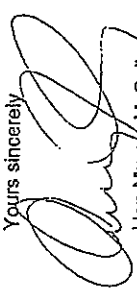
Prime Minister
Deputy Prime Minister
Minister of Economic Development
Minister of Trade
Minister of Primary Industries
Minister of Environment
Minister of Education
Minister of Health
Minister of Customs
Minister of Māori Affairs
Associate Minister of Tourism

Dear Colleagues

I attach a paper on the proposal for increased NZInc engagement in support of government-to-government commercial partnerships. It outlines the matters we discussed briefly at this week's meeting of export ministers.

Should any of you have any issues to do with how the process is managed going forward, please get in contact with me.

Yours sincerely


Hon Murray McCully
Minister of Foreign Affairs

IN CONFIDENCE

Office of the Minister of Foreign Affairs

NZ Inc: Government-Commercial Partnerships

This paper seeks to inform Ministers of steps being taken to improve New Zealand's capacity to earn foreign exchange through partnerships involving government agencies. Ministers are asked to note:

- there are significant international opportunities to commercialise and retain value from public sector intellectual property and expertise;
- that in order to pursue some of these opportunities, NZ Inc needs to improve its ability to develop government-to-government commercial partnerships, and within these, to provide support for companies to operate within markets such as the Gulf Cooperation Council (GCC) region;
- that IMFAT is developing a cross-agency programme to more swiftly and cohesively organise NZ Inc's public and private resources and expertise to pursue commercial opportunities offshore, initially in the GCC region, under the umbrella of government-commercial partnerships; and,
- the appointment of a Special Representative for Government-Commercial Partnerships, Mr Alex Matheson, to be based within IMFAT.

There are challenges to be confronted as to the extent to which the Government can be seen to endorse commercial initiatives, reputational issues to be considered case by case, decisions to be made regarding commercial risk/reward considerations for Government agencies participating in such ventures.

Background

Over the past few months the Minister of Foreign Affairs, and the New Zealand Ambassadors in the GCC region, have been approached by GCC government-linked agencies, as well as New Zealand firms operating in the region, about opportunities involving the commercialisation of New Zealand public and private intellectual property and expertise.

2. Through these approaches, it has become increasingly clear that NZ Inc. may not be as 'commercial' as competing foreign governments when developing government-to-government commercial partnerships, and supporting companies operating within the markets of the GCC.

The potential opportunity

Two examples of the type of opportunity presented by relationships that New Zealand has formed in the GCC are briefly outlined below:

out of scope

out of scope

Improving NZ Inc engagement

13 MFAT and NZTE have already taken some steps to modernise the NZ Inc business support mandate. Terms of Reference for writing company letters of endorsement are being established, steps have been taken to ensure closer cooperation between the two agencies regarding prioritisation within the region, Ministerial travel priorities for the GCC region have been very carefully targeted and there has been some work to facilitate private consortia to respond to potential commercial opportunities in the region.

14 MFAT has also started identifying and pursuing opportunities for strategic government-government partnerships within the GCC, including in the environment, agriculture, fisheries, food security, education and health sectors.

15 It is evident, however, that there is the potential for more business in this region if relevant parts of the public sector were able to rapidly respond to commercial opportunities in partnership with the private sector under a New Zealand government umbrella. In order to facilitate this, it is proposed that a dedicated resource within MFAT be responsible for identifying, assessing, and driving these potential offshore commercial opportunities forward, and an associated work programme to:

- determine options for a more permanent structure for facilitating government-commercial partnerships, including governance;
- develop network of nominated personnel in core government agencies that will be able to support and resource such a structure; and,
- develop a strategy to mitigate risks to the government of promoting specific companies or consortia to foreign governments, including, for example, a process of due diligence through the NZTE system.

16 The work programme envisaged for Government-Commercial Partnerships is consistent with the Business Growth Agenda and will be reflected in the NZ Inc GCC Strategy currently under development, to ensure the widest possible NZ Inc buy-in.

Role of the Special Representative

17 Mr Alex Matheson has been appointed by the Minister of Foreign Affairs as Special Representative for Government-Commercial Partnerships. This role was established in response to a need for greater government support to businesses operating in the GCC region, and a central NZ Inc policy for coordinating strategic commercial priorities offshore.

18 Mr Matheson will lead New Zealand's engagement with the Environment Agency of Abu Dhabi (EAD) and Qatar National Food Security Programme (QN-SP) in the first instance, using these as 'pilot studies' to inform the establishment of a more permanent structure for coordinating NZ Inc. government-commercial partnerships offshore.

19 The appointment of a Special Representative for Government-Commercial Partnerships is to be the first formal step in the direction of the establishment of a permanent structure to support New Zealand commercial interests offshore.

Hon Murray McCully

Minister of Foreign Affairs

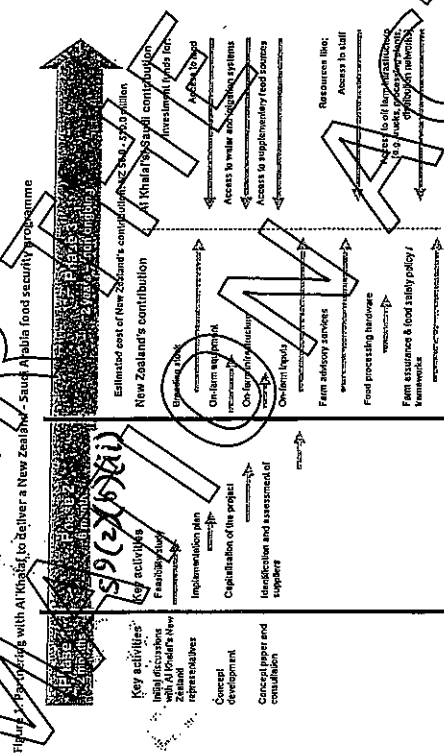
Briefing paper:	Informing the Government's investments within international markets
To:	Hon Murray McCully Minister of Foreign Affairs and Trade
Purpose:	To discuss the concept of partnering with Al Khalaf to deliver a New Zealand - Saudi Arabia food security programme

Summary

This paper proposes that the New Zealand Government should consider this project to develop a partnership with Al Khalaf to deliver a Saudi food security programme. Key points to note in this paper are:

- There is an opportunity for the Government to 'partner' with Al Khalaf in a commercial pilot of best practice sheep beef and dairy farms in Saudi Arabia -- and promote New Zealand companies and Government Department IP in the form of services, policies, frameworks, equipment and capabilities to new markets.
- The proposed approach is for New Zealand to take the form of IP, capability and farm related equipment to establish best practice sheep beef and dairy farms in Saudi Arabia. The four key components of the proposed model are:
 - New Zealand Government's investment through New Zealand companies and promotion of Governmental capabilities
 - The investment and development of New Zealand based capabilities around Awassi NZ's existing farming assets and IP
 - The development of market demand for New Zealand products and capabilities by showing New Zealand's primary sector capabilities within market (initially Saudi Arabia -- and progressively North Africa and South America) in line with Saudi Arabia's primary sector strategy
 - The development of closer Government-to-Government connections through contributing to Saudi Arabia's food security
- The creation of stronger regional relationships with connections throughout the Saudi food value chain -- through the promotion of Al Khalaf and his leadership role in the formation of a partnership.

The partnering opportunity will require investment from the New Zealand Government, Al Khalaf and Saudi Government as outlined in the following diagram.



Background

MFA have held preliminary discussions with both Al Khalaf's representatives and New Zealand representatives. These initial discussions have been constructive and provided MFA with an understanding of the issues – from their perspective.

The key points they have made are:

- Al Khalaf has remained committed to New Zealand for over 28 years and still own two farms with an elite Awassi flock of 600 breeding ewes and over 500 stud rams.
- They have experience sustained losses based on commitments in the media.
- Any proposed solution should provide a valid role & commercial opportunity for the past & current investment in NZ farms and Awassi genetics.
- Al Khalaf (Hamoud & George Asaf) will be key in identifying & researching market opportunities in Saudi Arabia and elsewhere in Middle East.
- Any proposed solution should have a strong livestock component. For example live export of breeding stock both sheep, cattle & dairy stock.
- Al Khalaf would like the first right of refusal on any commercial or other opportunities in Saudi Arabia that may arise out of any proposed solution (this may include leading the engagement at a political level).

The conversations with the Al Khalaf group are constructive in spite of the issues they have raised. Moreover, we have been able to define the basis by which this dialogue can be built on to enable a commercial investment. A key theme to be built on is 'Partnership' to them this represents a commitment rather than a form of commercial arrangement.

While this is a great opportunity for New Zealand, due consideration must be given to what New Zealand requires from this process. As such, consideration has been given to:

- How New Zealand can benefit from a strategic engagement with a substantial business in the Middle East
- How can we maximise the return on New Zealand's investment for New Zealand businesses
- How can New Zealand contribute to the security of the region – humanitarian good and contribute to food security on the region
- How the Government may consider investing and New Zealand's current fiscal situation
- How the Government/New Zealand can gain a return on their investment
- How the Government can minimise its risk while maintaining enough influence to achieve its outcomes.

While the discussions continue to develop with Al Khalaf's representatives, there is now a need to consider the options and determine the optimal solution for New Zealand before these discussions can progress. The following section outlines the investment models assessed to determine best 'how New Zealand can maximise its returns', while mitigating any associated risks and provides a description of what the next step would look like (along with the associated costs).

Investment considerations

Al Khalaf's representatives have stated that they are interested in undertaking a collaborative investment with the Government. Before considering the appropriate structure, consideration must be given to how the Government partners with commercial/private business within New Zealand and overseas. The existing models for investment are outlined in the table below.

Figure 2: An overview of the Government's primary sector investment models

Primary Growth Partnership (PGP)	Up to 50:50 funding with private sector – for up to 7 years	No recognition given to investments by CIL's, limited to primary sectors	Could provide a good contract template that could be utilised, potential source of funds or mechanism for contracting skills/IP
MSI research funds	Targets foundational research – up to 80% funding	Often small amounts of funding	
International aid programmes	Up to 100% funding, targeted at developing nations or international crisis	Not directly accessible by businesses or sectors	Inability to invest in commercial businesses
Funding for Crown agencies/research institutes	Baseline funding to support the achievement of a sector's outcomes	Not directly accessible by businesses or sectors (leverage/alignment opportunity)	Can partner/invest in commercial ventures
State owned Enterprises (Landcorp Ltd)	The investment of retained earnings or partial injections	Required rate of return on investments	Can partner/invest in commercial ventures
Government departments (Ministry of Primary Industries)	The investment of operating funding or capital injections	Inability to invest in commercial businesses	

While none of the above investment mechanisms fit perfectly, they do have attributes that may help resolve their points under discussion. For example, the PGP programme is currently the most robust investment programme (up to \$750 million) currently still seeking investment opportunities in the PGP programme. Unique features of this investment framework are:

- Spillover benefits – the Government recognises returns to the economy in addition to any direct returns, in that their investments add value to businesses within the sector.
- Partnership model – both the contracting department (Ministry of Primary Industries – MPI) and the commercial businesses have a joint responsibility to ensure the success of the investment programme. The partnering takes several forms:
 - MPI staff participate on the team that develops the final project scope
 - MPI staff and representatives sit on the Programme Steering Group (the investment programme's board).

- Government does not take an ownership stake in any investment or business (where a special purpose company has been created). Under this structure, the Government is not responsible for any additional funding required or bound into any investment ownership structures (it manages its risks through the contract).

In considering the investment mechanisms outlined above, the following key attributes are considered essential to successfully undertake a joint investment with Al Khalaf.

Figure 3: An overview of the model of funds required

Investment Mechanism	Key Attributes
An investment reflecting a true 'partnership'	The ability to leverage multiple sources of value: Government funding (e.g. PGP, NZ Aid, Māori ōhanga)
An investment over a set time period	Promotion of New Zealand IP in foreign markets
A clear, time bound contractual framework	Provision of new business models and company revenue streams (e.g. the licensing of IP)
A framework for New Zealand companies to benefit from over the longer term	The investment's ability to create or catalyse/accelerate the penetration of New Zealand's businesses in target markets
A capped investment	The ability to show case the Government-to-Government investment model
An understood risk profile with defined mitigations	

Operating in the spirit of 'partnership' is essential for acceptance. Al Khalaf is looking for a level of commitment to the process beyond simply providing funding. To fairly enter into a true partnership, the Government will need to show its understanding of the value Al Khalaf has already created in New Zealand.

The value of Al Khalaf's New Zealand assets could be significant, especially when Al Khalaf's representatives believe these are conservative. Particular areas of value are the genetic advancements they have made within their flock and IP they have developed on-farm.

- Al Khalaf's lamb flock, their elite flock averages of roughly 60% averages for this breed globally - and this is continuing to develop (estimated replacement value \$9(2)(b)(ii) \$9(2)(b)(i))
- Al Khalaf's central Hawkes Bay sheep farms - farm values have decreased significantly from their highs, but based on average listed prices it is reasonable to expect they will be valued between \$9(2)(b)(ii) depending on condition and conversion potential).

With a potential contribution between \$6.2 and \$9.2 million to the partnership, the initial investment for the Government will be substantial. Because the land will remain in the possession of Al Khalaf, but will be utilised by the partnership, the land's contribution should be discounted to align to the potential lease value (at a conservative estimate of \$400,000). Based on this their contribution could be as much as \$2.6 million.

When considering the nature of the Government's contribution, the easiest way will be to invest and capitalise the project. We would expect the minimum initial capital injection for Phase 2 would be in the order of NZ\$1.5 - \$2.0 million.

Maximising New Zealand's value and influence

The range of investment options for the Government is limited. The preferred approach from Al Khalaf's New Zealand advisors is a partnering model where roles are defined and the value of their pre-existing

investments is recognised. From a Government perspective, the optimal model will also maximise the value captured by New Zealand and its business community.

As such, with the Government acting as an investor there are limitations as to how the benefits can be accrued. For example, the easiest measure will be 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. The Government's mechanisms for value capture are outlined by service/product in Appendix 1 and summarised below.

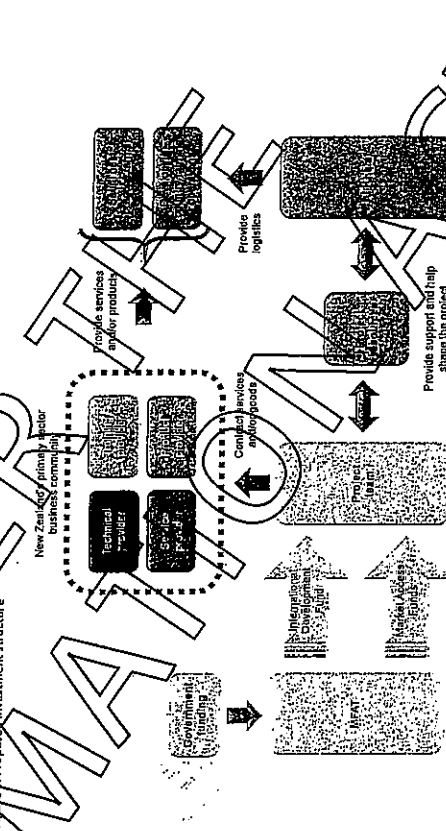
The Government can capture a tax benefit, commercialisation of Government IP (through Government Ministries and Departments) and aid sector revenues through promotion and market development. This can be achieved through channelling the Government's investment through the businesses directly. For example:

- contracting of technical services
- purchase of farm inputs
- purchase of on-farm equipment
- purchase of on-farm and business systems
- purchase of phenotypic expertise
- purchase business and governance expertise

To manage the Government's risk and on-going obligations consideration must be given to the investment structure. Al Khalaf owns many of the key assets, creating an investment vehicle that takes an ownership stake would (or add much if any) value to them.

For these reasons, an investment approach is recommended whereby the Government uses its existing channels to manage their contributions and set as the contracting/coordinator to maintain its influence within the partnership. MEAT has two channels that should be considered, firstly the Market Access funds and secondly under New Zealand Aid there is an International Development Fund (of which 10% is able to be directed to activities outside the Pacific and South East Asia).

Figure 4: Proposed investment structure

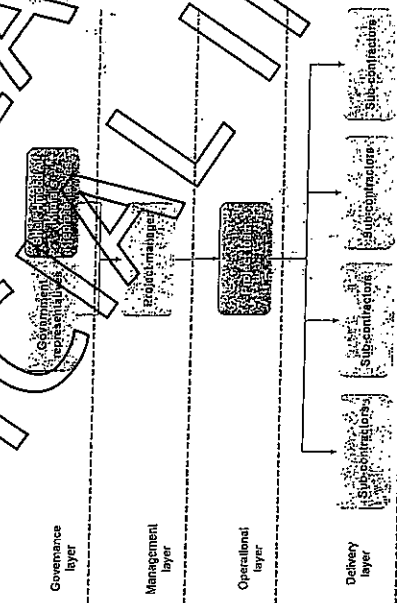


The use of the two funding streams will enable the targeting of funding and a controlled phasing of the project. For example:

- Market access fund: is the main funding channel used to enhance services or products that will be used within Saudi Arabia on the best practice sheep, beef and dairy farms
- International development fund: is a funding channel targeted to transfer the knowledge gained in the first phase to developing nations in North Africa and South America - to increase their animal productivity and sector modernisation.

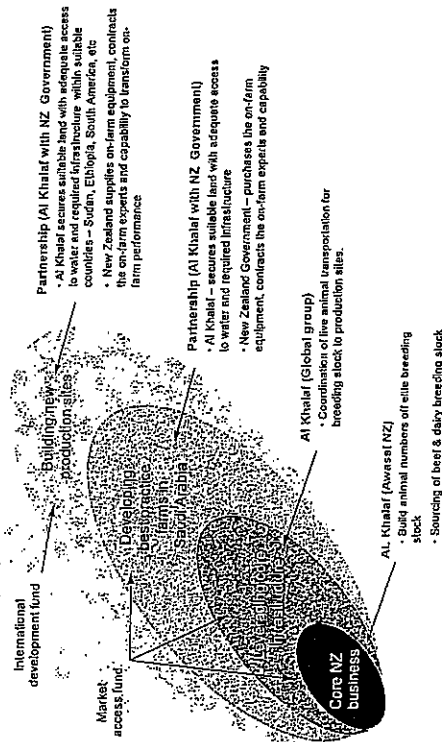
The implementation of the project will result in additional value being created. To project such parties' interests a project governance team should be established. The following diagram outlines a possible structure.

Figure 5: Proposed project structure



This structure would provide the operational capability to develop and deliver on the opportunity through a progressive development and expansion of global best practice farms based off the genetic attributes of New Zealand's sheep beef and dairy herds.

Figure 6: Expansion through partnering with Al Khalaf



The proposed investment model can succeed within a partnering framework with Government. This approach is widely accepted within the PGP environment. For example, within the FarmIQ PGP there are two co-investors who have invested significant amounts of money and not taken a shareholding (they are NZ Merino and TruTest). For these companies, they have recognised the value of the FarmIQ PGP programme and using the knowledge gained by being involved, to power-up their own value chains.

Risks to the Crown

The following illustrates the risks identified for this initiative. They have been identified using 'Porter's 5 Forces' analysis. The risks identified are outlined below with current mitigation strategies.

Saudi border being closed to animal imports	Risk of an animal health risk	Low	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
The ability to scale up across NZ's production or source of animals	Lack of interest from local farmers to shift their production systems	Medium	Mitigate: Develop a supplier group with support and contractual certainty to support their transition and performance
Is protection	Benefits from investment are not attained because competitors duplicate our systems and capabilities	Medium	Mitigate: Processes and farming systems are easy to replicate but hard to apply, the focus is on continual refinement and development to stay ahead
Customer perception	The customers are very sophisticated and access quality beef where they were bred	Medium	Mitigate: Provide customers with the story of where they were bred and where they were finished
Threat of new competitors	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.	Low	Mitigate: Al Khalaf's infrastructure, identity and experience provides an end-to-end capability that generates commercial efficiencies
Security of supply of raw materials	Reliance on suppliers of supplementary feed to the farms	Medium	Mitigate: This programme itself mitigates this risk by developing the crop and pastoral capabilities on farm.

These risks will be tested and refined in the next phase of this project.

Next steps

The current process has three phases, they are:

- To prepare a road map / blue print for agreement between the parties (this is the current phase)
- Prepare a Business case and plan to gain approval and resources for the partnership with Al Khalaf (to deliver a New Zealand - Saudi food security programme)

iii) Implementation the approved business plan

The recommended approach for Phase 2 is outlined below along with high level estimates of effort and costs for your consideration.

Objective

The objective of Phase 2 is to prepare a business case and implementation plan that details how the New Zealand Government and business will invest in the Awassi value chain to improve the current returns on the New Zealand based asset. The audience for the business case will be the project's governance team.

Approach

The activities required to prepare the business case include but are not limited to:

- i) Designing a value chain to a scale that would provide a satisfactory return on investment, including what investments are required in New Zealand and in Saudi Arabia.
- ii) Working with Sheik Hamoud Al Khalaf to investigate the market in Saudi Arabia and the need for red meat and how that contributes to the country's overall strategic objective of food security.
- iii) Identification and negotiation of the required inputs needed to develop the Awassi supply chain, including people capabilities.
- iv) Developing a financial model to estimate the investment required and the possible returns.
- v) Finalise the investment channels and how the New Zealand Government will best provide investment funds.
- vi) Preparation of an implementation plan.
- vii) Consult with relevant parties and officials.
- viii) Review and incorporate feedback to finalise the documentation (this will include an iterative process to negotiation of the draft business case with the respective parties to the venture, both in New Zealand and offshore).
- ix) Finalisation of the business case.

Output

The output from this process will be a business case and implementation plan for partnering with Al Khalaf to deliver a New Zealand - Saudi Arabia food security programme.

Estimated costs

Based on previous experience the costs to prepare the business case will range from \$480,000 to \$520,000 excluding GST. In arriving at this estimated cost we have assumed:

- i) That the business case will be sufficiently detailed for the partners to make a decision to invest, or not as the case maybe.
- ii) The Implementation plan will provide sufficient detail that a project team can execute the project.
- iii) Several visits will be required to Saudi Arabia and Australia.

iv) That the underlying assumptions will be agreed by the partners

Preliminary investigations and business models		35
Detailed design of the Awassi sheep value chain		40
Implementation plan		35
Negotiations with suppliers		25
Financial modelling		40
Draft review to finalisation		25
TOTAL DAYS		200

Appendix 1: Table of value capture mechanisms for Government

Contracting of technical services		Research & Development		Data science		Science application		Farm advisors		Farmer education courses		Practical farm base skill training		Tax in the form of PAYE		Income tax and PAYE		Potential for IP licensing fees		Long term		Short term	
Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:	
• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)	
Purchase of farm inputs		Purchase of farm inputs		Purchase of farm inputs		Purchase of farm inputs		Purchase of farm inputs		Purchase of farm inputs		Purchase of farm inputs		Purchase of farm inputs		Purchase of farm inputs		Purchase of farm inputs		Purchase of farm inputs		Purchase of farm inputs	
Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:	
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Provision of on-farm equipment		Provision of on-farm equipment		Provision of on-farm equipment		Provision of on-farm equipment		Provision of on-farm equipment		Provision of on-farm equipment		Provision of on-farm equipment		Provision of on-farm equipment		Provision of on-farm equipment		Provision of on-farm equipment		Provision of on-farm equipment		Provision of on-farm equipment	
Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:	
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Provision of on-farm and business systems		Provision of on-farm and business systems		Provision of on-farm and business systems		Provision of on-farm and business systems		Provision of on-farm and business systems		Provision of on-farm and business systems		Provision of on-farm and business systems		Provision of on-farm and business systems		Provision of on-farm and business systems		Provision of on-farm and business systems		Provision of on-farm and business systems		Provision of on-farm and business systems	
Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:	
• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)	
Provision of phenotypic expertise		Provision of phenotypic expertise		Provision of phenotypic expertise		Provision of phenotypic expertise		Provision of phenotypic expertise		Provision of phenotypic expertise		Provision of phenotypic expertise		Provision of phenotypic expertise		Provision of phenotypic expertise		Provision of phenotypic expertise		Provision of phenotypic expertise		Provision of phenotypic expertise	
Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:	
• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)	
Provide access to business and governance expertise		Provide access to business and governance expertise		Provide access to business and governance expertise		Provide access to business and governance expertise		Provide access to business and governance expertise		Provide access to business and governance expertise		Provide access to business and governance expertise		Provide access to business and governance expertise		Provide access to business and governance expertise		Provide access to business and governance expertise		Provide access to business and governance expertise		Provide access to business and governance expertise	
Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:		Potential providers:	
• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)		• 9(2)(b)(ii)	

base

9(2)(b)(ii)

*Example of providers within New Zealand able to provide these services and products

Appendix 1: Table of value capture mechanisms for Government

Contracting of technical services		Research & Development	Value capture	Short term
Potential providers:		<ul style="list-style-type: none"> AgResearch Atticus Baker & Associates AgriOne AgITO YoungFarmers 	<ul style="list-style-type: none"> Science application Farm advisers Framer education courses Practical farm base skill training 	<ul style="list-style-type: none"> Increased services revenues Long term Potential for licensing fees
Purchase of farm inputs		Animal feed		Short term
Potential providers:		<ul style="list-style-type: none"> PG&Wrightsons Farmlands CRT ICI 	<ul style="list-style-type: none"> Animal health products Fertilisers Chemical sprays Building materials e.g. fencing material 	<ul style="list-style-type: none"> Increased product sales Long term Potential long term customer base
Provision of on-farm equipment		Ear tags/EID tags		Short term
Potential providers:		<ul style="list-style-type: none"> Tag readers Scanners Scales Sprayers Irrigators 	<ul style="list-style-type: none"> Tax in the form of income tax 	<ul style="list-style-type: none"> Increased product sales Long term Potential long term customer base
Provision of on-farm and business systems		Specialist systems – overview, FarmMax, etc		Short term
Potential providers:		<ul style="list-style-type: none"> Ravensdown Balance FarmIQ LIC DairyNZ B+LNZ 	<ul style="list-style-type: none"> Farm systems – AgHub, FarmIQ, etc Benchmarking systems – Beef+Lamb, DairyNZ, etc 	<ul style="list-style-type: none"> Increased product sales, information sales and benchmarking services Long term Potential long term customer base
Provision of phenotypic expertise		Access to central systems		Short term
Potential providers:		<ul style="list-style-type: none"> AgResearch LIC FarmIQ Ovita/SIL 	<ul style="list-style-type: none"> Genetic testing Genetic mapping 	<ul style="list-style-type: none"> Increased product sales, information sales and benchmarking services Long term Potential long term customer base
Provide access to business and governance expertise		Access to integrated business systems		Short term
Potential providers:		<ul style="list-style-type: none"> Xero CMR Deloitte 	<ul style="list-style-type: none"> Access to agribusiness experts Access to business/performance 	<ul style="list-style-type: none"> Increased services and product sales Long term Potential long term customer

• Barker & Associates measurement frameworks

*Examples of providers within New Zealand able to provide these services and products

New Zealand cost comparisons

Sheep/Deer capital items		Dairy capital items	
Costs	Costs	Costs	Costs
(for 2000 sheep/240 ha)	(for 2000 deer/240 ha)	(for 2000 dairy cows/240 ha)	(for 2000 dairy cows/240 ha)
Shearing shed	\$0.4m	Dairy shed	\$1m
Fences	\$0.3m	Buildings and raceways	\$0.9m
Covered yards	\$0.3m	Livestock (650 head)	\$0.9m
Livestock	\$0.6m	Farm equipment	\$0.5m
		Hallways (8 piece)	\$0.5m
Total	\$1.6m	Total	\$5.3m

Source: B+LNZ

FILE NOTE

This is to note that a selected procurement was made to engage Deloitte to assist the Ministry with developing a model for a proposed partnership between New Zealand and the Al Khalaf Group.

Background

As part of his role the Special Envoy – Government Commercial Partnerships, was tasked with developing a model to form a partnership between New Zealand and the Al Khalaf Group. The Ministry's files and briefing papers on this issue provide a comprehensive background to the proposed partnership.

Given the complexities involved in forming a government-commercial partnership of this type, it was clear that specialist advice was required to assist, particularly in regards to:

- Providing a degree of commercial probity, and a method of valuation, and potential commercial structures for the proposed partnership, external to the Ministry
- Having a deep understanding of both the New Zealand and Middle East red-meat and agriculture sectors, commercial models, opportunities, and issues
- As the Al Khalaf operation has been operating in the Hawke's Bay with a range of red-meat and agriculture businesses for the past 20 years who are likely to be involved in the proposed partnership, to have credibility and deep connections in this region

Decision to Engage Deloitte

The requirements immediately suggested that a New Zealand-based CA firm with global connections and credibility would be needed to assist with this stage of the project – particularly the probity, valuation and structural requirements.

Discussions with a range of players in the agriculture sector in New Zealand, and firms doing business in the Middle East consistently mentioned S 9(2)(a); a Wellington-based partner at Deloitte, and his team as fitting the requirements. Additionally, and crucially, the preferred supplier had to be acceptable to the Al Khalaf team – and was.

The Special Envoy therefore asked Deloitte to develop and price a scope of work (attached), and in consultation with the Director of the MEA division at the time, asked Deloitte to proceed. The quoted price was considered to be reasonable given the demands of the scope of work.

The attached summary reports, as well as the many meetings that S 9(2)(a) and his team attended with the Ministry have been crucial in getting the Minister of Foreign Affairs and the Al Khalaf Group to the point where a partnership offer has been made and accepted.