



Cabinet

Minute of Decision

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Funding Assistance for Ukraine: Financial Year Transfer

Portfolio Foreign Affairs

On 24 June 2024, Cabinet:

- 1 **noted** that New Zealand has previously pledged assistance for Ukraine in response to Russia's war of aggression valued at over \$114 million;
- 2 **noted** that the Prime Minister plans to attend the NATO Summit in Washington DC on 9-11 July 2024, and that officials recommend announcing a further \$10 million package of assistance for Ukraine at that time;
- 3 **noted** that officials have earmarked a \$4.000 million contribution for additional humanitarian assistance for Ukrainians funded from the non-departmental International Development Cooperation appropriation;
- 4 **noted** that in order to provide funding for military assistance from Vote Foreign Affairs, Cabinet agreement is needed for the changes to appropriations;
- 5 **agreed** to fund an additional \$6.000 million package of support to Ukraine, funded by forecast underspends for 2023/24 in Vote Foreign Affairs, consisting of:
 - 5.1 \$2.000 million to the NATO-led Flagship project supporting military healthcare in Ukraine;
 - 5.2 \$4.000 million to the drone capability coalition for Ukraine led by the United Kingdom and Latvia;
- 6 **agreed** to an in-principle expense transfer of up to \$6.000 million from 2023/24 to 2024/25 in the Vote Foreign Affairs, Multi-Category Expenses and Capital Expenditure appropriation: Act in the world to build a safer, more prosperous and more sustainable future for New Zealanders MCA, for future support to Ukraine in 2024/25;

- 7 **noted** that in accordance with paragraph 6 above, the Minister of Foreign Affairs and the Minister of Finance may be asked to approve the following transfer of up to the following maximum amounts of operating from 2023/24 to 2024/25:

Vote Foreign Affairs Minister of Foreign Affairs	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Multi-Category Expenses and Capital Expenditure - Act in the world to build a safer, more prosperous and more sustainable future for New Zealanders MCA Departmental Output Expenses: <i>Delivery of New Zealand's foreign policy</i> (funded by revenue Crown)	(6.000)	6.000	-	-	-

- 8 **authorised** the Minister of Foreign Affairs and the Minister of Finance jointly to agree the final amount to be transferred, with no impact on the operating balance and/or net debt across the forecast period;
- 9 **noted** that the above expenditure in 2024/25 of \$6.000 million on the package of aid to Ukraine referred to in paragraph 5 above will also require a separate future transfer between Vote Foreign Affairs appropriations;
- 10 **authorised** the Minister of Foreign Affairs and Minister of Finance to jointly approve fiscally neutral adjustments in 2024/25 of up to \$6.000 million from the Vote Foreign Affairs Multi-Category Expenses and Capital Expenditure appropriation: Act in the world to build a safer, more prosperous and more sustainable future for New Zealanders MCA to the Vote Foreign Affairs Non-Departmental Other Expenses appropriation: Support for Ukraine that authorises expenditure for military support to Ukraine.

Rachel Hayward
Secretary of the Cabinet

~~In Confidence~~

Office of the Minister of Foreign Affairs

Chair, Cabinet

Funding Assistance for Ukraine: Financial Year Transfer

Proposal

- 1 This paper seeks approval for NZ\$6 million in forecast FY 23/24 underspends in Vote Foreign Affairs for to be transferred for use in FY 24/25 Vote Foreign Affairs, for the purpose of funding military assistance to Ukraine.

Relation to Government Priorities

- 2 New Zealand's support for Ukraine represents one tangible response to strategic competition and challenges to the rules-based international system, a core issue identified in the National Security Strategy 2023-2028. It is also a means of protecting and promoting our broader national security and foreign policy interests.

Executive Summary

- 3 New Zealand's support for Ukraine since February 2022 has contributed to international efforts to ensure that Russia's breaches of international law do not go unchallenged and has enhanced New Zealand's credibility as a reliable and relevant strategic partner.
- 4 The cumulative value of New Zealand's pledged assistance to Ukraine since Russia's full-scale invasion in February 2022 (including defence deployments) is valued at over NZ\$114 million. We have also sanctioned 1,700 individuals and entities under the Russia Sanctions Act.
- 5 Officials recommend that a further package of New Zealand assistance for Ukraine be announced when the Prime Minister attends the NATO Summit on 9-11 July in Washington DC. This would support New Zealand's strategic interest in maintaining the rules-based international order,^{s6(a)}
- 6 First, officials have identified NZ\$6 million through reprioritisation of FY 23/24 Vote Foreign Affairs funding that could be used to provide military assistance. Officials recommend that this funding be used to provide:
 - 6.1 a **NZ\$2 million** contribution to a NATO-led "Flagship project" alongside Indo-Pacific partners (Australia, Japan, Korea, and New Zealand, i.e. the IP4), focused on supporting military healthcare in Ukraine; and

6.2 a **NZ\$4 million** contribution to a UK/Latvia-led coalition ^{s6(b)(i)}
^{s6(b)(i)} which aims to deliver one
million drones to Ukraine.

7 ^{s6(a), s6(b)(i), s6(b)(ii)}

8 Cabinet approval is required by 30 June for the necessary changes to appropriations to enable the use of NZ\$6 million in forecast underspends in Vote Foreign Affairs for FY 23/24 in FY 24/25 Vote Foreign Affairs for the purpose of funding military assistance to Ukraine.

9 If Cabinet agrees to this transfer, subsequent approval from the Minister of Foreign Affairs and Minister of Finance will be required to confirm the transfer of funding from 2023/24 to 2024/25 and approve a fiscally neutral transfer within Vote Foreign Affairs to the appropriation authorising the expenditure on military assistance to Ukraine. This can take place after 1 July.

10 Officials have also earmarked **NZ\$4 million** from the non-departmental International Development Cooperation appropriation for further Ukraine humanitarian assistance.

11 With this contribution, the Prime Minister could announce at the NATO Summit a credible package worth **NZ\$10 million**.

Background

12 Russia's 2022 full-scale invasion of Ukraine was an egregious breach of international law. New Zealand has a strategic interest in ensuring that respect for sovereignty and territorial integrity is maintained, and that breaches of international law do not go unchallenged.

13 A strong and coordinated response to Russia's aggression ^{s6(a)}

Support for Ukraine also enhances New Zealand's own security by demonstrating our credibility as a reliable and relevant strategic partner.

14 On 22 February 2024, the New Zealand Government announced a NZ\$25.9 million package of support to Ukraine, including: an extension of New Zealand Defence Force (NZDF) deployments in support of Ukraine; additional sanctions; and new funding for military equipment and humanitarian aid.

15 The cumulative value of New Zealand's pledged assistance to Ukraine since Russia's full-scale invasion in 2022 (including defence deployments) is valued at over NZ\$114 million¹. We have also sanctioned 1,700 individuals and entities under the Russia Sanctions Act 2022.

Ukraine's needs are significant, and it will continue to look to New Zealand

¹ This includes military support (\$77.4 million); humanitarian and reconstruction support (\$24.9 million); diplomatic support (\$5.7 million); and other support (\$6.4 million). More detail is available in the appendix.

16 The war in Ukraine is delicately balanced, with Ukraine having pleaded for more international support ^{s6(a)}

17 ^{s6(a)}

18 Russia's strategy remains to outlast Western support for Ukraine, ^{s6(a)}
^{s6(a)}

recent packages of support from the United Kingdom (UK) (£500m) and Australia (A\$100m) have been warmly welcomed by Ukraine.

19 Ukraine has said that it sees support from New Zealand as carrying both the intrinsic value of the support itself, as well as some additional demonstrative value (coming from the country in the world most distant from the battlefields of Ukraine).

20 ^{s6(a)}

Immediate funding issue: NATO Summit in July 2024

21 Prime Minister Luxon plans to attend the NATO Leaders Summit in Washington DC from 9 to 11 July. Ukraine will be one of the two key themes for the Summit (the other being for the Allies to demonstrate commitment to sharing the financial burden of defending Europe). ^{s6(a), s6(b)(ii)}

At the last two summits, New Zealand Prime Ministers have announced support packages for Ukraine².

22 Given our strong support for Ukraine's sovereignty and territorial integrity, our contribution to its self-defence to date, and our national interest in upholding the rules-based international order, officials consider that it would be desirable to announce a further package of support for Ukraine at the NATO Summit to ensure our support continues to promote these interests.

² At the 2023 NATO Summit, then-Prime Minister Hipkins announced a NZ\$1.2 million contribution to the United Nations Development Programme's Mine Action Programme in Ukraine, and a NZ\$500,000 contribution to the International Atomic Energy Agency's work on nuclear safety, security, and safeguards in Ukraine. In 2022, the Government announced a new package of support for Ukraine immediately prior to then-Prime Minister Ardern's attendance at the NATO Summit which included: NZDF deployment extensions; a \$4.5 million contribution to the NATO Comprehensive Assistance Package for non-lethal military assistance; a \$1 million contribution to the International Criminal Court (ICC); and the secondment of a senior NZDF officer to the ICC for two years.

Analysis: Options for additional support for Ukraine

- 23 Officials have identified the following potential options for support that could be announced in July.

NATO “Flagship” project funding military healthcare in Ukraine

- 24 NATO has invited New Zealand, along with Australia, Japan, and Korea as one of its partners in the Indo-Pacific (i.e. the Indo-Pacific Four/IP4), to participate in four “Flagship” projects aimed at enhancing NATO-IP4 cooperation. One of the Flagships is focused on the provision of military healthcare in Ukraine, including the reconstruction and modernisation of medical facilities to rehabilitate wounded Ukrainian war combatants ^{s6(a)}

- 25 Announcing financial support to the Ukraine Flagship project at the Leaders' Summit would demonstrate New Zealand's commitment to cooperating with NATO on challenges to the rules-based-order, a key objective in New Zealand's partnership arrangement with NATO that was updated in May (but has not yet been publicly announced). Contributing alongside Indo-Pacific partners also highlights the shared nature of the challenges we face, which are increasingly global.

- 26 As NATO plans for this Flagship Project to be noted by leaders in the Indo-Pacific session of the Summit in July, there is an immediate need to confirm New Zealand's approach ^{s6(a)}

- 27 The three remaining “Flagship” projects are focused on officials-level cooperation on cyber defence, hostile information and artificial intelligence and are unlikely to require resource commitments.

UK/Latvia-led drone capability coalition

- 28 The UK and Latvia are jointly leading a drone capability coalition, which will provide funding for ^{s6(a)} first-person view drones to be supplied to Ukraine, which have proven highly effective on the battlefield. ^{s6(a), s6(b)(i)}

- 29 ^{s6(b)(i)}

Australia, Denmark, Estonia, Germany, Lithuania, the Netherlands, and Sweden are also supporting this coalition.

- 30 ^{s6(a), s6(b)(i)}

Vote Foreign Affairs funding available

- 31 As the financial year draws to a close, officials have identified ^{s9(2)(g)(i)} in Vote Foreign Affairs FY 23/24 funding³. Officials recommend that this be used to fund New Zealand contributions to the NATO IP4 Flagship project supporting military healthcare in Ukraine and the UK/Latvia-led drone capability coalition.
- 32 Officials have also earmarked an initial NZ\$4 million from the non-departmental International Development Cooperation (IDC) appropriation that can be used to provide Ukraine with further humanitarian assistance early in FY 24/25.
- 33 Therefore, the Prime Minister could announce at the NATO Summit a credible package worth NZ\$10 million. In addition to this new funding, the Prime Minister's announcements at NATO may also include reference to the other three Flagship projects, a new package of Russia sanctions, and New Zealand agreement to become a NATO operational partner, in support of NATO's taking on greater coordination responsibility for Ukraine assistance activities, which NZDF currently contributes to under Operation Tika.

Cost-of-living Implications

- 34 There are no cost-of-living implications of this paper.

Financial Implications

- 35 This level of funding will be met from within existing baselines and does not require new funding to be approved by Cabinet. It does however require Cabinet to agree an in-principle expense transfer of the \$6 million in Vote Foreign Affairs funding from FY 23/24 to FY 24/25, as well as authorising joint Ministers (Finance and Foreign Affairs) to approve a subsequent fiscally-neutral transfer of the funding to the appropriation within Vote Foreign Affairs that authorises expenditure of on military assistance to Ukraine.

- 36 ^{s6(a)}

Legislative Implications

- 37 There are no legislative implications of this paper.

³ The forecast under expenditure is from a range of activities from both onshore and offshore budgets. The expenditure is expected to occur largely proportionately across the categories within the multi-category expense – Act in the world to build a safer, more prosperous, and more sustainable future for New Zealanders.

Impact Analysis

Regulatory Impact Statement

38 Regulatory impact analysis requirements do not apply.

Climate Implications of Policy Assessment

39 Climate Implications of Policy Assessment requirements do not apply.

Population Implications

40 There are no population implications of this paper.

Use of External Resources

41 No external resources have been engaged in core policy development processes for this work programme.

Consultation

42 This paper has been consulted with Treasury, the Ministry of Defence, and the New Zealand Defence Force.

Communications

43 Officials anticipate that the Prime Minister will be offered a speaking opportunity at the NATO Summit, as in previous years. This will provide an opportunity to announce the proposed \$10 million package, alongside the other NATO-related elements noted above. A press release could be issued simultaneously in New Zealand. Further advice on communications will be provided as part of the Prime Minister's travel briefing.

Proactive Release

44 This paper will be proactively released, with appropriate redactions consistent with the Official Information Act, within 30 business days of decisions being confirmed by Cabinet.

Recommendations

The Minister of Foreign Affairs recommends that Cabinet:

- 1 **note** that New Zealand has previously pledged assistance for Ukraine in response to Russia's war of aggression valued at over NZ\$114 million;
- 2 **note** that Prime Minister Luxon plans to attend the NATO Summit in Washington DC on 9-11 July and officials recommend announcing a further NZ\$10 million package of assistance for Ukraine at that time;
- 3 **note** that officials have earmarked a \$4.000 million contribution for additional humanitarian assistance for Ukrainians funded from the non-departmental International Development Cooperation appropriation;

- 4 **note** that in order to provide funding for military assistance from Vote Foreign Affairs, Cabinet agreement is needed for the changes to appropriations;
- 5 **agree** to fund an additional \$6.000 million package of support to Ukraine, funded by forecast underspends for 2023/24 in Vote Foreign Affairs, consisting of:
 - 5.1 \$2.000 million to the NATO-led Flagship project supporting military healthcare in Ukraine; and
 - 5.2 \$4.000 million to the drone capability coalition for Ukraine led by the United Kingdom and Latvia;
- 6 **agree** an in-principle expense transfer of up to \$6.000 million from 2023/24 to 2024/25 in the Vote Foreign Affairs Multi-Category Expenses and Capital Expenditure appropriation: *Act in the world to build a safer, more prosperous and more sustainable future for New Zealanders MCA*, for future support to Ukraine in 2024/25;
- 7 **note** that under the decision in recommendation 6 above, the Minister of Finance and the Minister of Foreign Affairs may be asked to approve the following transfer of up to the following maximum amounts of operating from 2023/24 to 2024/25:

	\$m – increase/(decrease)				
Vote Foreign Affairs Minister of Foreign Affairs	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears
Multi-Category Expenses and Capital Expenditure - Act in the world to build a safer, more prosperous and more sustainable future for New Zealanders MCA					
Departmental Output Expenses:					
<i>Delivery of New Zealand's foreign policy</i> (funded by revenue Crown)	(6.000)	6.000	-	-	-

- 8 **authorise** the Minister of Finance and the Minister of Foreign Affairs jointly to agree the final amount to be transferred with no impact on the operating balance and/or net debt across the forecast period;
- 9 **note** that the expenditure in 2024/25 of the \$6.000 million above on the package of aid to Ukraine in recommendation 5 above will also require a separate future transfer between Vote Foreign Affairs appropriations;

- 10 **authorise** the Minister of Foreign Affairs and Minister of Finance to jointly approve fiscally neutral adjustments in 2024/25 of up to \$6.000 million from the Vote Foreign Affairs Multi-Category Expenses and Capital Expenditure appropriation: *Act in the world to build a safer, more prosperous and more sustainable future for New Zealanders MCA* to the Vote Foreign Affairs Non-Departmental Other Expenses appropriation: *Support for Ukraine* that authorises expenditure for military support to Ukraine.

Authorised for lodgement

Rt Hon Winston Peters

Minister of Foreign Affairs

Proactively Released by the Minister of Foreign Affairs

Appendix One

New Zealand's Pledged Assistance since 24 February 2022

- To date, New Zealand has committed **\$NZ114 million** in assistance in response to Russia's invasion of Ukraine (including in-kind contributions and deployments).

Diplomatic (\$5.7m)	Military (\$77.4m)	Economic and Humanitarian (\$31.3m)
International Criminal Court (\$3.4m)	NZDF Deployments (\$48m)	Ukraine Humanitarian Response (\$21.9m)
UN Office of the High Commissioner for Human Rights (\$1m)	Supplies and Equipment (\$11.3m)	Reconstruction Assistance (\$3m)
International Court of Justice (\$0.8m)	Weapons and Ammunition (\$14m)	Russia Sanctions Act (\$2.5m)
Nuclear Safety and Security (\$0.5m)	Commercial Satellite Access (\$4.1m)	Global Food Insecurity Response (\$1.85m)
		Demining Assistance (\$1.2m)
		Cyber Resilience (\$0.75m)
		OECD Ukraine Country Programme (\$0.1m)

Proactively Released by the Minister of Foreign Affairs