



NEW ZEALAND
FOREIGN AFFAIRS & TRADE

Annual Report **2016-17**

Te Kaitiaki

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New Zealand
Governor-General
with our staff on
Waitangi Day.
Credit: Jim Guo,
Ministry of Foreign
Affairs and Trade.



Chief Executive's Foreword

The Ministry of Foreign Affairs and Trade acts in the world to make New Zealanders safer and more prosperous. In a dynamic international environment, this requires us to be agile in seizing opportunities and vigilant in managing risks.

Seven strategic objectives underpin the Ministry's purpose and our effort to advance the Government's vision for New Zealand as a more open, more confident, more outward-facing country that plays its part in the region and globally.

Acting in the world

The Ministry is responsible for a global network which speaks authoritatively for New Zealand and its interests. We promote an open, stable, rules-based global system, and we navigate an international environment which demands responsiveness.

In December 2016, New Zealand concluded its two-year term on the United Nations Security Council. In the latter part of its term, New Zealand focused on humanitarian aid for the people of Syria, the Middle East Peace Process, and the transparency and inclusiveness of the Security Council itself.

We demonstrated through strong and sustained leadership that New Zealand can make a positive difference. New Zealand was recognised for the values it brought to the Security Council, for our professionalism, and for the constructive contribution we make to global affairs.

The Ministry also continued to make significant advances on climate change and international environmental issues in the past year. In October 2016, the Government ratified the Paris Agreement and, with the United States, we created the Ross Sea Region Marine Protected Area (RSMPPA) – the world's largest marine protected area – which was agreed to by the Commission for the Conservation of Marine Living Resources (CCAMLR). The RSMPPA will enter into force on 1 December 2017.

Advancing the safety of New Zealanders...

Making New Zealanders safer requires the Ministry to identify and manage points of conflict, pick international trends and position New Zealand to benefit from them, and operate at the point of intersection between domestic and international opportunity and risk.

Understanding risk is increasingly important with growing numbers of New Zealanders travelling and living abroad. Our consular work makes a tangible difference to the well-being of New Zealanders; over the past year we responded to 45,000 enquiries, and provided 2,780 people with consular services and advice.

New Zealand has a direct interest in reinforcing global security, including through contributions to international collective security efforts and peace support operations in the Middle East, Asia and Africa, and through a range of capacity-building and other cooperation activities in the security sector throughout South East Asia and the Pacific.

We continued to be an active member of regional groupings in the Asia-Pacific, recognising that global wealth and power is shifting eastward, and that the Asia-Pacific is a region where New Zealand must be an active participant and not a spectator.

Regular high level meetings with Australia made progress on the Single Economic Market, immigration and citizenship, and underscored Australia's importance as an essential partner.

In March 2017, Chinese Premier Li Keqiang's visit to New Zealand marked the 45th anniversary of the New Zealand-China diplomatic relationship.

In November 2016, the close strategic partnership with the United States was affirmed with visits to New Zealand by a United States naval vessel and the then US Secretary of State John Kerry. This was followed in June 2017 with a visit to New Zealand by US Secretary of State Rex Tillerson.

...and their prosperity

Making New Zealanders more prosperous means we negotiate market access for New Zealand firms, defend and advance our trade interests at and behind international borders, support the international rules-based trading system, and bring an international perspective to the domestic economic debate.

The Business Growth Agenda, including the goal of raising exports to 40 percent of gross domestic product by 2025, is central to the Ministry's work to improve our national prosperity.

This year we substantially lifted our dialogue with New Zealanders on trade. The Trade Agenda 2030, which was developed by the Ministry and partner agencies based on engagement with business, civil society and Māori was launched in March 2017. It will ensure New Zealanders get the best deal from international trade over the next 10 to 15 years.

Trade diversification is crucial to New Zealand's economic success. Over the past year, we made progress on a potential 11-country Trans-Pacific Partnership trade agreement; negotiations with China to upgrade our free trade agreement; the launch of negotiations with the Pacific Alliance; Regional Comprehensive Economic Partnership negotiations; work towards signature of a free trade agreement with the Gulf Cooperation Council; and preparations for free trade agreement negotiations with the European Union.

As the United Kingdom negotiates its exit from the European Union, the Ministry also established and led an all-of-Government approach to protect our interests and identify opportunities, including through the establishment of a Trade Dialogue with the United Kingdom.

The Ministry has begun preparations for New Zealand's hosting of the Asia-Pacific Economic Cooperation meetings in 2021, with the formation of a dedicated group to lead and coordinate efforts across government and business.

Supporting resilience and stability in the Pacific...

New Zealand has strong and enduring interests in the Pacific – historic, constitutional, strategic, cultural and geographic. We invest significantly in regional initiatives that boost the prosperity, stability and resilience of the Pacific and its people.

In the past year this included investment in disaster responses, fisheries management, agricultural development, renewable energy and infrastructure to increase resilience to climate change and natural disasters, and sports diplomacy to promote health.

The Ministry's commitment to excellence on Pacific matters saw the creation of a Pacific and Development Group within the Ministry, integrating our regional development and diplomatic efforts.

In April, a landmark trade and development agreement was concluded between New Zealand, Australia and 12 Pacific countries - the Pacific Agreement on Closer Economic Relations Plus. As at 30 June 2017, New Zealand and Australia, and eight Pacific countries had signed.

The agreement will lower barriers for New Zealand businesses, boost Pacific Island economic productivity, create jobs, encourage more innovation in regional trade and enhance regional cooperation on labour mobility.

...and enhancing our own strategic performance

The Ministry's performance in delivering the Government's priorities received a high rating in the Performance Improvement Framework (PIF) report released in June 2017, with reviewers saying they saw in us "an unquestioned commitment to service and excellence."

This was reinforced by the Government's investment in our front-line resources. As a result of the Budget 2017 we will receive \$45 million of extra operating money and \$11 million of extra capital over the next four years. With this funding, we will open new posts in Sri Lanka and Ireland and employ additional staff both in Wellington and offshore.

Advancing New Zealanders' interests in an uncertain world depends upon the talented, committed and professional people who make up this Ministry. It also depends on us being One Ministry where everyone in all locations and roles feels that they belong to a happy, healthy and high-performing Ministry community.

In the past year, we have sharpened our strategic focus; focused on lifting our organisational performance in the areas of health and safety, and diversity and inclusion; and reinforced the Ministry as a place where people can make their careers.

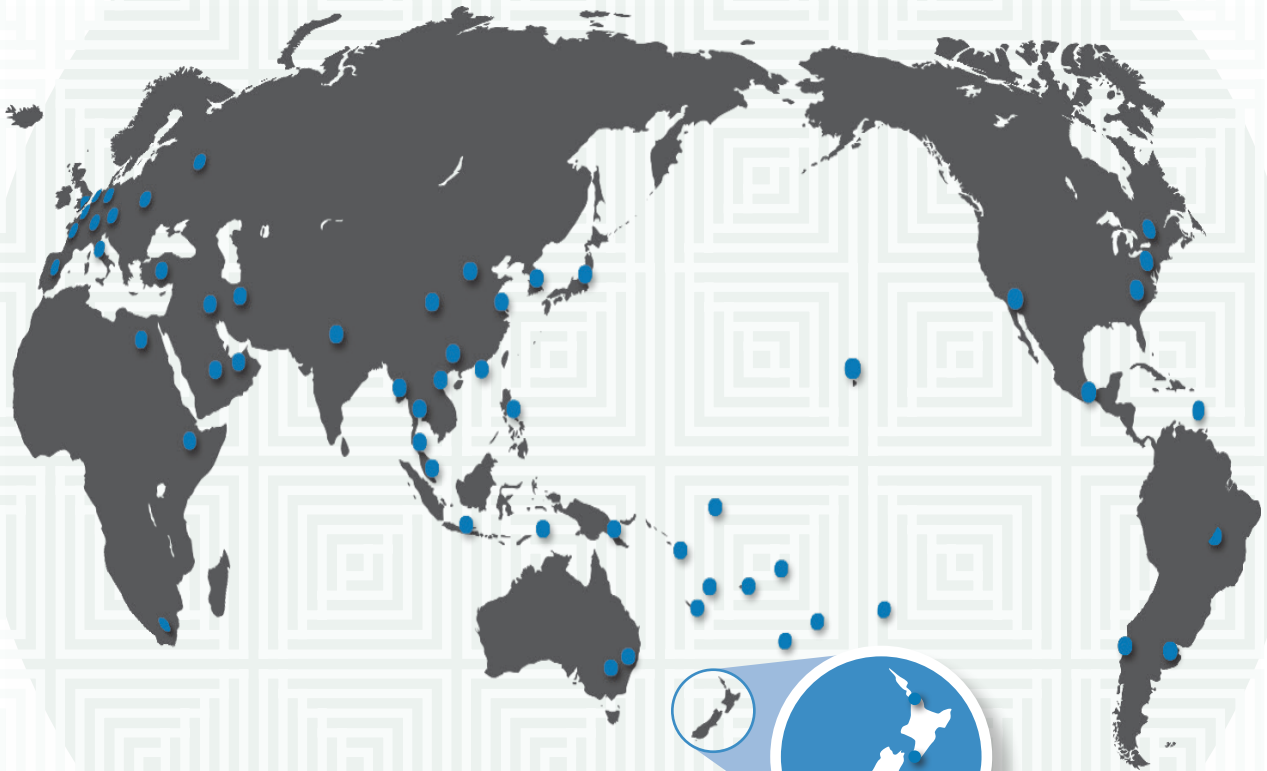
The Ministry must deliver tangible and enduring benefits for New Zealanders, in a changing and demanding international environment. This is the task to which we are dedicated.



Brook Barrington
Secretary of Foreign Affairs
and Trade



Ministry *at a* glance



We administer 2 votes

Foreign Affairs and Trade
Official Development
Assistance

We work for ministers in 3 portfolios

Foreign Affairs
Trade
Climate Change Issues

We monitor

Antarctica New Zealand
The performance of
New Zealand Trade and
Enterprise, with the Ministry
of Business, Innovation
and Employment
The Pacific Corporation
Foundation and The Asia
New Zealand Foundation



57 posts in 50 countries

115 accreditations to other countries

73 Honorary Consuls

3 New Zealand offices

315 properties managed in portfolio

our **places** our **people**

total staff **1,382**

• located in New Zealand **625**

• at our overseas posts **757**

- staff seconded from New Zealand **232**

- staff employed locally **525**



The Ministry
acts in the world to
make New Zealanders
safer and more
prosperous

Our place

We provide the **consular services** that help
to keep New Zealanders safe and informed
when they live or travel overseas



In the last year around 64,000 people registered on **SafeTravel**, and we responded to more than 2,000 requests from New Zealanders in difficulty overseas

We negotiate and defend access to **overseas markets**, and support our exporters to be successful



This helped **raise exports** from \$30 billion in 1995 to \$70 billion in 2015, and supports jobs for over 600,000 New Zealanders

We contribute to **international solutions for climate change**, and help form global agreements to protect fragile environments



This means New Zealand has a say in the **global environmental decisions** that affect us all now, and into the future

We are New Zealand's voice in the forums that address the most pressing **security issues affecting the world**



We lend targeted, practical support to **security issues** where New Zealand has useful skills to share

in the **World**

We manage **New Zealand Development Assistance**, which invests in sustainable development in the Pacific and beyond



Through this, New Zealanders are **improving the lives of people in need** and supporting stability and prosperity around the world

We partner with organisations that are working to alleviate suffering in **humanitarian crises**



And we lead New Zealand's **disaster response in the Pacific** when our neighbours are in need



NEW ZEALAND
FOREIGN AFFAIRS & TRADE

Our strategic framework

The Ministry acts in the world
to make New Zealanders safer
and more prosperous

Economy

Build a more competitive
and productive economy

Finances

Responsibly manage the
Government's finances

Services

Deliver better public
services to New Zealanders

Christchurch

Support the rebuilding
of Christchurch



Our people

Our people are highly capable
and diverse, with the right
skills and expertise needed
to deliver on Government
priorities, and are highly
engaged and productive



Our networks

Our broad established
diplomatic network
of offshore posts,
accreditations and
honorary consuls, as well
as our digitally enabled
networks, are in the right
places at the right time

Government priorities



Prosperity

Our work delivers improved
prosperity for New Zealand
and our region



Stability

Our work delivers security
and resilience to our country,
our people, and our region



Our relationships

Our relationships with domestic and international partners (governmental, multilateral, civil society, and sector groups), are targeted and used effectively to build influence and reputation



Our systems

The way we operate our business and the tools we use to achieve and deliver our objectives, are fit-for-purpose to enable fast, efficient, and effective delivery



With our
**robust and enduring
organisational
capability,**
we support...

...the delivery of our
**four-year
foreign policy,
trade and
development
objectives,**
that in turn contribute...

...to our
strategic outcomes,
that are aligned with...



Leadership

Our work amplifies New Zealand's influence and standing in the world



Kaitiakitanga

Our work delivers solutions to global challenges, for the benefit of present and future generations

Objective 1

UNSC

Maximise the impact of New Zealand's membership on the UNSC

Objective 2

BGA

Increase market access, regional economic integration, and improve the international performance of New Zealand businesses

Objective 3

Asia-Pacific

Embed New Zealand as an integral and trusted partner in the Asia-Pacific

Objective 4

Pacific

Maximise the impact of New Zealand's engagement in improving the prosperity, stability & resilience of the Pacific Islands region and its people. What happens in the Pacific has a direct bearing on NZ's well-being

Objective 5

Environment

Promote sound international solutions on climate change, natural resources and environmental protection

Objective 6

Security

Protect and advance New Zealand's and New Zealanders' security

1.



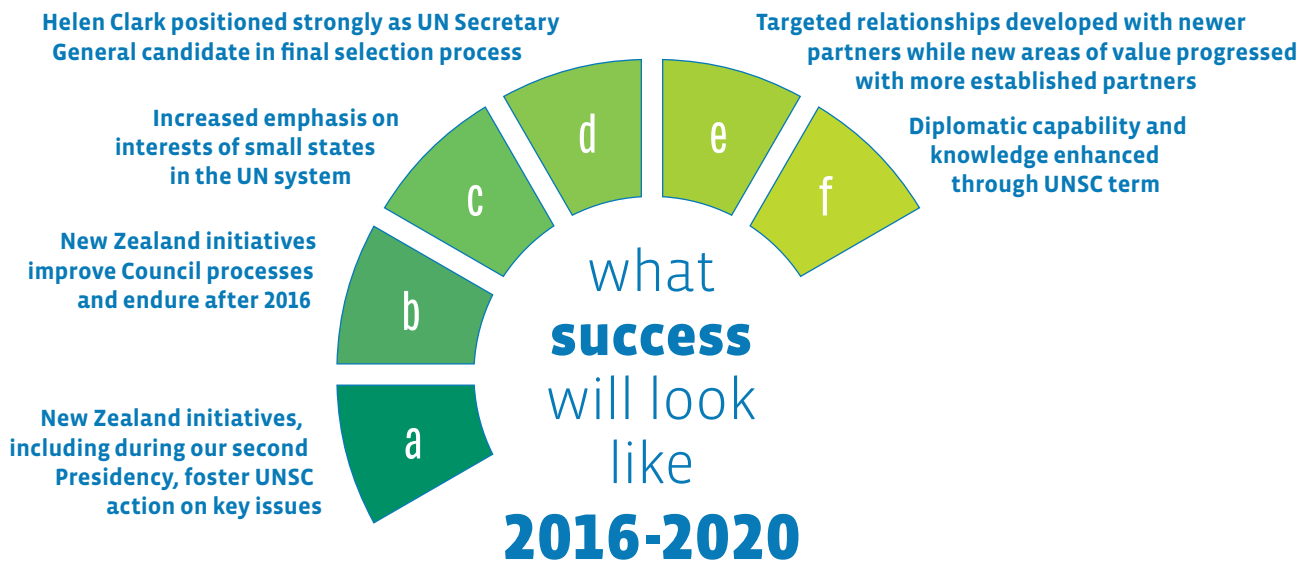
OUR UNITED NATIONS SECURITY COUNCIL OBJECTIVE

Maximise

the impact of
New Zealand's
membership
on the UNSC

In December 2016, New Zealand concluded a successful two-year term on the United Nations Security Council (UNSC). In the last year, we continued to contribute in a fair-minded and practical way to the UNSC, to improve peace and security in the world, and benefit New Zealand's security and prosperity.





Our progress over the last year

a

We focused the world's attention on Syria. In September 2016, during the annual UN Leaders' Week, then Prime Minister John Key presided over a UNSC meeting on Syria. He called for a halt to the conflict and for humanitarian access to the country. Three months later, the Council adopted the largely New Zealand-prepared resolution on humanitarian access to Syria.

b

We co-sponsored resolution (2334), which the Council adopted in December 2016. It was the first resolution on the Middle East Peace Process in eight years, and the first on settlements since 1970. While we delivered on our promise to have the Council take action on this difficult and long-standing issue, it did impact negatively on our relationship with Israel for a time.

c

We introduced practical improvements to Council processes, to make it more transparent and inclusive, and better equipped to deal with the situations before it. A number of these have endured, including regular situational awareness briefings to the Council and closer coordination among the ten elected Council members.

d

Small Island Developing States (SIDS) was a focus during 2015-16. In the last year, we updated our SIDS partners on the Council's work and sought their feedback on our approach.

e

Our Ministry delivered a professional and coordinated campaign across our offshore network to support Helen Clark's bid to be the next UN Secretary General. She placed fifth overall in the final Council vote in September 2016.

f

Throughout the year, we deepened our engagement with traditional partners and grew our relationships with newer partners, including in the Middle East, and sub-Saharan Africa, and among SIDS.

"Thank you #NewZealand @NZUN for supporting #Iraq & MidEast issues at the UNSC. You delivered what you promised! thank you Amb @GVBohemenNZ"

Permanent Mission of the Republic of Iraq
to the United Nations, 1 January 2017



ABOVE: The New Zealand UNSC team during UN Leaders' Week.

Since 2014, 601 aid convoys
have delivered to Syria:

14,693,000
health supplies

3,876,000
emergency shelters

3,480,000
food packages



UNICEF/UN071666/Al-Issa. Rama, 5, who lives with her family in Tariq Al-Bab, holds medicines provided to her by health workers working in a mobile health clinic to treat her sore throat, eastern Aleppo, Syrian Arab Republic, Wednesday 14 June 2017.

How the Ministry helped get humanitarian access to Syria



ABOVE: UNICEF/UN071673/Al-Issa. Mothers and their children gather around a UNICEF-supported mobile health clinic in the east of Aleppo city, Syrian Arab Republic, Wednesday 14 June 2017.

Our aim

To provide a voice for those suffering from the Syrian conflict, and ensure aid could be delivered to them.

Our role

We supported then Prime Minister John Key to convene and chair a UN leaders' meeting on the conflict in Syria. Our New Zealand Mission in New York led the drafting of a UNSC resolution calling for continued humanitarian access to Syria.

The outcome

New Zealand's decision to convene a leaders' meeting on Syria was welcomed by Council members and the broader UN membership, and attracted high-level participation. Three months later, the Council adopted a resolution under New Zealand's leadership with Spain and Egypt providing for humanitarian convoys to continue entering Syria and for aid deliveries to be made quickly and efficiently across conflict lines within the country.

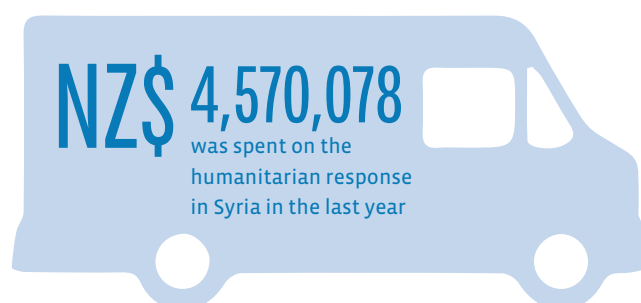
"I take this opportunity to place on record my delegation's appreciation for New Zealand's strong leadership, alongside Egypt and Spain, particularly on the Council's efforts to address the humanitarian dimension of the Syrian conflict."

Y.B. Dato' Seri Dr. Ahmad Zahid Bin Hamidi,
Deputy Prime Minister of Malaysia

What this means for New Zealanders

New Zealand is:

- playing a prominent leadership role on an important global security issue
- using the global rules-based system to give a voice to those affected by conflict
- delivering practical solutions to contribute to a safer and more prosperous world
- strengthening international credibility and mana
- developing strong international connections, based on shared values.



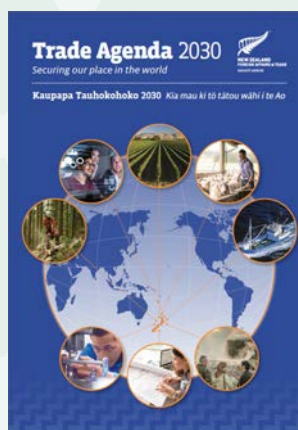
2.



OUR BUSINESS GROWTH AGENDA OBJECTIVE

Increase market access, regional economic integration, and improve the international performance of New Zealand businesses

The last year has been characterised by a substantial lift in engagement with New Zealanders on trade. This was a key element of New Zealand's refreshed trade strategy, 'Trade Agenda 2030 – Securing our place in the world', which the Prime Minister launched in March 2017, supported by the Minister of Trade. It has informed our work towards the Government's Business Growth Agenda (BGA) priority of building a more productive and competitive economy.

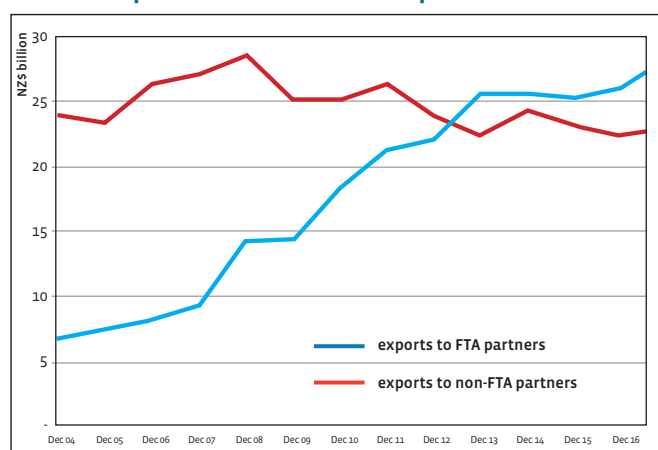




Our progress over the last year

a

Value of exports to FTA and non-FTA partners



b
c
e
f
g

We increased contacts and operational support to a more diverse range of businesses including the digital trade sector. We did this by launching a services reference group, through our 'Conversation on Trade' public meetings in Christchurch, Wellington and Auckland, through continuing outreach to individual companies and by supporting the establishment of a ministerial advisory group with 23 members from key export sectors, business, Māori and NGOs. We responded to business particularly by prioritising action to address Non-Tariff Barriers more effectively across agencies, including development of a new online portal.

d

91%
of stakeholders are 'very' or 'fairly' satisfied with the exporting assistance or advice they received from MFAT (2017 MFAT stakeholder survey)

78%
of stakeholders agree that MFAT and posts help open doors for New Zealand businesses (2017 MFAT stakeholder survey)

g

Trade Agenda 2030 was developed by the Ministry with partner agencies following extensive engagement with New Zealanders, business, civil society organisations, and Māori. Trade Agenda 2030 provides a trade policy strategy for the next 10-15 years to ensure New Zealanders get the best deal from international trade. For Māori, it will help grow returns on investment by tackling high tariffs in sectors where Māori have a particularly significant stake.



*The negotiation with the Customs Union of Russia, Belarus, Kazakhstan and Armenia was suspended in 2014.

ABOVE: Current New Zealand Free Trade Agreement state.



After the new US Administration announced its withdrawal from the Trans-Pacific Partnership in January 2017, we were instrumental in recovering prospects to bring the substance of the Agreement into effect among the remaining 11 signatories. TPP-11 Ministers have agreed that officials should develop options for entry into force for them to consider.

We also:

- achieved a successful World Trade Organisation (WTO) Panel ruling in our challenge to 18 Indonesian agricultural non-tariff barriers that have cost New Zealand beef and horticultural exporters up to \$1 billion of lost trade. MFAT will defend that comprehensive result before WTO Appellate Body in 2017. This action was part of our continuing investment in the WTO as a priority for New Zealand
- signed the Pacific Agreement on Closer Economic Relations Plus (PACER Plus) in June 2017. This is a unique trade and development agreement between 10 Pacific countries and will lower barriers for New Zealand businesses
- were invited by Pacific Alliance countries to launch free trade agreement (FTA) negotiations
- held the first round of negotiations to upgrade the China FTA
- reached agreement with Thailand to amend the Thai Closer Economic Partnership (CEP) to improve dairy access
- concluded scoping discussions with the European Union, marking a key step towards the formal launch of FTA negotiations
- held the first formal Trade Policy Dialogue with the United Kingdom
- continued negotiations on the major Regional Comprehensive Economic Partnership agreement (RCEP), which includes India
- made good progress towards the formal conclusion of the Gulf Cooperation Council (GCC) FTA, although this stalled due to the fracture in GCC relations with Qatar.

“Trade Agenda 2030, and the wider conversation on trade, has helped make trade more understandable for all New Zealanders. For FOMA, MFAT is now front-of-mind as a preferred strategic partner due to its trade expertise and worldwide connections. The MFAT team includes some of the world’s leading trade diplomats and advisors who support intergenerational conversations about how Māori exporters operate and engage internationally. This is vital for our members and their businesses.”

Traci Houpapa, MNZM JP
Chairman, FOMA Federation of Maori Authorities

Australia keeps playing field level for New Zealand wine

Our aim

To protect the eligibility of New Zealand wine makers for an Australian wine tax rebate.

Thanks to the Closer Economic Relations (Free Trade) Agreement with Australia, we successfully argued in 2005 that our wine producers should be eligible for the Australian wine tax rebate and treated on the same basis as Australian wine producers.

New Zealand's entitlement to the Wine Equalisation Tax (WET) rebate scheme helps to ensure that our Syrah's can compete on a level playing field with Australia's Shiraz.

In 2016 the Australian Government announced it was reviewing the entire scheme.

New Zealand wine producers, particularly smaller winegrowers, were concerned that access to the WET might be removed for our wine producers and potentially cost the industry millions.

Our role

Our Ministry worked closely with the New Zealand wine industry to put forward the argument that any proposal to exclude New Zealand suppliers would be unfair. We worked to ensure that the new eligibility criteria did not act as a barrier to New Zealand producers.

The outcome

The Australian Government agreed with our arguments and will soon pass legislation that continues to maintain New Zealand's access to the Wine Equalisation Tax rebate scheme.

23% Nearly a quarter (23%) of NZ wine is exported to Australia

26m

The estimated value of the rebate received by the NZ wine industry in 2013-2014 was AU\$25/NZ\$26 million*

*(from the Wine Equalisation Tax Rebate Discussion paper August 2015)

What this means for New Zealanders

Australia is our third largest wine export market, bringing \$375 million into the New Zealand economy in the last year.

Ensuring that New Zealand wine makers continue to have access to the Wine Equalisation Tax rebate scheme will benefit more than 200 New Zealand wine companies who have been claiming the rebate since 2005. They can claim up to A\$500,000 each, equating to about A\$25 million each year.

**80m
bottles**

This equates to around 60 million litres (60,421,019 precisely)



3.



OUR ASIA-PACIFIC
OBJECTIVE

Embed New Zealand as an integral and trusted partner in the Asia-Pacific

Security and stability in the Asia-Pacific are vital to New Zealand's interests. In the last year we developed our relationships with Asia-Pacific partners and contributed towards making the region more closely connected.



Regional issues are managed peacefully through the ASEAN Regional Forum and the East Asia Summit

The shaping of norms and goals on emerging security and economic issues match New Zealand interests

Disagreement on issues is well managed

The number of New Zealand exporters succeeding in Asia-Pacific markets is increased

Bilateral partners' views, positions and actions support New Zealand's interests

Contacts and assistance provided to a more expansive group of businesses operating in the Asia-Pacific region

Issues important to New Zealand are managed successfully and key objectives are achieved

MFAT posts connect businesses with opportunities (including foreign direct investment)



Our progress over the last year



New Zealand's relationship with the United States of America achieved a number of significant milestones over the past year. New Zealand hosted the high-level visits of Vice President Joe Biden, and the Secretaries of State John Kerry and Rex Tillerson. In November 2016, the destroyer USS Sampson visited New Zealand, the first bilateral visit by a US naval ship since April 1984. The USS Sampson provided humanitarian assistance and disaster relief to affected communities in the aftermath of the 7.8-magnitude Kaikoura earthquake. In February 2017, Lyttelton welcomed the U.S. Coast Guard icebreaker, the Polar Star, and its crew members assisted the response to the Christchurch Port Hills fires.

We supported a successful visit by Chinese Premier Li Keqiang in March 2017, during the 45th anniversary of New Zealand-China diplomatic relations. This delivered a large number of policy outcomes, underpinned by the work done on the China Policy Initiative Priority. These included the announcement of a climate change action plan as both countries transition to lower carbon economies, and mutual recognition of trusted exporters, which will facilitate faster border clearance times for recognised New Zealand exporters.

The first round of China FTA upgrade negotiations was held in Beijing the month after Premier Li's visit.

Several years of active lobbying paid off, with the Pacific Alliance countries of South and Central America agreeing to launch trade negotiations with New Zealand. This will support Trade Agenda 2030 objectives while helping us to build a more comprehensive relationship with Latin America.

To further New Zealand's interests in Australia we supported high-level trans-Tasman engagement, which advanced trade, immigration, and citizenship issues in particular. The Prime Ministers met in Queenstown for the annual Leaders' Meeting in February 2017, which saw deep engagement on bilateral, regional, and global issues. A new trans-Tasman agreement on science, research, and innovation cooperation was entered, alignment of approach to the Trans-Pacific Partnership reached, and progress made on people issues.

Economic Ministers met on the Single Economic Market in Sydney in October 2016, alongside the Australian and New Zealand business communities coming together for the Australia - New Zealand Leadership Forum. These meetings resulted in a reinvigorated Single Economic Market agenda, which is now being implemented.

Australian policy announcements that impacted on New Zealanders in Australia had a high profile in April and May and required careful management.

The Ministry was active in highlighting the potential impacts of the policies on New Zealanders with the Australian Government. The new pathway to



ABOVE: Ministry staff in Rotorua with participants of the ASEAN Young Diplomats Study Tour 2017. Credit: Te Puia.

permanent residence, then citizenship, for New Zealanders living in Australia opened on 1 July 2017. We are presently implementing a communications plan on the pathway.

Several high-level visits to and from South and South East Asia helped further bolster our relations with these important partner countries. They included reciprocal Prime Ministerial visits to and from Sri Lanka, resulting in agreement to open diplomatic missions in each other's capitals. The visits also helped resolve a long-running tariff issue with Sri Lanka that will yield significant duty relief for Fonterra.

After a visit to India by former Prime Minister Rt Hon John Key, we completed a refresh of our India Strategy. High-level visits to and from Singapore resulted in agreement to negotiate an ambitious Enhanced Partnership, aiming to create a model for regional integration.

c
d

The Asia-Pacific region was not without turbulence. We have worked hard to shape New Zealand's responses to major developments like North Korea or the South China Sea in support of international law and in support of actions agreed by the UN Security Council. We did this by developing and clearly articulating our policy position through ministerial statements, high-level bilateral meetings and regional forum engagement, like the East Asia Summit. We have been active in the ASEAN Regional Forum focusing on preventive diplomacy. The ASEAN-NZ Dialogue this year engaged in strategic discussion on regional security issues.

e

We implemented all major deliverables under the New Zealand Government's Strategic Partnership and five-year plan of action with ASEAN. These included successful exchanges between ASEAN and New Zealand Young Business Leaders and the introduction of short-term training scholarships for 120 ASEAN officials and private sector leaders in public sector leadership, agriculture, renewable energy and disaster risk management. Progress against the plan was discussed at the ASEAN-NZ Strategic Dialogue held in Christchurch in March 2017. The following month, a successful second ASEAN Young Diplomats Study Tour was held.

We remain on track to achieve our \$200 million commitment of development assistance to ASEAN this triennium. Based on new investments in the last year, almost 50 percent of this will be targeted at Cambodia, Laos and Myanmar in support of ASEAN's Initiative for ASEAN Integration.

f
g
h

Prime Minister Bill English made his first visit as Prime Minister to Japan in May 2017. He pursued a number of our deliverables, not least of which was to demonstrate New Zealand's ongoing commitment to the Trans-Pacific Partnership and our interests in establishing and supporting a high standard, rules-based regional organisation for trade. This was restated in a comprehensive bilateral statement and set out for the first time since 2013.



Masterclass helps build a China-capable public sector

Our aim

The China Capable Masterclass is an initiative of the whole-of-government China Capability Public Sector Programme (CCPS). It aims to accelerate the development of China capability in public sector professionals, specialists, and leaders whose work requires them to factor the impact of the New Zealand-China relationship into decision-making, advice, policy-making, or service delivery.

Our role

Our Ministry leads the CCPS in strong partnership with agency leaders across the public sector. Together, we deliver the masterclass, knowledge transfer events, cross-agency forums, a knowledge portal and resources, a China expert community of practice, and a talent pool. This collaborative mind-set is essential to engaging effectively with China.

We have held five masterclasses, with the first in July 2016. Our alumni are made up of 92 people from

OTHER ASEAN DELIVERABLES

\$32m
in development assistance
for new horticulture and beef
activities in the ASEAN region

225
178 2015-16
ASEAN
POSTGRADUATE
SCHOLARSHIPS
ISSUED 2016-17

INCREASE
in English
language training
for officials
scholarships
96 2015-16
160 2016-17



ABOVE: Delegates and facilitators from the third China Capable Masterclass in February 2017.

17 different government agencies. During the highly interactive, 5-day masterclass, delegates learn from world-class China experts from the academic, business, and public sectors, and work together on problem-based scenarios and real case studies.

The outcome

The masterclass contributes to the China-capable talent pool of people who can:

- confidently engage with China to achieve the Government's global foreign, trade, and security objectives
- identify opportunities for New Zealand and integrate agency efforts that contribute to sector goals
- consider and discuss the broader political, economic, security, and cultural risks to inform decision-making.

What this means for New Zealanders

As a trading nation we rely on foreign investment and trade. We need to be able to engage effectively with China – our second-largest trading partner and the biggest trading partner for more than 100 countries.

China is different from our traditional trading partners in many respects, including culture, language, government-to-government relationships, ways of doing business, and scale.

Increasing our knowledge and understanding of how to operate in China will help us to keep New Zealanders prosperous and safe, and create policies that will benefit future generations.



“The China Capable Masterclass gave me a hugely useful overview of the NZ-China relationship, providing valuable context for my current role.

It was also a great way to build my China networks across the public sector. The content was relevant and engaging. I would say

it is one of the best short courses I've ever done.”

Erin King
Senior Analyst, International, The Treasury
(Delegate of the February 2017 China Capable Masterclass)

4.



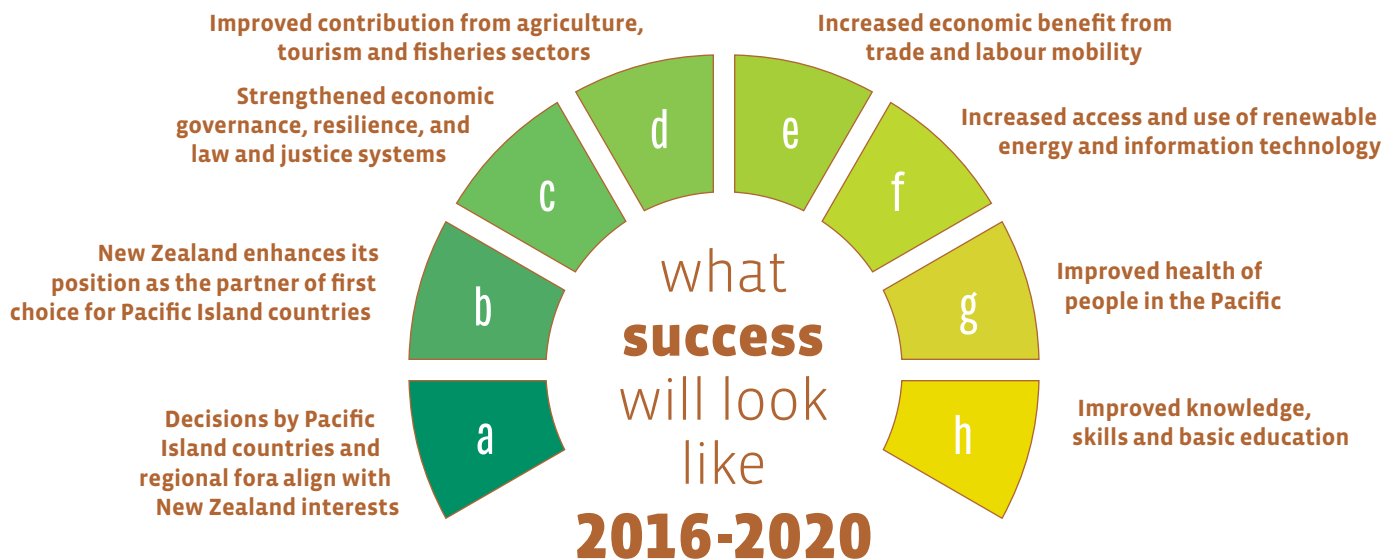
OUR PACIFIC OBJECTIVE

Maximise

the impact of New Zealand's engagement in improving the prosperity, stability, and resilience of the Pacific Islands region and its people. What happens in the Pacific has a direct bearing on New Zealand's well-being

The Ministry took an integrated approach to our foreign policy work in the Pacific, to ensure our diplomatic effort and development work were closely aligned.





Our progress over the last year

a

b

In September 2016, we supported an effective, leader-led Pacific Islands Forum in the Federated States of Micronesia. Then Prime Minister Rt Hon John Key led the New Zealand delegation. We maintained momentum on fisheries management, profiled our practical support to the Pacific on renewable energy and access to climate finance, and encouraged the signature of the Pacific Agreement on Closer Economic Relations (PACER Plus). Our encouragement and support for important regional initiatives help to ensure that New Zealand remains a trusted and influential partner in the Pacific.

c

We spent over NZ\$13 million on resilience activities in the Pacific. This includes improving the resilience of energy infrastructure to reduce reliance on imported fossil fuels, and improving rainwater collection and sanitation services. We provided technical support to Pacific countries to become more resilient to the adverse impacts of climate change, climate variability, and natural disasters, and to reduce their emissions.

The Ministry has worked closely with response partners to provide support during natural disasters. During the Pacific cyclone season we responded to flooding in Fiji and Tropical Cyclone Donna in Vanuatu.

d

New Zealand support for fisheries remains a key feature of our Pacific engagement with over NZ\$21 million spent on fisheries-related activities. Our focus has been to lift Pacific fisheries management to ensure sustainability and protect food security. We also provided support to tighten the controls on vessels that visit Pacific Island ports to tranship and unload fish, to reduce the incidence of illegal and unreported fishing.

New Zealand continues to support agricultural prosperity throughout the region. In Fiji, we continue to work with the Ministry of Agriculture and industry stakeholders to support the future development and sustainability of the Fiji dairy industry. In the past year, we incorporated a focus on women's empowerment in dairy farming to strengthen their representation in industry forums and build constructive relationships in the industry.

“We are a small non-profit, and would not have been able to implement our programme without MFAT’s support. MFAT showed foresight by funding our programme then connected us with the right people and organisations in Pacific countries.”

Monica Gruber PhD
Programme Manager, Pacific Biosecurity
(MFAT funded a programme to improve the prevention and management of invasive species in the Pacific)

e

Ten countries signed PACER Plus in June 2017. This is a unique trade and economic agreement that has a development focus to improve regional prosperity. It will lower barriers for New Zealand businesses, boost Pacific Island economic productivity, create jobs, encourage more innovation in regional trade, and enhance regional cooperation on labour mobility.

f

The Ministry has continued to roll out an ambitious renewable energy programme across many Pacific countries. Our engagement with United Arab Emirates (UAE) in the energy sector led to a joint Partnership Arrangement in renewable energy. In support of this arrangement, New Zealand partnered with the UAE on a solar energy project in Honiara that installed the first solar power farm in Solomon Islands. This renewable energy partnership was an innovative global first. It has succeeded in creating a close working partnership with UAE to increase the uptake of renewable energy in the Pacific.

g

To improve the health of people in the Pacific, Dame Valerie Adams was announced as the Pacific Sports Ambassador in October 2016. She visited several Pacific countries to promote healthy lifestyles and participation in physical activity, using sports diplomacy to address non-communicable diseases (NCDs) and promote strong linkages between New Zealand and the Pacific.

h

206 teachers and 42 school leaders have received training through the Pacific Literacy and School Leaders Programme. This benefited 4,136 students in the last year.



ABOVE: Deputy Prime Minister Paula Bennett who led the New Zealand delegation to farewell RAMSI.



Solomon Islands peace mission a Pacific success story

The Regional Assistance Mission to Solomon Islands (RAMSI) was activated in 2003 by the Pacific Islands Forum, at the Solomon Islands' Government's request. The country was experiencing a breakdown in law and order, widespread violence and intimidation, and bankruptcy of the state.

Our aim

RAMSI was a partnership between the people and government of Solomon Islands and fifteen Pacific countries. The aim was to help Solomon Islands lay the foundations for long-term stability, security, and prosperity. June 2017 marked the end of the successful 14-year peace mission.

Details of our significant official development assistance is available from page 107.



Our role

Ministry staff were among around 2,000 New Zealanders from the New Zealand Defence Force, New Zealand Police, and other government agencies, as well as volunteers, who worked under RAMSI.

In June 2017 we supported and were part of a New Zealand delegation led by Deputy Prime Minister Paula Bennett who travelled to Solomon Islands to farewell RAMSI.

The outcome

While there are still challenges in Solomon Islands, the likelihood of violent conflict erupting now that RAMSI has departed has receded markedly.

- The Inland Revenue Department partnership between 2003 and 2012 saw a doubling of domestic revenues collected as a percentage of economic activity from 10.4 percent to 21.9 percent.
- In the education sector, where New Zealand is the lead donor, year-6 literacy improved from 29 percent to 61.5 percent and year-6 numeracy from 41 percent to 85 percent. Enrolments increased by more than 25 percent at primary school and more than 70 percent at junior secondary school level.
- In policing, 50 percent of this year's Royal Solomon Islands Police Force (RSIPF) intake were female, and women are for the first time represented in fire and rescue, rapid response, and maritime units.

“...RAMSI has achieved significant results for Solomon Islands and the region... that RAMSI intervention reflects the importance of Pacific diplomacy, solidarity and cooperation.”

Solomon Islands Prime Minister Sogavare

What this means for New Zealanders

New Zealanders can see the impact of their work on the Solomon Islands people. At the RAMSI closing ceremony, Solomon Islands Prime Minister Sogavare thanked Pacific Islands Forum leaders for their contributions to RAMSI, reflecting that it was an emotional event for many Solomon Islanders.

New Zealanders saw how \$150 million of New Zealand Government funding had re-established a functioning state based on security and respect for the law. As well as supporting our Solomon Island neighbours, this has a direct impact on the security and well-being of the wider Pacific region, including New Zealand.

5.



OUR ENVIRONMENT OBJECTIVE

Promote
sound international
solutions on climate
change, natural
resources and
environmental
protection

We contributed to a number of environmental milestones being reached in the last year. These demonstrate the value of New Zealand's leadership and expertise on the security, economic, and kaitiakitanga dimensions of the Pacific, Southern Ocean, and Antarctica.





Our progress over the last year

a New Zealand ratified the Paris Agreement on climate change in October 2016. This meant we could participate fully in the first Conference of the Parties to the Agreement held in Marrakech, and continue to co-chair the negotiation of the Paris work programme.

b A joint climate change action plan was agreed with China. New Zealand has continued to demonstrate leadership on the Global Research Alliance on Agricultural Greenhouse Gases. South Africa and Zimbabwe joined the alliance, bringing the total membership to 48.

c We delivered technical assistance to Pacific Island Countries to support their access to the UN Green Climate Fund.

d We activated a significant proportion of our NZ\$54 million worth of new investments in sustainable fisheries, focused on reducing illegal, unreported, and unregulated fishing in the region and creating the conditions for more sustainable Pacific fisheries. New Zealand has also been an active participant in the negotiations in the UN on marine biodiversity beyond national jurisdiction.

e New Zealand played a lead role in establishing the world's largest Marine Protected Area. In October 2016, the Commission for the Conservation of Marine Living Resources (CCAMLR) reached agreement

on a New Zealand and United States-led proposal to establish a marine protected area in the Ross Sea region of Antarctica.

f Progress was made to strengthen resilience under the New Zealand Pacific Partnership on ocean acidification, with four partner countries identified for the programme.

g There was no evidence of illegal, unreported, or unregulated fishing in the Southern Ocean during the last year. However, Japan again carried out whaling in the Southern Ocean, claiming that the killing of whales was necessary for scientific research. New Zealand

remains opposed to this practice and worked closely with other countries at the 2016 meeting of the International Whaling Commission to subject Japan's whaling programmes to greater scrutiny.

h Additional funding was secured to enhance the services provided to international Antarctic partners operating from Christchurch, including office accommodation and improved arrangements for the joint logistics pool operated with the United States of America. We worked closely with the Ministry of Business Innovation and Employment (MBIE) to prepare its successful bid for additional

funding for Antarctic science and to set the direction of the new Antarctic science research platform to ensure it delivers maximum benefit to New Zealand and is in line with government priorities.

i New Zealand's recommendations to enhance sustainable tourism management in Antarctica were supported at the Antarctic Treaty Consultative Meeting. The Ministry worked closely with Antarctica New Zealand to prepare its successful funding bid for the detailed design phase of a future redevelopment of Scott Base.

Dr Keith Reid, Science Manager at CCAMLR.

ROSS SEA REGION MARINE PROTECTED AREA

CCAMLR Boundary

GPZ

KRZ

Bailey Islands

GPZ
Scott Island and Seamounts

SOUTHERN OCEAN

ANTARCTICA

Ross Sea

SRZ

GPZ

Ross Ice Shelf

0 5,000 Km

GPZ - General Protection Zone
KRZ - Krill Research Zone
SRZ - Special Research Zone

Basemap: Esri, DeLorme, GEBCO, NOAA NED, and other contributors



Ross Sea Region Marine Protected Area established

Our aim

To improve the conservation of marine biodiversity in the Southern Ocean and continue to provide leadership in Antarctic governance.

Our role

The Commission for the Conservation of Antarctic Marine Living Resources, (CCAMLR), established in 1982, is responsible for the conservation of all Antarctic marine living resources. Based on the best available scientific information, the Commission adopts rules to protect the Southern Ocean and regulate fishing activities there.

In 2012 New Zealand and the United States made a joint proposal to establish a large-scale marine protected area in the Ross Sea region of Antarctica. We worked together with our United States partners to gain agreement from the Commission's 23 other members.

The outcome

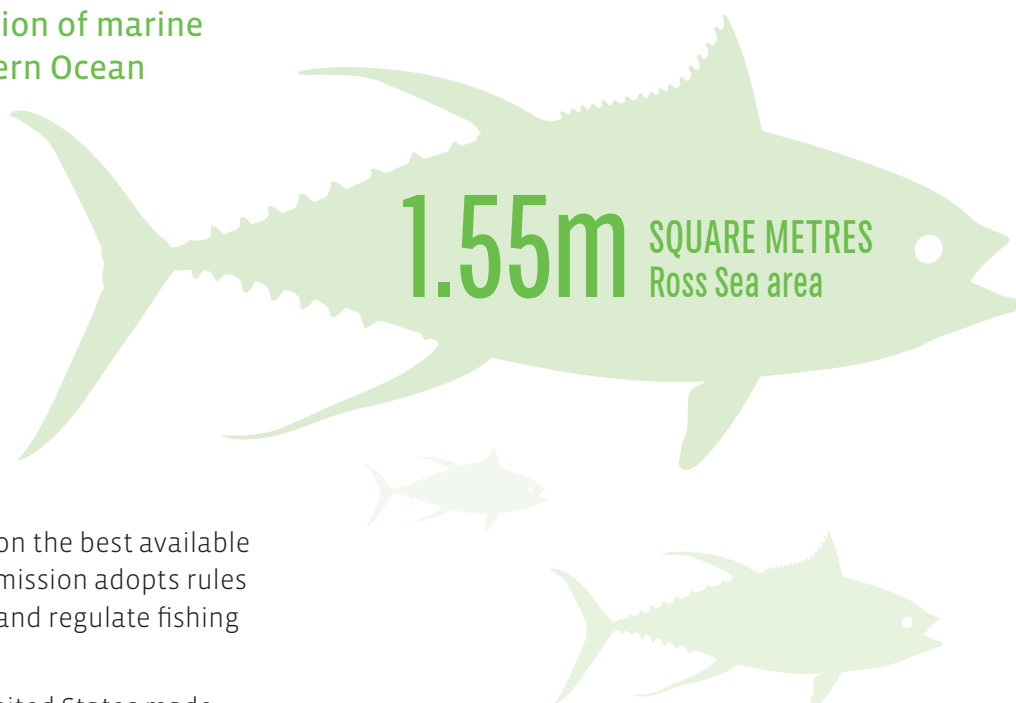
In October 2016 the Commission reached agreement on our joint proposal and agreed to establish the marine protected area. It will enter into force on 1 December 2017.

The Ross Sea Region Marine Protected Area is the world's largest marine protected area.

It covers 1.55 million square kilometres, of which 72 percent is fully protected (no fishing is permitted).



ABOVE: Members of the New Zealand delegation. Credit: Keith Reid CCAMLR Secretariat.



What this means for New Zealanders

New Zealand is:

- taking a prominent role in contributing to marine protection, research, and ecosystem monitoring
- working to maintain robust science-based regulation and fishing in the Southern Ocean, and operating effectively with key partners to make a constructive contribution in Antarctica.

6.



OUR SECURITY OBJECTIVE

Protect and advance New Zealand's and New Zealanders' security

In the last year, we advanced New Zealand's security interests offshore, assisted in building regional security capacity, and carried out our consular responsibilities to a high standard. All of these actions are vital to help make New Zealanders safer in an increasingly volatile global environment.

2,780

individuals provided
with consular services,
advice, and support





Our progress over the last year

a

We provided significant consular responses to terror attacks in Nice, Munich, Berlin, St Petersburg, Paris, Stockholm, Westminster, Manchester, London Bridge/Borough Market, Kabul, an armed siege in Manila, Mindanao martial law/civil unrest, and the Turkey coup attempt.

b

We helped mitigate global security threats, which have a direct impact on New Zealanders' safety and security. We supported New Zealand's deployments to Iraq, as well as peace deployments in Afghanistan, the Korean Peninsula, South Sudan, and the Sinai.

c

We lifted our international counter-terrorism engagement particularly through the counter-Daesh Global Coalition by:

- supporting New Zealand's Building Partner Capacity Mission in Iraq, which trained forces that assisted in successfully degrading Daesh
- countering terrorist financing
- negating Daesh's propaganda
- supporting the stabilisation of areas recovered by the Iraqi forces.

198
travel
advisories
reviewed
and issued

d

We contributed to cross-government engagements on cyber-security issues with New Zealand's security partners, including the coordination of responses to significant incidents. New Zealand joined the UN Committee on the Peaceful Uses of Outer Space (COPUOS), the primary inter-governmental forum for space issues. Membership of the committee will allow us to engage on and influence international developments on space issues that are relevant in the context of New Zealand's developing domestic space industry.

e

We continued to make an active contribution to major international disarmament and non-proliferation issues. We led New Zealand's engagement at the UN in the negotiation and adoption of the landmark Nuclear Weapons Prohibition Treaty and hosted the ASEAN Regional Forum's annual meeting on weapons of mass destruction (focusing specifically on nuclear disarmament) in Auckland. We also supported a workshop in Samoa aimed at encouraging ratification by Pacific Island countries of the Arms Trade Treaty.

44,494
consular enquiries addressed

f

We funded international capacity-building projects in the areas of aviation and border security, peacebuilding, counter terrorism, cyber security, people smuggling, and transnational crime. We disbursed over \$2 million to projects in the Pacific region, with over \$900,000 disbursed to elsewhere, particularly in South East Asia.



Response to the Manchester Arena attack – the first 24 hours



On 22 May 2017, there was an attack at an Ariana Grande concert in the United Kingdom's Manchester Arena. The explosion resulted in a number of fatalities and injuries.

Our aim

- To find out whether any New Zealanders were affected by the attack and, if so, ensure they had the support they needed.
- To provide information and advice to New Zealanders in the region.

The outcome

Within 24 hours we confirmed that no New Zealanders were caught up in the attack.

More than 36,000 people viewed Manchester attack-related advice through the Ministry's social media channels.

What this means for New Zealanders

New Zealanders can:

- register on SafeTravel and receive advice quickly if there is an incident in their area
- receive emergency support 24/7 when they are overseas
- receive up-to-date travel advice.

7.



OUR ORGANISATIONAL CAPABILITY OBJECTIVE

Build
robust and
enduring
organisational
capability
to deliver
strengthened
and coherent
international
engagement

In the last year we strengthened our resources and adapted to change where necessary, to improve efficiency and effectiveness across all areas of our work.



Our people

Our people are highly capable and diverse, with the right skills and expertise needed to deliver on government priorities, and are highly engaged and productive.

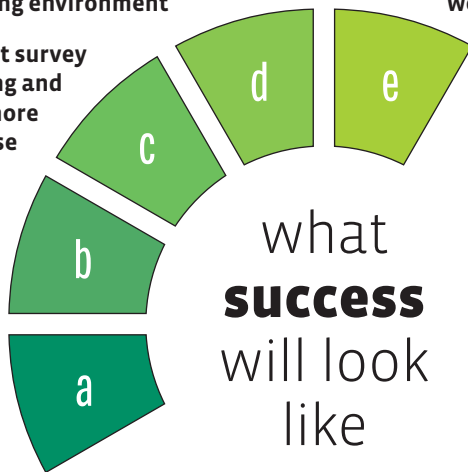
The range of diversity increases innovation and new ways of addressing problems and designing solutions that are more effective in our operating environment

Metric reporting indicates that workers are in an environment where health and safety risks are being well managed through effective mitigation

Employee engagement survey scores indicate that resourcing and prioritisation processes are more fit-for-purpose

Workforce requirements are being more readily identified and addressed to deliver on business plans

Business priorities are well resourced through staff being deployed in a more flexible and timely way



what
success
will look
like
2016-2020

Our progress over the last year

a

A resources advisory panel is now a regular forum to enable managers to identify resourcing pressures and to shift staff to meet priority business requirements. Group managers are also ensuring more timely movement of staff and the availability of surge capacity to meet new work pressures as they arise. Our approach to talent management has been expanded and is integral to our ability to maintain a resourcing pipeline.

proposed initiatives that sit under four overarching goals designed to better resource and address business priorities.

The Ministry continues to enhance workforce planning and forecasting of required capacity and capability. Piloting of a workforce planning framework and tool during 2016-17 has informed the further design and refinement of our approach.

c

Our last employee engagement survey was held in April 2016. In the last year we have focused on the three priority areas for follow up – well-being, performance enablement, and effective communication.

b

We continued to deliver the Career Ministry programme of work and completed the actions planned during 2016-17. The development of a five-year people strategy was a major focus. It contains a series of

d

Increasing diversity and inclusiveness is a priority for the Ministry. We began work to develop a 10-year diversity and inclusiveness strategy, to attract more diverse talent and in turn move towards increased innovation and performance as it builds capability to consider wider perspectives and achieve better outcomes. Key milestones included the completion of an all-staff survey, staff interviews on and offshore, and focus groups. The results will inform the strategy and its implementation. We have also looked at some policy settings in support of our commitment to diversity and inclusion.

e

Phase 2 of the health and safety programme of work was completed in December 2016, resulting in a range of new tools, systems, and processes to enhance workplace health and safety in New Zealand and offshore. These include a visits and events register, personal protective equipment, and management of hazardous substances.

Phase 3 of the health and safety programme began in January 2017. Tranche 1 of the property assessment across Pacific posts was completed and a foundations health and safety training module was launched. KPI reporting was introduced. The preferred nature and range of KPIs is still being finalised to ensure robust data is produced and progress is measured effectively.

Equal employment opportunities

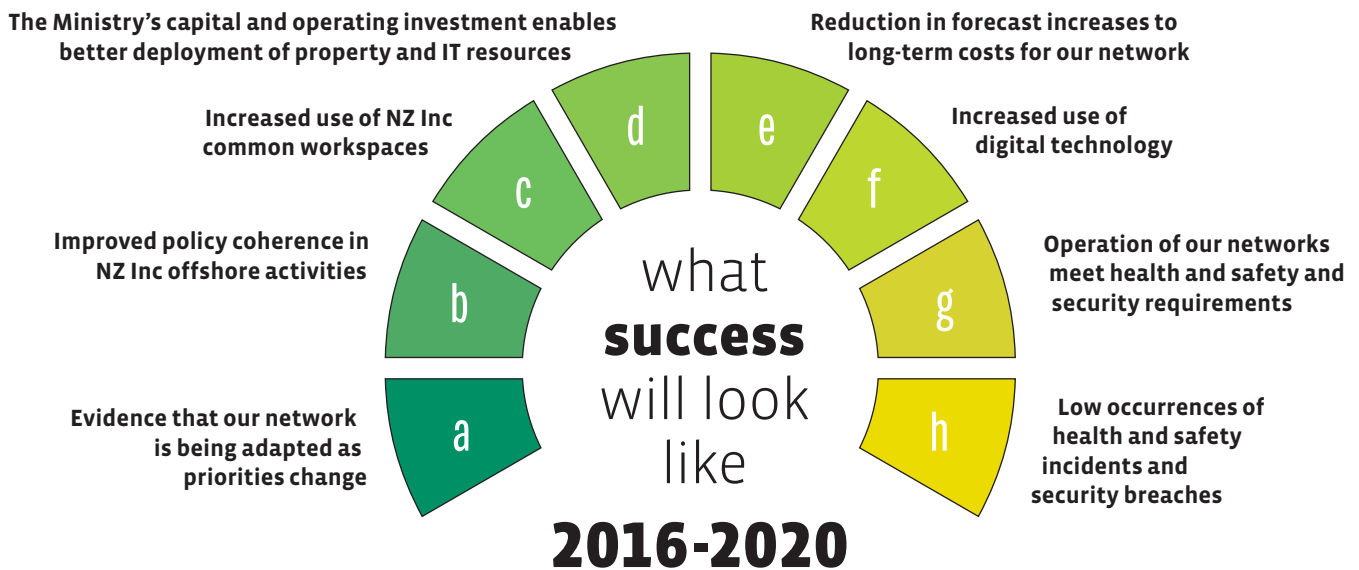
We base appointments on merit, while ensuring fairness in employment for all persons and groups.

The profile of Ministry staff in New Zealand and seconded staff as recorded in the HR system at 30 June 2017.

Gender	Total
Females	54%
Males	46%
Ethnicity	Total
Asian	3.32%
European	54.22%
New Zealand Māori	6.58%
Other Ethnic Group	1.12%
Pacific Peoples	2.02%
Does not disclose	32.73%

Our networks

Our broad established diplomatic network of offshore posts, accreditations, and honorary consuls, as well as our digitally enabled networks, are in the right places at the right time.



Our progress over the last year

a

To adapt to changing priorities, we successfully bid for additional resources in Budget 2017. To support our bid, we developed a footprint plan, which helped to identify investment priorities. New posts in Ireland and Sri Lanka, and investment in front-line resources, will help us to provide greater assistance to New Zealanders living, travelling, or doing business in these regions.

b

e

As members of the NZ Inc Operational Senior Reference Group, established in March 2016, we met quarterly with seven of our NZ Inc partners. Meetings focused on our future offshore footprints and areas where we can align on key operational issues. The group commenced a review of the NZ Inc Operating Model to enhance our operational alignment and efficiencies offshore.

c

g

h

We began developing a workplace strategy to produce a new, consistent set of accommodation guidelines, principles, and design ideas that will be implemented across the organisation. This will help to ensure the places where our staff and NZ Inc partners work together are secure, safe, and compliant, and present a strong New Zealand brand.

f

Our social media networks have played an important role in enhancing our connectivity and engagement with stakeholders, particularly around trade events.

@mfatgovtnz



3,192
FOLLOWERS

Ministry Twitter account went from 789 followers in 2016 to 3,192 by June 2017.

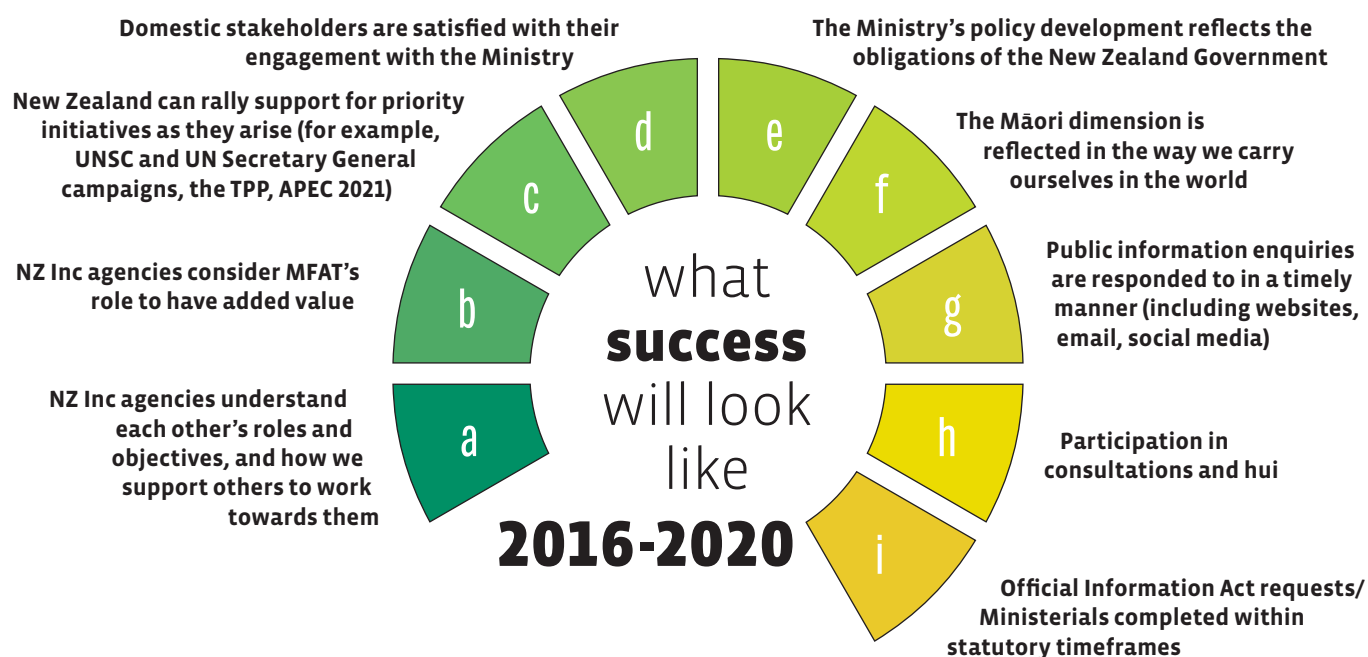
d

In the last year, the three committees ancillary to the Senior Leadership Team considered and took decisions on a number of issues related to our network, including a number of country-specific strategic papers, the Ministry's capability bid, and property investment proposals.

We developed a new information systems strategic plan to ensure our IT assets support our work. We upgraded or built 9 properties, ensuring they were fit for purpose and align with our property strategies.

Our relationships

Our relationships with domestic and international partners (governmental, multilateral, civil society, and sector groups), are targeted and used effectively to build influence and reputation.



Our progress over the last year

a

In the last year we continued to build influential and effective relationships with domestic and international partners (governmental, multilateral, civil society, and sector groups).

We developed or refreshed strategies and engagement plans related to a number of our bilateral partners and multilateral bodies, both within our region and beyond. We worked on this with NZ Inc agencies (other New Zealand Government agencies that engage internationally) to ensure coordinated and effective international delivery. By taking a more strategic approach to our relationships, we will be better placed to strengthen key links and increase outcomes.

g

On average, we respond within one working day to requests received through our @MFATgovtNZ Twitter account.

b
e
h

We progressed work on new diplomatic missions in Colombia, Sri Lanka, and Ireland. The identification of these locations was a result of large-scale inter-agency consultation. All locations have significant benefits for New Zealand's foreign policy and trade agenda, reflecting the obligations of the New Zealand Government.

We started to work on enhancing our stakeholder engagement and outreach. The aim is to build a Ministry framework that supports purposeful engagement, incorporates good existing practice, provides guidance and processes for staff, and improves tools and systems.

i

79% 2015-16
94% 2016-17
83% 2015-16
90% 2016-17

Percentage of Ministry OIA requests responded to within statutory timeframes

Percentage of Ministerial OIA request replies completed five days prior to the statutory time limit, unless otherwise agreed

c
d

Through this work, we want to develop a deeper understanding of what New Zealand citizens think about foreign policy and trade issues, and what aspects of our work they value. If stakeholders are satisfied with their engagement with us, it will help New Zealand rally support for priority initiatives as they arise.

f
h

We completed a scoping document of the key elements for a Māori engagement strategy for the Ministry. We now offer workshops on the Māori economy and the Crown-Māori Treaty relationship.

The percentage of Ministry staff who have completed a beginners Te Reo Māori course has increased from 6 percent in 2013 to 18 percent in 2016. We consulted with Māori to develop Trade Agenda 2030 (see page 15 for more information).

Our systems

The way we operate our business and the tools we use to achieve and deliver our objectives are fit-for-purpose to enable fast, efficient, and effective delivery.



Our progress over the last year

'A'

RATING

Cabinet gave us a top 'A' rating in the Investor Confidence Rating assessment in May 2017, and increased our financial delegations.

a
b

The effective management of our capital and operating investments was recognised in May 2017, when Cabinet gave the Ministry the top 'A' rating in the Investor Confidence Rating assessment. This reflects the maturity of a number of our key systems, including property portfolio asset management. We also made progress in addressing recommendations from the review and embedding continuous improvement.

c
d

The value of our emergency preparedness work was demonstrated in our multi-faceted response to the aftermath of the Kaikoura Earthquake in November 2016. Since then, a number of initiatives have been developed to continue to strengthen our ability to prepare for and respond to emergencies, including the Organisational Resilience Programme and the Data Centre programme.

e

We made progress on our Protective Security Strategy and the Information Systems Strategic Plan. These will ensure our people and information are kept safe and important information is secure and accessible to those who need it to make decisions.

f
g

We delivered a number of projects to improve the efficiency of our work, including the Asset Information Management System, the Electronic Invoice Management System, and the New Zealand Aid Programme Management System. We also completed or progressed a number of projects to ensure our properties are fit-for-purpose, including the Abu Dhabi Chancery fit-out, the Canberra Chancery interior rebuild, the Noumea Consulate fit out, the Sydney Consulate fit-out, and the Brasilia Chancery refurbishment.

These buildings will also support our NZ Inc operations offshore.

The Ministry is subject to Cabinet Circular (16)3 New Zealand Business Number – Implementation Requirements, which was issued on 25 May 2016 and sets out requirements for us to implement the New Zealand Business Number (NZBN).

NZBN is a universal identifier that will help businesses to easily update, share key information and interact with each other. This has been introduced to streamline all essential business information, and over time will become the only number businesses will need to use to interact with a range of other businesses and government agencies.

The Ministry is a tier 3 agency and must implement NZBN requirements by 31 December 2018. This project has been added to the Ministry's portfolio of projects and funding has been allocated to advance it during the 2016-17 and 2017-18 financial years.

Kaikoura earthquake – a multi-faceted response

The Kaikoura earthquake on 14 November 2016 resulted in an entire town, Kaikoura – a major foreign tourist destination – being cut off from the rest of the country. Severe weather hampered efforts to clear the inland road between Kaikoura and Waiau, a route many locals and tourists were planning to use to self-evacuate. The earthquake also disrupted a major portion of the Wellington CBD including the Ministry of Foreign Affairs and Trade.

Our aim

To support the national earthquake response by activating our networks and systems to coordinate international assistance, support foreign missions to assist their nationals, and maintain confidence in New Zealand as a visitor destination.

Our role

To support the response we:

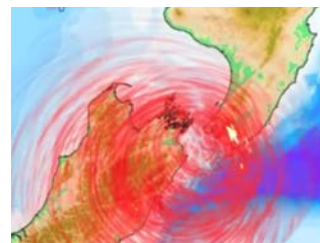
- activated the Emergency Coordination Centre in Wellington and deployed staff to Canterbury to assist with New Zealand Defence Force-assisted evacuation by air and sea
- worked with the Ministry of Civil Defence and Emergency Management, the New Zealand Defence Force, the Christchurch City Council, Waimakariri District Council and local Civil Defence to identify foreign nationals and connect them with relevant foreign missions
- coordinated international offers of assistance, including supporting the logistical contribution of several foreign naval ships and aircraft that were taking part in the Royal New Zealand Navy 75th anniversary celebration at that time



Credit:
New Zealand Defence Force



ABOVE: Our staff Ellen Duvall (left) and Sarah McDowell (right) at Lyttleton Port.



- worked within the National Crisis Management Centre (NCMC) to assist with the international elements of the response, including the evacuation of international visitors to Kaikoura, the safety of international VIP visitors and assisting foreign missions
- supported Tourism New Zealand and Education New Zealand with visitor and client advisories, and messages for international markets regarding travel to New Zealand
- managed social media content for offshore posts.

The outcome

Our strong relationships with NZ Inc partners, ability to deploy staff where needed, and efficient use of our networks and systems meant we were able to provide practical assistance to those affected by the earthquake and maintain international confidence in New Zealand's emergency management.

What this means for New Zealanders

New Zealanders are:

- proactively supporting international visitors during a disaster
- making the most of our international relationships by facilitating contributions from our international partners who had relevant skills and equipment to offer
- working together to deliver a coordinated and effective response to a unique and challenging event
- supporting recovery by maintaining international confidence in New Zealand tourism and education.

Statement of responsibility

I am responsible, as Chief Executive of the Ministry of Foreign Affairs and Trade (the Ministry), for:

- the preparation of the Ministry's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- ensuring that end-of-year performance information on each appropriation administered by the Ministry is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report; and
- the accuracy of any end-of-year performance information prepared by the Ministry, whether or not that information is included in the annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the Ministry as at 30 June 2017 and its operations for the year ended on that date; and
- the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2018 and its operations for the year ending on that date.



Brook Barrington

Chief Executive
29 September 2017

Statement of performance

The Minister of Foreign Affairs purchased from us provision of the following eight output expenses in Vote Foreign Affairs and Trade, and one output expense in Vote Official Development Assistance:

Vote Foreign Affairs and Trade

- Administration of diplomatic privileges and immunities
- Consular services
- Pacific Security Fund
- Policy advice and representation – international institutions
- Policy advice and representation – other countries
- Policy advice and representation – other countries PLA
- Promotional activities – other countries
- Services for other New Zealand agencies overseas

Vote Official Development Assistance

- Management of New Zealand Official Development Assistance

In addition, the Ministry has a capital expenditure appropriation for the purchase of assets by and for the use of the Ministry.

The following statement of performance records results and services delivered for each of the above output expenses as required by of section 19C of the Public Finance Act 1989.

Administration of diplomatic privileges and immunities

This output expense involves the administration of the Government's responsibilities and obligations under the Diplomatic Privileges and Immunities Act 1968 and the Consular Privileges and Immunities Act 1971, which give effect to the 1961 Vienna Convention on Diplomatic Relations and the 1963 Vienna Convention on Consular Relations.

Services we provided included the:

- administration and facilitation of privileges and immunities to members of the diplomatic and consular corps and their dependants
- resolution of immunity issues arising under the Vienna Conventions on Diplomatic and Consular Relations
- facilitation, documentation, and formalities for the appointment of diplomatic and consular staff of foreign missions and consular posts accredited to New Zealand
- provision of host government services to the diplomatic and consular corps
- provision of advice to Ministers, diplomatic missions, government agencies, and other parties regarding the interpretation and application of diplomatic and consular privileges and immunities in New Zealand.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Number of foreign diplomatic missions and consular posts resident in New Zealand (including those led by Honorary Consuls or Honorary Consuls General)	168	162	164
Number of foreign diplomatic and consular staff (and their dependants) resident in New Zealand	1,337	1,361	1,358
Percentage of relevant formal New Zealand appointment documentation prepared in compliance with the Diplomatic Privileges and Immunities Act 1968 and Consular Privileges and Immunities Act 1971 and the Vienna Convention on Diplomatic Relations and the Vienna Convention on Consular Relations	100%	100%	100%
Percentage of arrival and departure documentation for foreign diplomatic and consular staff resident in New Zealand completed within 10 working days	95%	98%	96%
Percentage of diplomatic corps respondents satisfied with quality of diplomatic protocol service (four or above on five-point scale)	85%	96%	97%

Ministerial services

Ministerial OIAs are requests of the Minister responsible for the Foreign Affairs and Trade portfolios. Ministry OIAs are requests of the Chief Executive of the Ministry of Foreign Affairs and Trade.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Number of Ministerial letters prepared	1,000-1,200	1,119	1,178
Number of Parliamentary Question responses provided	200-250	324	364
Number of Official Information Act request (OIA) responses provided	200-250	212	307
Percentage of Ministry OIA requests responded to within statutory timeframes	90%	94% ¹	79%
Percentage of Ministerial OIA request replies completed five days prior to the statutory time limit, unless otherwise agreed	90%	90%	83%
Percentage of Ministerial correspondence completed within 15 working days	90%	72% ²	57%
Percentage of Ministerial OIA request responses that are factually accurate, meet any legislative requirements, and contain no avoidable errors, measured by rejection rates by the office of each Minister	95%	95%	95%
Average number of days to send final OIA request response to a requestor (for Ministry OIAs)	20 days	26 days	26 days
Average Ministerial satisfaction score ³	4 or above on a 5-point scale	2.5	The Minister of Foreign Affairs expressed gratitude for the support received from the Ministry

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
1,638	Annual appropriations	939	970	31

¹ The Ministry continues to embed new systems to service the high volume of Ministry OIA requests received relating to Vote Foreign Affairs and Trade.

² The increased complexity of Ministerial correspondence processed in 2016-17 had a direct impact on our ability to achieve our standards. There has already been an improvement in the last year, and the Ministry continues to embed new systems to service the high volume of Ministerial correspondence received.

³ This is from the current Minister of Foreign Affairs, who commenced in his role on 2 May 2017.

Consular services

This output expense concerns the provision of consular and notarial services to New Zealanders abroad. This includes helping New Zealanders in distress; providing a response capability in the event of an emergency involving New Zealanders overseas, such as a terrorist incident or natural disaster; and formally validating documentation for use in other countries.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Number of overseas locations where consular services are provided	66	66	66
Distressed New Zealanders overseas who received consular services (demand-driven)	3,000-3,500	2,780	2,751
General consular advice enquiries responded to (demand-driven)	50,000-55,000	44,494	46,706
Notarial services provided (demand driven)	10,000-13,000	12,076	13,704
Consular emergencies responded to	3-6	13 ⁴	6
Percentage of respondents satisfied with quality of consular services (4 or above in a 5-point scale)	85%	80%	82%

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
18,284	Annual appropriations	19,779	20,147	368

⁴ The Ministry provided significant consular responses to terror attacks in Nice, Munich, Berlin, St Petersburg, Paris, Stockholm, Westminster, Manchester, London Bridge/Borough Market, Kabul, an armed siege in Manila, Mindanao martial law/civil unrest, and the Turkey coup attempt.

Pacific Security Fund

This output expense supports the implementation of New Zealand's Pacific Security Strategy. The Pacific Security Fund (PSF) is a contestable inter-agency fund, which MFAT administers. The fund is drawn on by government departments and agencies to meet the cost of activities that advance or protect the security interests of New Zealand and Pacific Island Countries, and that reduce security risks in the region.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
All project bids and evaluations are assessed as consistent with Government objectives for the Pacific Security Fund, and this is confirmed by independent annual audit	100%	100%	100%
Funds are accessed, disbursed, and monitored in accordance with the management process established by the Pacific Security Coordinating Committee	100%	100%	100%
Independent assessments of at least one project over \$100,000 finds that they were successful in achieving the majority of their objectives	100%	100%	100%

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
2,396	Annual appropriations	2,058	2,632	574

Explanation of significant variances

The variance of \$0.574 million between appropriation and actual expenditure was primarily due to delays in projects where funds had been allocated in the 2016-17 financial year under the PSF's contestable funding structure.

Policy advice and representation - international institutions

This output expense is concerned with policy advice and representation activities directed to the management of New Zealand's membership of, and foreign affairs and trade interests in, international institutions. This includes major areas of multilateral cooperation to which the Government has decided to give special attention such as international trade in goods and services, counter-terrorism, disarmament and arms control, international environment, and human rights issues.

The organisations include:

- the United Nations and its associated institutions
- the World Trade Organisation (WTO)
- the Commonwealth and its associated institutions
- the Organisation for Economic Co-operation and Development (OECD)
- Antarctic organisations
- international environmental organisations
- international disarmament organisations.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Binding international treaties concluded by the Ministry under this output expense class ⁵	10-13	15	21
Policy submissions produced for Ministers under this output expense class	300-500	283	441
Average score out of 10 of a sample of policy papers reviewed by an external reviewer (New Zealand Institute of Economic Research) ⁶	7.5	7.4	7.3
MFAT is effective at influencing key relationships and safeguarding our interests	Met	Substantially met – 75% of stakeholders satisfied ⁷	Substantially met

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
72,203	Annual appropriations	57,470	61,195	3,725

Explanation of significant variances

The variance of \$3.725 million between appropriation and actual expenditure reflects the continuation of savings across the Ministry with operations in New York and Geneva, along with the related Head Office divisions, coming in under budget.

⁵ Binding international treaties include multilateral, plurilateral, and bilateral treaties. Concluded means signed or, if signature is not provided for in the treaty, acceded to, adopted, accepted, or ratified.

⁶ The review by NZIER uses a 5-point scale ranging from 5 to 9+. The following interpretation is applied to NZIER's assessment: 5 – Poor; 6 – Borderline: does the job but with risks; 7 – Adequate; 8 – Good: goes beyond the task at hand somewhat; 9+ Excellent.

⁷ This is the percentage of respondents who gave a rating of either "very effective" or "fairly effective" to the question of "Overall, how effective do you think MFAT is at representing and advocating for New Zealand's interests internationally?" in the Ministry's 2016-17 survey of stakeholders.

Met = higher than 80%; Substantially met = 70%-80%; Partially met = 60%-70%; Not met = lower than 60%.

Policy advice and representation - other countries

This output expense is concerned with policy advice and representation activities directed towards the management of New Zealand's foreign affairs and trade relations with other countries, focusing on individual country relationships and regional organisations of significance to New Zealand.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Non-binding arrangements concluded by the Ministry under this output expense class	35-45	48	35
Inwards visits supported by the Ministry under this output expense class	30-60	75 ⁸	32
Outwards visits by New Zealand Ministers supported by the Ministry under this output expense class	50-70	113 ⁹	74
Total number of days of outward visits by New Zealand Ministers supported by the Ministry under this output expense class	300-380	454	432
Policy submissions produced for Ministers under this output expense class	300-500	307	212
Percentage of visits rated as 4 or better on a scale of 1-5 by internal review against the Ministry's visits quality standard for visits management	80%	68% ¹⁰	77%
Average score out of 10 of a sample of policy papers reviewed by an external reviewer (NZIER)	7.5	7.4	7.3
MFAT is effective at influencing key relationships and safeguarding our interests	Met	Substantially met – 75% of stakeholders satisfied ⁷	Substantially met

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
221,975	Annual appropriations	230,431	235,725	5,294

Explanation of significant variances

The variance of \$5.294 million between appropriation and actual expenditure was due to the delay of initiatives where the funding (\$2.647 million) has been carried forward into 2017-18. The remaining amount relates to the continuation of savings from across the Ministry.

⁸ This is the total number of visits by foreign representatives and delegations that the Ministry has supported. Last year's result considered only Ministry-led visits.

⁹ This is the total number of outward visits that the Ministry has supported, including New Zealand ministers across portfolios. Last year's result considered only Ministry-led visits.

¹⁰ The composition of the review panel changes year to year so the interpretation of the review criteria can also vary across years. The panel found room for improvement in terms of setting measurable objectives for visits and robust reporting against them.

Policy advice and representation - other countries PLA

This output expense is limited to the costs set out in the Foreign Affairs Act 1998, of superannuation for local staff employed by overseas posts to help with the management of New Zealand's foreign and trade relations with other countries.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
New Zealand Government Superannuation Scheme for locally recruited staff in the United States of America continues to be funded to the required level by the Crown	Met	Met	Met

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
20	Permanent appropriations	220	20	(200)

Explanation of significant variances

The increase expenditure of \$0.200 million is due to the actuarial valuation of the superannuation fund for locally engaged staff in the United States. The valuation of the unfunded liability as at 30 June 2017 has increased by \$0.200 million. As this is a PLA, further appropriation is not required.

Promotional activities - other countries

This output expense supports the promotion of investment in New Zealand by funding a range of activities including:

- enhancing the understanding of New Zealand and offshore markets as investment destinations
- demonstrating the Government's interest in attracting investment to New Zealand and support for New Zealand industries undertaking overseas direct investment activities
- establishing and maintaining influential overseas investment contacts
- supporting investment-related visits to and from New Zealand
- enabling New Zealand industries to undertake overseas direct investment activities to support their sustainable growth and international competitiveness.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Annual review of fund finds that projects met agreed objectives outlined in their application	100%	100%	100%

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
45	Annual appropriations	75	76	1

Services for other New Zealand agencies overseas

This output expense involves the provision of services to other New Zealand agencies with overseas interests.

In 2016-17, services were provided to the following departments by our diplomatic and consular posts overseas:

- Department of Internal Affairs
- Education New Zealand
- Ministry for Primary Industries
- Ministry of Business, Innovation and Employment
- New Zealand Customs Service
- New Zealand Defence Force
- New Zealand Police
- New Zealand Trade and Enterprise
- Tourism New Zealand
- The Treasury.

These services included assistance with staff transfers to and from posts, accommodation management, general administration such as the provision of receipting and banking facilities, and diplomatic facilitation. Ministry staff also undertook core agency work on behalf of agencies (for example, issuing emergency travel documents on behalf of the Department of Internal Affairs and visa processing on behalf of Immigration New Zealand).

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Average satisfaction score on the Ministry's service provision on a 5-point scale ¹¹	3.5	4.1	3.8

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
7,090	Revenue			
	Other	7,494	7,776	(282)
7,090	Total revenue	7,494	7,776	(282)
	Expenditure			
7,187	Annual appropriations	7,494	7,776	282
7,187	Total expenses	7,494	7,776	282
(97)	Net surplus/(deficit)	-	-	-

Explanation of significant variances

The reduced expenditure of \$0.282 million between appropriation and actual expenditure was primarily due to less demand from other government departments for the purchase of agency services.

¹¹ Based on surveys of NZ Inc secondees and head office contacts.

Ministry of Foreign Affairs and Trade - capital expenditure PLA

This appropriation is limited to the purchase or development of assets by and for the use of the Ministry of Foreign Affairs and Trade, as authorised by section 24(1) of the Public Finance Act 1989.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Percentage of chanceries with a Fit-for-Purpose performance gap of <=2	80%	82% ¹²	New measure
Percentage of official residences with a Fit-for-Purpose performance gap of <=2	85%	85% ¹²	New measure
Percentage of time our networks are available	99.8%	99.49%	New measure
Percentage of time our critical services are available	99.7%	99.90%	New measure

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
1,385	Land	-	-	-
29,875	Property, plant, and equipment	46,336	54,055	7,719
10,378	Intangibles	12,214	17,858	5,644
41,638	Total	58,550	71,913	13,363

Explanation of significant variances

The variance of \$7,719 million in Property, Plant, and Equipment between appropriation and actual expenditure was primarily due to timing delays in the rebuild of the Beijing chancery. The variance of \$5,644 million in Intangibles between appropriation and actual expenditure was due to timing delays with three significant business system projects.

¹² As of December 2016. Information collected annually.

Management of New Zealand Official Development Assistance

This appropriation is limited to advice and representation on international development issues and the management of the New Zealand Official Development Assistance Programme.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Quantity			
Number of activities	500 or less	500	473
Median annual activity expense ¹³	\$450,000 or more	\$367,470 ¹⁴	\$404,577
Volume of Crown ODA resources allocated to the Pacific bilateral and regional	\$343.6m (60%) (+/- 5% for any given year) ¹⁵	\$281.2m ¹⁶ (53%)	\$322.2m (60%)
Amount and proportion of sector-allocable ODA directed primarily to sustainable economic development	\$202m (45%) (+/- 5% for any given year) ¹⁵	\$150.5m ¹⁷ (36%)	\$167.7m (39%)
Policy submissions produced for Ministers under this output expense class	150-200	169	100
Number of Programme Strategic and Results Frameworks in place	Increasing number	17 of 28 ¹⁸	5 of 27
Quality			
Percentage of the value of ODA delivered using high-order aid modalities ¹⁹	45% or more	44%	45%
Percentage of programmes rated 4 or higher on a scale of 1-5 by review against the Ministry's quality standard for programme management	80%	100%	100%
Percentage of activities rated 4 or higher on a scale of 1-5 by review against the Ministry's quality standard for activity management	80%	94%	93%
Percentage of development cooperation funding for the partner government sector disbursed in year for which it was scheduled (Pacific bilateral programmes only)	90%	91% ²⁰	99.9%
Estimated proportion of development cooperation covered by indicative forward aid plans provided to partner governments for the current year plus two or more years in the future (Pacific bilateral programmes only)	90%	67% ²¹	66%
Percentage of evaluations (or summaries) including management response that are published to our website within three months of evaluation steering group sign-off	100%	67% ²²	0
Average score out of 10 of a sample of policy papers reviewed by an external reviewer (NZIER)	7.5	7.4	7.3

¹³ This is the median annual activity expenditure for all activities that incurred expenditure during the 2015-16 year. As in prior years, activities that were in implementation but did not have payments due under contract were excluded from the calculation.

¹⁴ The decrease in the median annual activity expense is due to an increase in the number of activities while the amount spent remained about the same as the previous year.

¹⁵ The ODA expenditure standards are intended to be viewed across the three-year triennium. This is because expenditure can fluctuate significantly between individual years for sectors and regions. Consequently, a threshold of +/- 5% is used for any given year.

¹⁶ The variance on the standard is expected given this is a triennium measure that can fluctuate each year. This is also why the standard is expressed as a range +/- 5%. The forecast for spend in the Pacific across the triennium is 60% which meets target.

¹⁷ The variance on the standard is expected given this is a triennium measure that can fluctuate each year. This is also why the standard is expressed as a range +/- 5%. The forecast for spend on sustainable economic development activities across the triennium is approximately 41%.

¹⁸ This result reflects the number of completed Programme Results Frameworks. As we shift our focus to developing country-level strategies, this measure will be replaced to reflect this shift to Country Strategies for 2017-18.

¹⁹ There are effectiveness and sustainability benefits when aid is delivered through long term commitments to partner country priorities, using partner systems whenever possible. Such approaches are described as "high order aid modalities".

²⁰ The result reflects the average across all 12 bilateral programmes "Government Sector" means disbursed in the context of an agreement with the partner government (Ministry/Department/Local Government).

²¹ All 12 of our Pacific bilateral programmes are covered by a Forward Aid Plan for one year. However, only 8 out of 12 programmes fully met the criteria, which are:

- It was shared with the Partner Government in time to inform national budget planning for the current year
- It was based on the Partner Government Financial Year
- It was for the current year plus two or more years in the future.

Of the 4 programmes which did not fully meet the criteria, 3 only provided a forward aid plan for one year rather than the required two or more and one plan was not based on the partner government financial year. Additional support will be provided to Programme Teams to improve performance in 2017-18.

²² Despite not meeting our budget standard, going from 0% to 67% in a year was a solid result. We hope to improve this with a new tool to track progress for the 2017-18 year.

Ministerial services

Ministerial OIAs are requests of the Minister responsible for the Foreign Affairs and Trade portfolios. Ministry OIAs are requests of the Chief Executive of the Ministry of Foreign Affairs and Trade.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Ministerial services			
Number of Ministerial letters prepared	60-90	66	72
Number of Official Information Act request (OIA) responses provided	20-50	56	37
Percentage of Ministry OIA requests responded to within statutory timeframes	90%	95% ²³	77%
Percentage of Ministerial OIA request replies completed five days prior to the statutory time limit, unless otherwise agreed	90%	90%	100%
Percentage of Ministerial OIA request responses that are factually accurate, meet any legislative requirements, and contain no avoidable errors, measured by rejection rates by the office of each Minister	95%	95%	100%
Average number of days to send final OIA request response to a requestor (for Ministry OIAs)	20 days	29 days	28 days
Average Ministerial satisfaction score ³	4 or above on a 5-point scale	2.5	The Minister of Foreign Affairs expressed gratitude for the support received from the Ministry

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
58,079	Annual appropriations	61,676	63,044	1,368

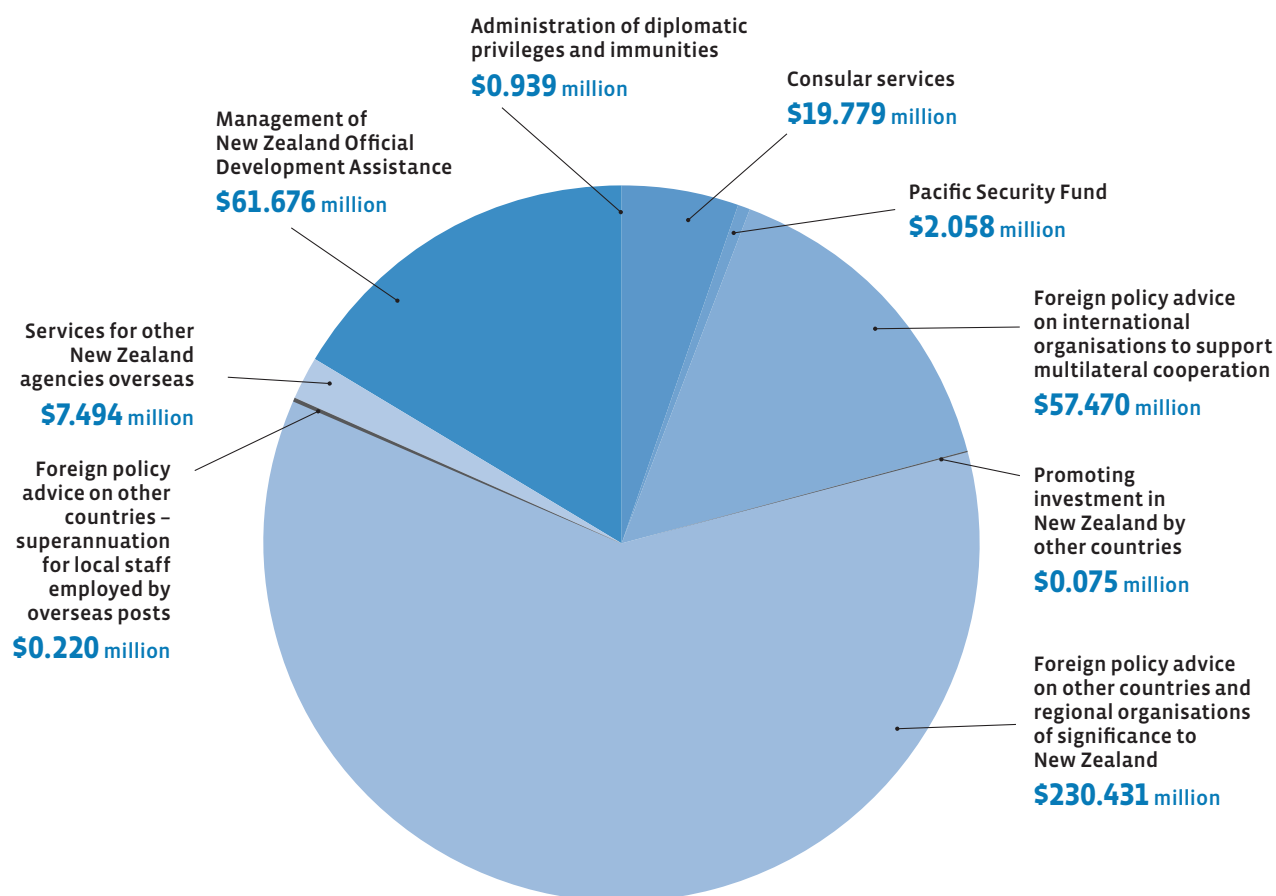
Explanation of significant variances

The variance of \$1.368 million between appropriation and actual expenditure was mainly due to the reduced personnel expenses arising from vacancies. Also, with fewer staff less travel took place resulting in reduced expenditure against the travel budget.

²³ The Ministry continues to embed new systems to service the high volume of Ministry OIA requests received relating to Vote Official Development Assistance.

Financial performance summary

Breakdown of departmental operating expenditure by output



Global Property Portfolio

WORTH

\$391
million

Departmental Expenditure

TOTAL OPERATING EXPENDITURE

\$380.142
million

CAPITAL EXPENDITURE

\$58.550
million

Non-departmental Expenditure

FOREIGN AFFAIRS AND TRADE

\$79.247
million

OFFICIAL DEVELOPMENT ASSISTANCE

\$530.543
million

(see page 108 for breakdown)

Financial statements

Statement of comprehensive revenue and expense

For the year ended 30 June 2017

Actual 2016 \$000		Notes	Actual 2017 \$000	Unaudited Budget 2017 \$000	Unaudited Forecast 2018 \$000
Revenue					
383,029	Revenue Crown	2	383,049	409,674	396,572
8,632	Other Revenue	2	8,402	8,463	8,310
3,408	Gain on Foreign Exchange		-	-	-
12	Interest		15	20	20
171	Gain on sale of assets		369	-	-
395,252	Total revenue		391,835	418,157	404,902
Expenses					
160,195	Personnel	3	161,972	163,069	172,442
152,371	Operating	4	159,035	171,154	162,529
20,971	Depreciation	8	19,142	20,803	19,118
1,667	Amortisation on intangible assets	9	2,538	6,151	5,814
46,623	Capital charge	5	37,455	46,960	34,979
381,827	Total expenses		380,142	408,137	394,882
Re-measurement					
11,971	(Gain)/loss on derivative financial Instruments	17	(7,929)	-	-
307	Movement in discount rate for long-service leave and retirement leave	13	(777)	-	-
12,278	Total re-measurement		(8,706)	-	-
394,105	Total expenses		371,436	408,137	394,882
1,147	Net surplus/(deficit)		20,399	10,020	10,020
Other comprehensive revenue and expense					
-	Loss on property revaluations		-	-	-
1,147	Total comprehensive revenue and expense		20,399	10,020	10,020

The accompanying accounting policies and notes form part of these financial statements. For information on major variances against budget refer to Note 19.

Statement of changes in equity

For the year ended 30 June 2017

Actual 2016 \$000		Notes	Actual 2017 \$000	Unaudited Budget 2017 \$000	Unaudited Forecast 2018 \$000
586,998	Balance at 1 July		574,720	586,998	574,720
1,147	Total comprehensive revenue and expense		20,399	10,020	10,020
(13,425)	Return of operating surplus to the Crown	11	(12,470)	(10,020)	(10,020)
-	Capital injections		-	6,708	8,680
574,720	Balance at 30 June	14	582,649	593,706	583,400

The accompanying accounting policies and notes form part of these financial statements. For information on major variances against budget refer to Note 19.

Statement of financial position

For the year ended 30 June 2017

Actual 2016 \$000		Notes	Actual 2017 \$000	Unaudited Budget 2017 \$000	Unaudited Forecast 2018 \$000
ASSETS					
Current assets					
11,996	Cash and cash equivalents		41,902	38,269	30,796
167,892	Debtor Crown		116,399	125,345	73,744
5,738	Debtors and other receivables	6	2,465	2,887	5,738
10,784	Prepayments	7	10,400	9,467	10,784
157	Derivative financial instruments	17	294	3,309	157
196,567	Total current assets		171,460	179,277	121,219
Non-current assets					
4,553	Debtors and receivables	6	4,445	5,015	4,553
3,477	Prepayments - leased land	7	3,403	3,564	3,477
423,735	Property, plant, and equipment	8	445,888	445,234	484,853
15,522	Intangible assets	9	25,198	19,385	35,027
447,287	Total non-current assets		478,934	473,198	527,910
643,854	Total assets		650,394	652,475	649,129
LIABILITIES					
Current liabilities					
15,624	Creditors and other payables	10	21,661	14,794	15,625
13,425	Return of operating surplus	11	12,470	10,020	10,020
721	Provisions	12	2,800	897	1,910
16,522	Employee entitlements	13	15,764	19,562	16,890
10,088	Derivative financial instruments	17	2,296	1,270	10,088
56,380	Total current liabilities		54,991	46,543	54,533
Non-current liabilities					
10,756	Employee entitlements	13	10,790	7,811	8,597
1,998	Provisions	12	1,964	4,415	2,599
12,754	Total non-current liabilities		12,754	12,226	11,196
69,134	Total liabilities		67,745	58,769	65,729
574,720	Net assets		582,649	593,706	583,400
Equity					
426,445	General funds	14	436,056	444,376	435,125
148,275	Property revaluation reserve	14	146,593	149,330	148,275
574,720	Total equity		582,649	593,706	583,400

The accompanying accounting policies and notes form part of these financial statements. For information on major variances against budget refer to Note 19.

Statement of cash flows

For the year ended 30 June 2017

Actual 2016 \$000		Notes	Actual 2017 \$000	Unaudited Budget 2017 \$000	Unaudited Forecast 2018 \$000
Cash flows from operating activities					
385,761	Receipts from Revenue Crown		434,542	433,389	451,492
10,136	Receipts from other revenue		7,897	8,463	8,310
12	Interest		15	20	20
1,575	Goods and services tax (net)		(309)	-	-
(161,610)	Payments to employees		(158,426)	(162,846)	(172,442)
(150,921)	Payments to suppliers		(157,053)	(171,377)	(162,529)
(46,623)	Payments for capital charge		(37,455)	(46,960)	(34,979)
38,330	Net cash flow from operating activities	18	89,211	60,689	89,872
Cash flows from investing activities					
259	Sale of property, plant , equipment		9,291	4,937	300
(31,260)	Purchase of property, plant, equipment		(42,461)	(49,274)	(50,159)
(10,378)	Purchase of intangible assets		(12,214)	(11,416)	(11,965)
(41,379)	Net cash flow from investing activities		(45,384)	(55,753)	(61,824)
Cash flows from financing activities					
-	Capital contribution		-	6,708	8,680
(4,268)	Return of operating surplus		(13,425)	(17,644)	(10,020)
(4,268)	Net cash flow from financing activities		(13,425)	(10,936)	(1,340)
(7,317)	Net increase/(decrease) in cash		30,402	(6,000)	26,708
20,180	Add cash at the beginning of the year		11,996	44,269	4,088
(867)	Effect of exchange translation adjustments		(496)	-	-
11,996	Closing cash at the end of the year		41,902	38,269	30,796

The GST (net) component of operating activities reflects the net GST paid and received to/from the Inland Revenue Department. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying accounting policies and notes form part of these financial statements.

Statement of commitments

For the year ended 30 June 2017

Actual 2016 \$000		Actual 2017 \$000
CAPITAL COMMITMENTS		
Land and buildings		
15,595	Less than one year	13,300
6,000	One to five years	-
21,595	Total capital commitments	13,300
Non-cancellable operating leases		
Accommodation		
36,554	Less than one year	33,697
50,196	One to five years	60,588
21,783	More than five years	20,006
108,533	Total non-cancellable operating lease commitments	114,291
130,128	Total commitments	127,591

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant, and equipment and intangible assets that have not been recognised as a liability as at 30 June 2017.

Non-cancellable operating leases

MFAT leases property, plant, and equipment in the normal course of its business. The majority of these leases are for premises that have a non-cancellable leasing period.

Our non-cancellable operating leases have varying terms, escalation clauses and renewal rights. There are no restrictions placed on us by any of these leasing arrangements.

The accompanying accounting policies and notes form part of these financial statements.

Statement of contingent liabilities and contingent assets

As at 30 June 2017

MFAT has a contingent liability in the form of an indemnity as at 30 June 2017 to HSBC for \$0.850 million as part of the Chancery lease conditions in New York (30 June 2016: \$0.876 million). MFAT also has a contingent liability in the form of an indemnity authorised by the Minister of Finance in the event emergency medical care is required for staff in Baghdad.

We have other contingent liabilities relating to employment and property disputes as at 30 June 2017 for \$0.975 million (30 June 2016: \$0.258 million). Disclosure of the individual disputes may prejudice the Ministry's position.

MFAT has contingent assets of \$0.042 million that relate to employment and property issues as at 30 June 2017 (30 June 2016: \$0.307 million).

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2017

Note 1: Statement of accounting policies

REPORTING ENTITY

The financial statements presented are those of the Ministry of Foreign Affairs and Trade ("MFAT"). MFAT has also reported on Crown activities and trust monies that it administers.

MFAT manages the Government's business with foreign countries and their governments, and with international organisations. The primary objective of MFAT is to provide services to the Government rather than making a financial return.

MFAT has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

STATUTORY BASE

MFAT is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand, operating globally. The relevant legislation governing MFAT's operations includes the Public Finance Act 1989 and the Foreign Affairs Act 1988. MFAT's ultimate parent is the New Zealand Crown.

BASIS OF PREPARATION

MFAT's financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP") and Treasury Instructions. NZ GAAP includes Public Benefit Entity ("PBE") accounting standards. These financial statements have been prepared in accordance with Public Sector PBE Accounting Standards (PBE Standards) – Tier 1. These standards are based on International Public Sector Accounting Standards (IPSAS).

The financial statements for MFAT are for the year ended 30 June 2017 and were approved for issue by the Chief Executive on 29 September 2017.

Basis of measurement

The financial statements have been prepared on a going concern basis and are presented in New Zealand Dollars,

which is MFAT's functional currency. All values are rounded to the nearest thousand dollars (\$000).

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are:

- estimating the fair value of land and buildings – see note 8
- estimating the retirement and long-service leave obligations – see note 13

Standards issued and not yet effective that have been early adopted

Standards and amendments issued but not yet effective that have been early adopted are:

Impairment of revalued assets

In April 2017, the XRB issued an amendment to PBE IPSAS 21 – Impairment of Non-Cash Generating Assets for the impairment of revalued assets, which now scopes in revalued property, plant, and equipment into the impairment accounting standard. Previously, only property, plant, and equipment assets measured at cost were scoped into the impairment accounting standards.

MFAT has early adopted this amendment in preparing its 30 June 2017 financial statements. From the 30 June 2017, MFAT is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, MFAT is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. MFAT can therefore impair a revalued asset without having to revalue the entire class-of-asset to which the asset belongs.

Standards issued and not yet effective, and not early adopted

Standards and amendments issued but not yet effective that have not been early adopted, and are relevant to MFAT are:

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early adoption permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

MFAT plans to apply this standard in preparing its 30 June 2022 financial statements. MFAT has not yet assessed the effects of the new standard.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented.

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Foreign currency transactions

Foreign currency transactions (including those for which forward exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive revenue and expense.

Goods and services tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST except for Creditors and Payables and Debtors and Receivables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The amount of GST owing to or owed by Inland Revenue at balance date, being the difference between output GST and input GST, is included in Creditors and Payables or Debtors and Receivables (as appropriate).

Commitments and contingencies are disclosed exclusive of GST.

Income tax

As a Government department, MFAT is exempt from the payment of income tax (Income Tax Act 2007) and no charge for income tax has been provided for.

Statement of cost accounting policies

MFAT has determined the cost of outputs using the cost allocation system outlined below:

Our policy is to directly charge costs to outputs wherever possible. This is done using the following activity-based principles: i) total corporate costs are allocated to operational cost centres based on head count, and ii) operating costs are accumulated in operational cost centres and attributed to outputs on the basis of pre-established ratios. Output allocation factors are based on estimates of the time that staff intend to spend on producing various outputs. They are reviewed annually as part of an operational planning and evaluation exercise to ensure they provide an accurate measure of resource consumption.

There have been no changes in cost accounting policies since the date of the last audited financial statements.

Basis of the budget figures

The 2017 budget figures are for the year ended 30 June 2017 and were published in the 2015-16 annual report. They are consistent with MFAT's best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 2016-17.

The budget figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

Forecast figures

The forecast figures for the year ending 30 June 2018 are consistent with MFAT's best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ended 30 June 2017.

While MFAT regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2017 will not be published.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

Significant assumptions used in preparing the unaudited forecast financial statements

The forecast financial statements have been prepared in accordance with the PBE FRS 42 Prospective Financial Statements and comply with PBE FRS 42.

The purpose of the forecast financial statements is to facilitate Parliament's consideration of the appropriations for, and planned performance, of the Ministry. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material.

The forecast figures contained in these financial statements reflect MFAT's purpose and activities and are based on a number of assumptions on what may occur during the 2017-18 year.

The forecast figures have been compiled on the basis of existing government policies and Ministerial expectations at the time the Main Estimates were finalised. The main assumptions were as follows:

- MFAT's activities and output expectations will remain substantially the same as for the previous year focusing on the Government's priorities
- input costs for personnel and other operating costs will be consistent with MFAT's current cost structure
- land and buildings will be revalued in October 2017
- estimated year-end information for 2016-17 was used as the opening position for the 2017-18 forecasts.

The actual financial results achieved for 30 June 2018 are likely to vary from the forecast information presented, and the variations may be material.

There are no significant events or changes that would have a material impact on the BEFU forecast. Factors that could lead to material differences between the forecast financial statements and the 2016-17 actual financial statements include changes to the baseline budget through new initiatives, or technical adjustments.

Authorisation statement

The forecast figures reported are those for the year ending 30 June 2018 included in BEFU 2017. These were authorised for issue on 6 April 2017 by the Chief Executive, who is responsible for the forecast financial statements as presented.

It is not intended that the prospective financial statements will be updated subsequent to presentation.

Note 2: Revenue

Accounting policy

Revenue Crown

Revenue from the Crown is measured based on MFAT's funding for the reporting period. The funding is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, MFAT can only incur expenses within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding authorised by Parliament.

Revenue department

MFAT derives revenue through the provision of services to other New Zealand agencies. This revenue is recognised at the fair value of the consideration received or receivable when earned. Rental revenue, from sub-let and residential accommodation provided to support other New Zealand agencies offshore is also included. Rental revenue is recognised on a straight-line basis over the lease term.

Revenue other

Includes revenue from Consular services and other miscellaneous revenue from services to third parties recognised upon the provision of the service.

Actual 2016 \$000		Actual 2017 \$000
383,029	Revenue Crown	383,049
Other revenue		
7,090	Revenue department - Services for other New Zealand agencies	7,494
864	Revenue other - Consular services	686
678	Revenue other - Miscellaneous	222

Note 3: Personnel costs

Actual 2016 \$000		Actual 2017 \$000
145,323	Salaries and wages	141,761
1,854	Vacancy backfill	3,368
7,475	Employer contributions to defined contribution plans	7,635
437	ACC levy	332
(1,465)	Increase/(decrease) in employee entitlements	2,627
6,571	FBT	6,249
160,195	Total personnel costs	161,972

Note 4: Operating costs

Accounting policy

Grant expenditure

Where grants are discretionary until payment, the expense is recognised when the payment is advised. Otherwise, the expense (and corresponding liability) is recognised when MFAT does not have discretion over the payment. For grants without conditions attached, the expense/liability is recognised when MFAT has an unconditional obligation to make payment.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives for accommodation are recognised evenly over the term of the lease as a reduction in rental expense.

Actual 2016 \$000		Actual 2017 \$000	Unaudited Budget 2017 \$000	Unaudited Forecast 2018 \$000
403	Audit fees	400	392	400
42,224	Rentals and operating leases	39,816	42,484	37,690
22,205	Travel	18,849	22,310	22,772
8,412	Contractors	8,919	5,126	13,141
11,567	Dedicated and special funding*	11,859	25,693	29,576
910	Net foreign exchange losses, excluding derivatives	11,102	-	-
6,308	Maintenance	6,623	5,822	4,644
5,167	Contracted services	5,106	5,856	6,017
5,094	Wide area network costs	5,064	5,300	5,630
2,030	Consultants fees	4,544	4,621	6,017
3,327	Software maintenance	4,081	3,552	4,446
3,128	Rates, taxes, and communal charges	3,036	3,709	3,300
4,102	Utilities	3,894	5,049	4,456
3,155	Representation	3,382	3,157	2,758
2,845	Freight	3,309	2,717	2,904
2,656	Staff training	2,809	3,458	3,743
2,466	Phones	2,382	2,271	2,205
26,372	Other operating	23,860	29,637	12,830
152,371	Total operating costs	159,035	171,154	162,529

* Comprises funding, some of which are available to other government agencies, set aside for particular initiatives such as the negotiation and implementation of free trade agreements, regional security initiatives, WW100 commemorations, consular emergencies etc.

Note 5: Capital charge

Accounting policy

The capital charge is expensed in the financial year to which the charge relates.

MFAT pays a capital charge to the Crown on its taxpayers' funds balance as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2017 was 6.0 percent (2016: 8.0 percent).

Note 6: Debtors and receivables

Accounting policy

Trade and other receivables are recognised at face value less any provision for impairment.

Actual 2016 \$000		Actual 2017 \$000
Current		
1,020	Trade debtors	1,366
4,718	Other receivables	1,099
5,738	Total current	2,465
Non-current		
214	Deposit bonds	295
4,339	Lease deposits	4,150
4,553	Total non-current	4,445
10,291	Total debtors and receivables	6,910
Total receivables comprise:		
10,291	Receivables from the sale of goods & services (exchange transactions)	6,910
-	Receivables from non-exchange transactions	-

As at 30 June 2017 and 2016, all receivables have been assessed for impairment and no provision was required.

	2016 \$000	2017 \$000
Not past due	1,007	303
Past due 1-30 days	12	1,003
Past due 31-60 days	11	38
Past due 61-90 days	(10)	20
Past due >91 days	-	2
Total	1,020	1,366

Note 7: Prepayments

Current prepayments include expenditure paid in advance for property leases. Non-current prepayments include our Beijing Embassy land lease, which is amortised over the remaining life of the lease.

Note 8: Property, plant and equipment

Accounting policy

Property, plant, and equipment

Property, plant, and equipment (PPE) consists of the following asset classes: land, buildings, furniture and fittings, plant and equipment, motor vehicles, and computer equipment.

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation. All other asset classes are measured at cost, less accumulated depreciation and impairment losses.

Individual assets, or group of assets, are capitalised if their cost is greater than \$5,000.

Additions

The cost of an item of PPE is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to MFAT and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Realised gains and losses arising from disposal of PPE are generally recognised in the statement of comprehensive revenue and expense when the significant risks and rewards of ownership of the asset have transferred to the acquirer. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to taxpayers funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to MFAT and the cost of the item can be measured reliably. The cost of day-to-day servicing of property, plant, and equipment are recognised in the statement of comprehensive revenue and expense as they are incurred.

Depreciation

Depreciation is calculated to write down the cost of assets on a straight-line basis to an estimated residual value over their economic lives as follows:

Buildings		
– Structure	35 to 60 years	1.6% - 3%
– Fit out/ services	3 to 20 years	5% - 33%
– Leasehold improvements	5 to 15 years	7% - 20%
Furniture & Fittings	7 years	15%
Plant & Equipment		
– Plant	10 years	10%
– Equipment	5 to 20 years	5% - 20%
Motor Vehicles	8 years	12.5%
Computer Equipment (excluding computer software)	3 to 5 years	12.5% - 20%

Impairment of property, plant, and equipment (PPE) and intangible assets

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in extinguishing the balance in the revaluation reserve, the residual loss balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

Revaluations

Land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from their fair value and at least every three years by an independent valuer.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Buildings are

valued at fair value using market-based evidence. The Optimised Depreciated Replacement Cost approach has been used when the fair value of an asset cannot be determined by reference to the price in an active market for the same asset or a similar asset. Under these circumstances, depreciated replacement cost is considered to be the most appropriate basis for determination of the fair value.

When an item of PPE is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Unrealised gains and losses arising from changes in the value of PPE are recognised as at balance date. Gains are added to the asset revaluation reserve for that class of asset. To the extent that there is a balance in the asset revaluation reserve for the asset class, any loss is deducted from that reserve.

Critical accounting estimates and assumptions

Estimating the fair value of land and buildings

Land and Buildings were revalued at fair value as at 31 October 2014. This valuation was conducted by an independent registered valuer, S N Dean, Director – Valuation and Advisory Services, Colliers International New Zealand Limited, FNZIV, AREINZ and FPINZ, on MFAT's behalf.

	Freehold Land \$000	Freehold Buildings \$000	Furniture & Fittings \$000	Plant & Equipment \$000	Motor Vehicles \$000	Computer Equipment \$000	Total \$000
Cost or valuation							
Balance at 1 July 2015	264,030	113,646	80,290	27,609	8,596	34,343	528,514
Additions	1,385	12,179	10,304	2,710	878	3,804	31,260
Asset class adjustment – reclassification	-	-	-	(78)	-	78	-
Disposals	(3,219)	(1,610)	(2,240)	(6,594)	(908)	(5,073)	(19,644)
Balance at 30 June 2016	262,196	124,215	88,354	23,647	8,566	33,152	540,130
Balance at 1 July 2016	262,196	124,215	88,354	23,647	8,566	33,152	540,130
Additions	-	31,879	9,340	1,372	1,174	2,571	46,336
Asset class adjustment - reclassification	-	130	-	(130)	-	-	-
Disposals	(1,648)	(3,898)	(2,083)	(754)	(867)	(234)	(9,484)
Balance at 30 June 2017	260,548	152,326	95,611	24,135	8,873	35,489	576,982
Accumulated depreciation and impairment losses							
Balance at 1 July 2015	-	5,984	49,373	22,852	3,966	28,181	110,356
Depreciation expense	-	9,475	6,164	1,661	949	2,722	20,971
Eliminate on disposal	-	(233)	(2,235)	(6,592)	(799)	(5,073)	(14,932)
Asset class adjustment - reclassification	-	-	-	(98)	-	98	-
Balance at 30 June 2016	-	15,226	53,302	17,823	4,116	25,928	116,395
Balance at 1 July 2016	-	15,226	53,302	17,823	4,116	25,928	116,395
Depreciation expense	-	7,309	6,676	1,300	1,026	2,831	19,142
Eliminate on disposal	-	(669)	(2,068)	(744)	(728)	(234)	(4,441)
Balance at 30 June 2017	-	21,866	57,910	18,379	4,414	28,525	131,094
Carrying amounts							
At 1 July 2015	264,030	107,662	30,917	4,757	4,630	6,162	418,158
At 30 June and 1 July 2016	262,196	108,989	35,052	5,824	4,450	7,224	423,735
At 30 June 2017	260,548	130,460	37,701	5,756	4,459	6,964	445,888

Work in progress

The total amount of property, plant, and equipment in the course of construction is \$46.052 million (2016: \$13.938 million).

During the year MFAT sold the official residence in New York resulting in a gain on sale of \$0.259 million.

Actual 2016 \$000		Actual 2017 \$000
Property, plant, and equipment under construction		
12,815	Freehold buildings	42,850
827	Furniture and fittings	1,895
30	Plant and equipment	33
266	Computer equipment	1,274
13,938	Balance at 30 June 2017	46,052

Restrictions on sale of land and buildings

MFAT owns property in 13 locations globally that have restrictions on their sale, mostly in relation to their use, or requiring that country's Government's approval to sell. The carrying amount of the property is \$206.656 million (2016: \$178.442 million).

There are conditions that apply to the land leased by MFAT in New Delhi. The following restrictions in relation to the sale and treatment of sale proceeds apply:

- If the sale is to another diplomatic mission we retain 100 percent of the proceeds, and the purchaser inherits the same terms of ownership
- If the sale is to other than a diplomatic mission, then the Indian Government has the first right of refusal and if accepted we retain 20 percent of the land value increase since the original purchase and 100 percent of the buildings proceeds, and

- If the Indian Government does not purchase it, then it can be offered to a non-diplomatic third party with MFAT retaining 20 percent of the increased value of the land proceeds and 100 percent of the buildings proceeds, with the Indian Government receiving 80 percent of the land value. The purchaser inherits the same terms of ownership.

Based on the above restrictions our valuer has valued the New Delhi land at 20 percent of the fair value, which is \$57.423 million as at 31 October 2014.

Note 9: Intangible assets

Accounting policy

Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by MFAT are recognised as an intangible asset. Direct costs include the costs of materials and services, employee costs, and any directly attributable overheads. Expenditure incurred on research of internally generated software is expensed when it is incurred.

Costs of software updates or upgrades are only capitalised when they increase the usefulness or value of the software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Website development costs are only recognised as an intangible asset if they will provide future services potential.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive revenue and expense.

The useful lives have are been estimated as follows:

Computer software	3 to 8 years	12.5% - 33%
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Impairment of intangible assets

Intangible assets that have an indefinite finite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

For further details, refer to the policy for impairment of property, plant, and equipment in Note 8.

	Computer Software \$000
Cost	
Balance at 1 July 2015	22,339
Additions	10,378
Disposals	(1,390)
Balance at 30 June 2016	31,327
Balance at 1 July 2016	31,327
Additions	12,214
Disposals	-
Balance at 30 June 2017	43,541
Accumulated amortisation and impairment losses	
Balance at 1 July 2015	15,528
Amortisation expense	1,667
Eliminate on disposal	(1,390)
Balance at 30 June 2016	15,805
Balance at 1 July 2016	15,805
Amortisation expense	2,538
Eliminate on disposal	-
Balance at 30 June 2017	18,343
Carrying amounts	
At 1 July 2015	6,811
At 30 June and 1 July 2016	15,522
At 30 June 2017	25,198

The total amount of intangible assets in the course of development is \$4.432 million (2016: \$8.716 million).

There are no restrictions over the title of MFAT's intangible assets, nor are any intangible assets pledged as security for liabilities.

Note 10: Creditors and payables

Accounting policy

Short-term creditors and other payables are generally settled within 30 days so are recorded at their face value.

Actual 2016 \$000		Actual 2017 \$000
Payables under exchange transactions		
2,185	Trade creditors	6,204
9,436	Accrued expenses	11,825
11,621	Total payables under exchange transactions	18,029
Payables under non-exchange transactions		
1,658	FBT payable	1,595
2,345	GST payable	2,037
4,003	Total payables under non-exchange transactions	3,632
15,624	Total payables	21,661

Note 11: Return of operating surplus

Actual 2016 \$000		Actual 2017 \$000
1,147	Net surplus/(deficit)	20,399
Plus / (Less)		
11,971	Net loss/(gain) on derivative financial instruments	(7,929)
13,425	Total return of operating surplus payable to Crown	12,470

Note 12: Provisions

Accounting policy

Provisions

A provision is recognised when MFAT has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the provision can be reliably measured.

Restructuring

A restructuring provision is recognised when MFAT is demonstrably committed, without the realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Actual 2016 \$000		Actual 2017 \$000
Current portion		
1,000	Holidays Act 2003	1,000
218	Lease make good	1,444
503	Restructuring	356
1,721	Total current	2,800
Non-current portion		
1,645	Lease make good	1,799
353	Restructuring	165
1,998	Total non-current	1,964
3,719	Total	4,764

	Holiday Act 2003 \$000	Make good \$000	Restructuring \$000	Total \$000
Balance as 1 July 2015	-	1,988	2,807	4,795
Additional provisions made	1,000	-	298	1,298
Amounts used	-	(125)	(350)	(475)
Unused amounts reversed	-	-	(1,899)	(1,899)
Balance as at 30 June 2016	1,000	1,863	856	3,719
Balance as 1 July 2016	1,000	1,863	856	3,719
Additional provisions made	-	1,427	-	1,427
Amounts used	-	(47)	(250)	(297)
Unused amounts reversed	-	-	(85)	(85)
Balance as at 30 June 2017	1,000	3,243	521	4,764

Holidays Act 2003

This provision was recognised to reflect MFAT's liability related to the Holiday's Act 2003.

Restructuring

The restructuring provision arises from MFAT's organisational change decisions and relates to the cost of expected redundancies (\$0.521 million). Management anticipate that the restructuring will be completed over the next two to three years and the amount of the liability is considered to be reasonably certain.

Make-good

MFAT is required, at the expiry of its leases, to make-good any damage caused and remove any fixtures or fittings installed by us. In many cases, we have the option to renew these leases, which may change the timing of the expected cash outflows to make-good the premises.

Note 13: Employee entitlements

Accounting policy

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides that related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date; annual leave earned to, but not yet taken at balance date; and sick leave.

Employee benefits that are due to be settled beyond 12 months after the end of the year in which the employee provides the related service, such as retirement and long service leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on year of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information, and
- the present value of the estimated future cash flows.

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested retirement and long service leave expected to be settled within 12 months of balance date are also classified as a current liability. All other employee entitlements are classified as a non-current liability.

Critical accounting estimates and assumptions

Estimating retirement and long service leave obligations

An independent actuarial valuation was undertaken by AON Consulting New Zealand Limited as at 30 June 2017 to estimate the present value of retirement leave and long service leave. The key assumptions used in determining the present values were:

- a weighted average discount rate of 3.68%
- a salary inflation rate of 1.67%

The discount rates and salary inflation factor used are those advised by Treasury.

If the discount rate were to increase/decrease by 1 percent more than the actuarial estimates, with all other factors held constant, the carrying amount of the liability would be \$0.517 million lower or \$0.575 million higher respectively.

If the salary inflation factor were to increase/decrease by 1 percent more than the actuarial estimates, with all other factors held constant, the carrying amount of the liability would be \$0.568 million higher or \$0.520 million lower respectively.

Actual 2016 \$000		Actual 2017 \$000
Current liabilities		
11,149	Annual leave	10,699
567	Long service leave	594
673	Retirement leave	812
1,286	Retirement gratuities	1,131
183	End of posting leave	175
2,154	Salaries and allowances	1,673
189	Sick leave liability	293
321	ACC levy	387
16,522	Total current	15,764
Non-current liabilities		
2,230	Long service leave	2,311
6,732	Retirement leave	6,761
1,428	Retirement gratuities	1,369
366	End of posting leave	349
10,756	Total non-current	10,790
27,278	Total provision for employee entitlements	26,554

Note 14: Equity

Accounting policy

Equity

Equity is the Crown's investment in MFAT and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers' funds and property revaluation reserves.

Property revaluation reserves

These reserves relate to the revaluation of land and buildings to fair value.

Actual 2016 \$000		Actual 2017 \$000
Taxpayers' funds		
437,668	Balance at 1 July	426,445
1,147	Surplus/(deficit)	20,399
1,055	Transfer from revaluation reserve on disposal of property	1,682
(13,425)	Return of operating surplus to the Crown	(12,470)
426,445	Balance at 30 June	436,056
Property revaluation reserves		
149,330	Balance at 1 July	148,275
(1,055)	Transfer to taxpayers' funds on disposal	(1,682)
148,275	Balance at 30 June	146,593
574,720	Total equity	582,649
Property revaluation reserve consists of:		
122,799	Land revaluation reserve	122,574
25,476	Buildings revaluation reserve	24,019
148,275	Total property revaluation reserves	146,593

Note 15: Capital management

MFAT’S capital is its equity, which comprises taxpayers’ funds and property revaluation reserves. In 2016-17 equity is represented by net assets.

MFAT manages its revenue, expenses, assets, liabilities, and general financial dealings prudently. MFAT’s equity is largely managed as a by-product of managing revenue, expenses,

assets, liabilities, and compliance with the Government budget processes, Treasury Instructions, and the Public Finance Act 1989.

The objective of managing MFAT’s equity is to ensure we effectively achieve goals and objectives for which MFAT has been established, whilst remaining a going concern.

Note 16: Related-party transactions

MFAT is a wholly owned entity of the Crown.

Related-party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect MFAT would have adopted in dealing

with the party at arm’s length in the same circumstances. Further, transactions with other government agencies are not disclosed as related-party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Key management personnel compensation

Actual 2016 \$000		Actual 2017 \$000
Leadership Team, including the Chief Executive		
4,046	Total remuneration, including long-term benefits	4,500
10.9	Total full-time equivalent personnel	11.1

The above key management personnel disclosure excludes the Minister of Foreign Affairs who is the responsible minister for the Ministry. The Minister’s remuneration

and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and not paid or funded by MFAT.

Note 17: Financial instruments

Accounting policy

Cash and cash equivalents

Cash and cash equivalents includes balances denominated in foreign currencies translated to New Zealand dollars at the foreign exchange rate at balance date.

MFAT is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

Derivative financial instruments

MFAT uses forward foreign exchange contracts to manage exposure to foreign exchange movements. MFAT does not hold these contracts for trading purposes. MFAT has not adopted hedge accounting.

Forward foreign exchange contracts are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value at each balance date. Movements in the fair value are recognised in the statement of comprehensive revenue and expense.

Foreign exchange derivatives are classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of foreign exchange contracts are classified as non-current.

17A Financial instrument categories

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows:

Actual 2016 \$000		Note	Actual 2017 \$000
Loans and receivables			
11,996	Cash and cash equivalents		41,902
10,291	Debtors and other receivables	6	6,910
167,892	Debtor Crown	2	116,399
190,179	Total loans and receivables		165,211
Fair value through surplus and deficit - held for trading			
157	Derivative financial instrument assets		294
(10,088)	Derivative financial instrument liabilities		(2,296)
(9,931)	Total fair value through surplus and deficit - held for trading		(2,002)
Financial liabilities measured at amortised cost			
15,624	Creditors and other payables	10	21,661

17B | Fair value hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy.

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

Actual 2016 \$000		Actual 2017 \$000
Financial assets		
-	Quoted market price	0
157	Observable market inputs	294
-	Significant non-observable inputs	0
157	Total financial assets at fair value	294
Financial liabilities		
-	Quoted market price	0
10,088	Observable market inputs	2,296
-	Significant non-observable inputs	0
10,088	Total financial liabilities at fair value	2,296

There were no transfers between the different levels of the fair value hierarchy.

17C | Financial instrument risks

MFAT is exposed to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. We have a series of policies to manage the risks associated with financial instruments and seek to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that debtors and creditors, due in foreign currency, will fluctuate because of changes in foreign exchange rates.

The notional principal amounts of outstanding forward exchange contracts in New Zealand dollar equivalent at 30 June 2017 was:

Actual 2016 \$000	Foreign exchange contracts	Actual 2017 \$000
24,454	USD	19,651
3,826	JPY	4,686
18,833	EUR	16,873
60,240	Other	47,501
107,353	Total	88,711

Sensitivity analysis

Forward foreign exchange contracts

The following table summarises the impact of a 10 percent movement in foreign exchange rates on the valuation of MFAT's foreign exchange contracts.

Impact on surplus/deficit 2016 \$000		Impact on surplus/deficit 2017 \$000
18,788	Increase in foreign exchange rates of 10%	9,955
893	Decrease in foreign exchange rates of 10%	7,707

Creditors denominated in foreign currencies

The following table summarises the movement in the surplus/deficit for the year, attributable to foreign exchange gains/losses if the NZD had weakened/ strengthened by 5 percent, with all other variables held constant.

Impact on surplus/deficit 2016 \$000	5% movement in NZD on creditors	Impact on surplus/deficit 2017 \$000
6,500	United States Dollar	15,350
8,700	Japanese Yen	2,350
4,300	European Union Euro	1,500
1,300	Pound Sterling	7,900

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could impact on the return on investments or the cost of borrowing. MFAT has no significant exposure to interest rate risk on its financial instruments.

The Public Finance Act 1989 stipulates that MFAT cannot raise a loan without ministerial approval and no such loans have been raised. Accordingly, there is no interest rate exposure as no funds were borrowed.

Credit risk

Credit risk is the risk that a third party will default on its obligations to MFAT, causing us to incur a loss. In the normal course of its business, MFAT incurs credit risk from trade debtors, and transactions with financial institutions.

Our maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors, and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

MFAT does not require any collateral or security to support financial instruments with financial institutions that we deal with as these entities have high credit ratings. For its other financial instruments, we do not have significant concentrations of risk.

Liquidity risk

The liquidity risk is the risk that MFAT will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting our liquidity requirements we closely monitor our forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. MFAT maintains a target level of available cash to meet its liquidity requirements.

The table below analyses MFAT's forward exchange contract derivatives into the relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Liability carrying amount \$000	Asset carrying amount \$000	Contractual cash flows \$000	Less than 6 months \$000	6-12 months \$000	Greater than 12 months \$000
2016						
Gross settled foreign exchange contracts:	10,088	157				
- outflow	-	-	107,353	55,695	50,827	831
- inflow	-	-	97,422	50,536	46,055	831
2017						
Gross settled foreign exchange contracts:	2,296	294				
- outflow	-	-	88,711	42,700	46,011	-
- inflow	-	-	86,709	41,777	44,932	-

Note 18: Reconciliation of net surplus to net cash flow from operating activities

Actual 2016 \$000		Actual 2017 \$000
1,147	Net surplus/(deficit)	20,399
	Add/(less) non-cash items	
22,638	Depreciation and amortisation expense	21,680
11,971	Net (gains)/loss on derivative financial instruments	(7,929)
867	Other non-cash movement	496
(307)	Movement in discount rate for long service leave and retirement leave	(777)
35,169	Total non-cash items	13,470
	Add/(less) items classified as investing or financing activities	
557	(Gains)/losses on disposal of property, plant, and equipment	(362)
	Add/(less) movements in statement of financial position items	
4,237	(Increase)/decrease in receivables	50,989
(1,230)	(Increase)/decrease in prepayments	458
1,173	Increase/(decrease) in payables	2,937
(2,076)	Increase/(decrease) in provisions	1,046
(647)	Increase/(decrease) in employee entitlements	274
1,457	Total net movement in working capital items	55,704
38,330	Net cash flow from operating activities	89,211

Note 19: Major budget variations

Explanations for major variances from MFAT's original 2016-17 budget, are as follows:

Statement of comprehensive revenue and expense

Total revenue and total expenses are \$26 million less than budgeted due to changes made in the October Baseline Update. Changes included \$10.560 million in expense transfers, which were approved to recognise delays across a range of initiatives. For example:

- \$1.750 million has been transferred for the Agricultural Cooperation Fund as the programme has been delayed until a Programme Manager is appointed.
- \$1.400 million has been transferred for Korea NZ FTA Cooperation activities, which have been delayed until 2017-18.
- \$1.000 million has been transferred for Bogotá, as obtaining a suitable chancery office space in Bogotá has been problematic, with delays experienced in identifying a suitable building.
- \$1.000 million has been transferred as work to remove asbestos from some MFAT buildings has not advanced as expected due to challenges, primarily being limited options for the temporary relocation of staff and additional infrastructure works required.
- \$0.800 million has been transferred for costs that will be incurred in planning for the Dubai Expo.

In addition to expense transfers, a \$3 million fiscally neutral transfer was made to Antarctica NZ for logistics support.

A further \$9.619 million was removed from the baseline to reflect the reduction in capital charge from 7 percent to 6 percent.

In addition, \$3.030 million was removed to adjust for CPI and foreign currency movements.

A \$8.706 million re-measurement gain has been recognised on derivative financial instruments (\$7.929 million) and the discount rate on long service and retirement leave (\$0.777 million) which were not budgeted for.

Statement of financial position

Cash balances are \$3.633 million higher than budget because a conscious decision was made to hold higher cash balances offshore as part of our earthquake preparedness plan. This is also reflected in a lower Crown debtor balance.

Intangible assets are \$5.813 million higher than budget due to a lower amortisation charge as a result of delays in the capitalisation of the Programme Activity Management (PAM) system.

The original budget for creditor and other payables was based off prior year actuals; however, the actual balance at 30 June 2017 is \$6.897 million higher, due to timing of the final pay run.

There have been a number of changes to the current and non-current provision since the original budget was prepared 15 months ago. The make-good provision has been increased by \$1.380 million and \$0.335 million in redundancy payments have made.

Statement of cash flows

Receipts from Revenue Crown are higher than budgeted as additional cash was drawn down as part of our earthquake preparedness plan and to fund our capital plan.

Payments to suppliers are \$14.324 million less than budget. This is mainly due to the expense transfers made in the October Baseline Update to reflect a deferral of expenditure. Payments for capital charge are \$9.505 million less than budgeted as the capital charge rate has reduced from 7 percent to 6 percent.

Cash inflows related to the sale of property, plant, and equipment are \$4.354 million higher than budget. This is mainly due to the sale of the official residence in The Hague being reported as a receivable in the original budget but the actual cash being received in July 2016.

Cash outflows related to the purchase of property, plant, and equipment are \$6.813 million below budget mainly due to timing delays with the rebuild of the Beijing Chancery.

Note 20: Events after the balance sheet date

There have been no significant events after the balance sheet date.

Non-departmental statement of performance

The Minister of Foreign Affairs purchased from us provision of the following two output expenses in Vote Foreign Affairs and Trade:

Vote Foreign Affairs and Trade

- Disbursements made and exemptions from taxation
- Subscriptions to International Organisations

The following statement of performance records results and services delivered for each of the above output

expenses as agreed between the Minister of Foreign Affairs and the Secretary of Foreign Affairs and Trade in the Strategic Intentions 2016-2020 and the 2016-17 Estimates of Appropriations as required by section 19C of the Public Finance Act 1989.

Disbursements made and exemptions from taxation - PLA

Refund of New Zealand local body rates for offices and residential premises of overseas diplomatic missions and consular posts pursuant to section 21 of the Diplomatic Privileges and Immunities Act 1968.

Performance measures	2016-17		2015-16
	Budgeted standard	Actual standard	Actual standard
Percentage of Diplomatic and consular corps respondents satisfied with quality of service provided in reimbursing New Zealand local body rates (four or better on a five-point scale)	85%	95%	91%

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
1,658	Annual appropriations	1,418	1,800	382

Explanation of significant variances

The under-spend of \$0.382 million between appropriation and actual expenditure relates to reimbursement of non-beneficial taxes and levies (exempt under the Vienna convention) to foreign missions residing in New Zealand. The timing of this expenditure is largely out of MFAT's control as it depends on when foreign missions make requests for reimbursement.

Subscriptions to international organisations

This appropriation is limited to non-discretionary payments required as formal obligations arising from New Zealand's membership of international organisations, and as a signatory to international treaties and conventions.

Performance measures	2016-17		2015-16
	Budgeted standard	Actual standard	Actual standard
The Ministry's payments to international organisations are timely and within budget	Payments made in full and on time	Met	Met

FINANCIAL PERFORMANCE (figures are GST exclusive)

Actual 2016 \$000		Actual expenditure 2017 \$000	Appropriation voted 2017 \$000	Variance 2017 \$000
52,924	Annual appropriations	50,669	57,033	6,364

Explanation of significant variances

The under-spend of \$6.364 million between appropriation and actual expenditure is due to a strengthening of the NZ Dollar and not needing to draw down on the contingency held for unexpected calls from the UN for peacekeeping missions.

Non-departmental statements and schedules

For the year ended 30 June 2017

The following non-departmental statements and schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets, and trust accounts that we manage on behalf of the Crown.

Schedule of non-departmental revenue

For the year ended 30 June 2017

Actual 2016 \$000		Actual 2017 \$000
Non-departmental revenue		
660	Other operational revenue	1,209
-	Net gain on foreign exchange	114
660	Total revenue	1,323

Other operational revenue is primarily the repayment of unspent grant funding, on completion of development activities by Partners. These grants were provided for the delivery or implementation of development activities under the New Zealand Development Assistance Programme in prior years.

The accompanying accounting policies and notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016-17.

Schedule of non-departmental expenditure

For the year ended 30 June 2017

Actual 2016 \$000		Actual 2017 \$000
Output funding		
15,510	New Zealand Antarctic Institute	20,819
4,000	Asia New Zealand Foundation	4,000
1,400	Pacific Cooperation Foundation	1,400
921	Pacific Broadcasting Services	941
21,831	Total outputs	27,160
Other expenses		
52,924	Subscriptions to International Organisations	50,669
533,992	Official Development Assistance	530,543
1,658	Diplomatic exemptions	1,418
327	Loss on foreign exchange	-
588,901	Total other expenses	582,630
610,732	Total operating expenses	609,790

The accompanying accounting policies and notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial

Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016-17.

Schedule of non-departmental assets

As at 30 June 2017

Actual 2016 \$000		Note	Actual 2017 \$000
CURRENT ASSETS			
4,416	Cash		29,504
563	Debtors and receivables		322
5,566	Prepayments	2	2,959
10,545	Total current assets		32,785
NON-CURRENT ASSETS			
5,781	Shares in foreign organisations	3	5,781
5,781	Total non-current assets		5,781
16,326	Total assets		38,566

In addition, MFAT monitors the New Zealand Antarctic Institute – a Crown entity. We also monitor two other entities as defined by Schedule 4 of the Public Finance Act 1989: the Pacific Cooperation Foundation, and the Asia New Zealand Foundation. The investment in these entities is recorded within the Crown Financial Statements on a line-by-line basis. No disclosure is made in this schedule.

The accompanying accounting policies and notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016-17.

Schedule of non-departmental liabilities

As at 30 June 2017

Actual 2016 \$000		Actual 2017 \$000
CURRENT LIABILITIES		
67,256	Creditors and payables	76,903
67,256	Total current liabilities	76,903
NON-CURRENT LIABILITIES		
47,294	Creditors and payables	49,678
47,294	Total non-current liabilities	49,678
114,550	Total liabilities	126,581

Current liabilities

Creditors and payables includes \$48.225 million of accruals and accounts payable for contracts providing for the delivery or implementation of development activities under the New Zealand Development Assistance Programme (Vote Official Development Assistance). The balance of \$28.678 million is for promissory notes issued to the Asian Development Bank, World Bank, and Global Environment Fund by New Zealand that will be due for encashment during the year ended 30 June 2018.

Non-current liabilities

Creditors and payables of \$49.678 million is for promissory notes issued to the Asian Development Bank, the World Bank, and Global Environment Fund by New Zealand, that will be due for encashment during 2018-19 and out-years.

Creditors and other payables are non-interest bearing and are normally settled no later than 20 business days from receipt of an accurate and valid invoice; therefore, the carrying value of creditors and other payables approximate their fair value.

Schedule of non-departmental commitments

As at 30 June 2017

MFAT on behalf of the Crown has no non-cancellable capital or lease commitments.

The accompanying accounting policies and notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016-17.

Schedule of non-departmental contingent liabilities and contingent assets

As at 30 June 2017

	Foreign currency 2016 \$000	NZD \$000		Currency type	Foreign currency 2017 \$000	NZD 2017 \$000
Guarantees – Asian Development Bank for loans to the Cook Islands Government						
SDR*	2,218	4,370	Telecommunications loan	SDR	2,065	3,922
SDR	237	468	Multiple small-project loan	SDR	184	350
SDR	920	1,813	Multi-project loan	SDR	840	1,596
SDR	232	457	Development bank loan	SDR	193	367
SDR	561	1,106	Development bank loan	SDR	525	997
SDR	194	381	Telecommunications loan	SDR	181	344
SDR	4,362	8,595		SDR	3,988	7,576
EUR	6,900	10,785	Guarantees – other	EUR	6,900	10,778
		2,000	Indemnity – other			2,000
European Bank for Reconstruction and Development						
EUR	7,000	10,941	Uncalled share capital	EUR	7,000	10,934
		32,321	Total non-departmental contingent liabilities			31,288

* Special drawing rights

Unquantified contingent liabilities

The Crown has an unquantifiable contingent liability for site restoration costs at Scott Base Antarctica should New Zealand withdraw from the Antarctic programme (2016: unquantifiable).

In addition to this the Crown has an unquantifiable contingent liability for the cost of replacement of Scott Base, the base fit-out, and any other Antarctica New Zealand assets in Antarctica in the event of any material loss or damage totalling more than \$100,000 (2016: unquantifiable).

Contingent assets

The Crown has no contingent assets (30 June 2016: nil).

The accompanying accounting policies and notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016-17.

Statement of trust monies

For the year ended 30 June 2017

Account	As at 2016 \$000	Contribution \$000	Distribution \$000	Revenue \$000	Expense \$000	As at 2017 \$000
NZ/France Friendship Trust Fund	36	180	(160)	1	(12)	45
Niue Admin Building Trust Fund	65	-	(14)	1	-	52
Cook Islands Trust Fund	231	1,645	(1,801)	21	(95)	1
Niue Primary School Infrastructure Project Trust	411	-	(86)	7	-	332
Afghanistan New Zealand Aid Programme Trust	3	-	-	1	-	4
Niue Development Assistance Trust	2,864	1,439	-	75	-	4,378
Kiribati Green Climate Fund	-	-	-	-	-	-
Total	3,610	3,264	(2,061)	106	(107)	4,812

Purpose of trust accounts

New Zealand/France Friendship Fund

The New Zealand/France Friendship Fund was established to manage the distribution of revenue from funds held in France as part of the Rainbow Warrior dispute. Funds are used for projects promoting relations between France and New Zealand.

Niue Admin Building Trust Fund

The Niue Admin Building Trust was established to receive funds held on behalf of the French Government committed to the construction of a new government administration building in Niue, to replace the temporary structures used since most of the government buildings on the island were damaged/destroyed in a cyclone several years ago.

Cook Islands Trust Fund

The Cook Islands Trust account was opened to hold funds provided by AusAID. The Trust was established following the decision by AusAID and New Zealand Development Assistance Programme to harmonise the development assistance programmes for the Cook Islands under the New Zealand Aid Programme's management.

Niue Primary School Infrastructure Project Trust

The Niue Primary School Infrastructure Project Trust account was set up in May 2012 to hold and manage funds on behalf

of AusAID to undertake oversight of the construction of the Niue Primary School through the Niue Primary School Infrastructure project.

Afghanistan New Zealand Aid Programme Trust

The Afghanistan New Zealand Aid Programme Trust account was set up in May 2012 to hold and manage donor funds relating to the New Zealand Development Assistance Programme in Afghanistan for the purpose specified within each donor cooperation agreement for (a) Agricultural Support Programme and (b) Renewable Energy Programme.

Niue Development Assistance Trust

The Niue Trust account was opened to hold funds provided by the Australian Department of Foreign Affairs and Trade (DFAT). The Trust was established following the decision by DFAT and the New Zealand Development Assistance Programme to harmonise the development assistance programmes for Niue under the New Zealand Development Assistance Programme's management for the benefit of the Niue Government and the Niue Development Assistance Programme.

Kiribati Green Climate Fund

The Kiribati Green Climate fund was established under the United Nations Framework Convention Agreement to manage the delivery of "readiness support" funding for climate change to the Government of Kiribati.

The accompanying accounting policies and notes form part of these financial statements.

Notes on the non-departmental statements and schedules

For the year ended 30 June 2017

Note 1: Non-departmental statement of accounting policies

REPORTING ENTITY

These non-departmental schedules and statements present financial information on public funds managed by MFAT on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government for year ended 30 June 2017. For a full understanding of the Crown's financial position, results of operations, and cash flows for the year, reference should also be made to the Financial Statements of the Government.

BASIS OF PREPARATION

The non-departmental schedules and statements have been prepared in accordance with the accounting policies of the Financial Statements of the Government, Treasury Instructions, and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice (Tier 1 Public Sector Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Grants

Where grants are discretionary until payment, the expense is recognised when the payment is advised. Otherwise, the expense (and corresponding liability) is recognised when MFAT does not have discretion over the payment. For example, for grants with conditions attached, the expense/liability is recognised when the specified criteria have been fulfilled. For grants without conditions attached, the expense/liability is recognised when we have an unconditional obligation to make payment.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the schedule of non-departmental revenue or expenses.

Contingent liabilities

Contingent liabilities and contingent assets are recorded in the Statement of Contingent Liabilities and Contingent Assets at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Other liabilities and provisions

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

Goods and services tax

All items in the financial statements, including appropriation statements, are stated exclusive of GST. Receivables and payables are stated on a GST-inclusive basis. In accordance with Treasury instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the financial statements of the government.

Critical accounting estimates and assumptions

There are no critical estimates or assumptions that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Budget figures

The budget figures are those included in the MFAT 2016-17 Main Estimates for the year ended 30 June 2017.

Note 2: Prepayments

Prepayments relate to the Official Development Assistance (ODA) programme for advances made under contracts for service and New Zealand’s membership to regional agencies recognised over a calendar year.

Note 3: Shares

Accounting policy	Associates are entities in which MFAT has significant influence, but not control over their operating and financial policies. In our financial statements, our investment in associates has been valued by the equity method.
Where MFAT holds a non-controlling, minority interest, the shares are valued at cost in the financial statements.	

European Bank for Reconstruction and Development

2016 At Cost NZD \$000	At net current value NZD \$000	Type	Number	2017 Share value EUR ‘000	Paid in value EUR ‘000	At net current value NZD \$000	At Cost NZD \$000
5,781	2,660	Ordinary	1,050	10,500	3,500	2,812	5,781
5,781	2,660	Total				2,812	5,781

The European Bank for Reconstruction and Development’s authorised share capital is EUR 30 billion divided into 3 million shares, having a face value of EUR 10,000 each. New Zealand has been allocated 1,050 shares, amounting to 0.04 percent of the Bank’s capital. The authorised share capital is

divided into paid-in and callable shares. The total par value of paid-in shares is EUR 3.500 million. A contingent liability exists for EUR 7 million for uncalled share capital. The shares have been valued at cost.

Appropriation statements

Statement of departmental expenditure and capital expenditure against appropriations

For the year ended 30 June 2017

Actual 2016 \$000		Actual 2017 \$000	Appropriation Voted 2017 \$000*	Location of end-of-year performance information**
VOTE: FOREIGN AFFAIRS AND TRADE				
Appropriations for output expenses				
1,638	Administration of diplomatic privileges and immunities	939	970	1
18,284	Consular services	19,779	20,147	1
2,396	Pacific Security Fund	2,058	2,632	1
72,203	Policy advice and representation: international institutions	57,470	61,195	1
221,975	Policy advice and representation: other countries	230,431	235,725	1
20	Policy advice and representation: other countries (permanent legislative authority)	220	20	1
45	Promotional activities: other countries	75	76	1
7,187	Services for other New Zealand agencies overseas	7,494	7,776	1
323,748	Sub-total	318,466	328,541	
VOTE: OFFICIAL DEVELOPMENT ASSISTANCE				
Appropriations for output expenses				
58,079	Management of New Zealand official development assistance	61,676	63,044	1
58,079	Sub-total	61,676	63,044	
381,827	Total departmental output expenditure	380,142	391,585	
Re-measurements				
11,971	Unrealised (gain) / loss on the re-measurement of foreign exchange contracts	(7,929)	-	
307	Movement in discount rate for long-service leave and retirement leave	(777)	-	
12,278	Total re-measurements	(8,706)	-	
394,105	Total departmental expenditure including re-measurements	371,436	391,585	
Appropriations for departmental capital expenditure				
41,638	Ministry of Foreign Affairs and Trade - capital expenditure (permanent legislative authority)	58,550	71,913	1
41,638	Total capital expenditure	58,550	71,913	

* This includes adjustments made in the supplementary estimates.

** The numbers in this column represent where the end-of-year performance information has been reported for each appropriation administered by MFAT, as detailed below:

1. MFAT's annual report

Statement of departmental expenses and capital expenditure incurred without, or in excess of, appropriation or other authority

For the year ended 30 June 2017

MFAT had no departmental unappropriated expenditure for the year ended 30 June 2017 (30 June 2016: nil).

Statement of departmental capital injections

For the year ended 30 June 2017

Actual capital injections 2016 \$000		Actual capital injections 2017 \$000	Approved appropriation 2017 \$000
VOTE: FOREIGN AFFAIRS AND TRADE			
-	Ministry of Foreign Affairs and Trade - Capital injection	-	-

Statement of departmental capital injections without, or in excess of, authority

For the year ended 30 June 2017

MFAT has not received any capital injections during the year without, or in excess of, authority (30 June 2016: nil).

The accompanying accounting policies and notes form part of these financial statements.

Statement of non-departmental expenditure and capital expenditure against appropriations

For the year ended 30 June 2017

Actual 2016 \$000		Actual 2017 \$000	Appropriation Voted 2017 \$000	Location of end-of-year performance information**
VOTE: FOREIGN AFFAIRS AND TRADE				
Non-departmental output expenses				
Annual				
15,510	Antarctic research and support	20,819	20,819	2
4,000	Promotion of Asian Skills and Relationships	4,000	4,000	3
1,400	Pacific Cooperation Foundation	1,400	1,400	4
921	Pacific Broadcasting Services	941	941	4
21,831	Total non-departmental output expenses	27,160	21,160	
Non-departmental other expenses				
1,658	Disbursements made, and exemptions from taxation - permanent legislative authority	1,418	1,800	5
Annual				
52,924	Subscriptions to International Organisations	50,669	57,033	5
54,582	Total non-departmental other expenses	52,087	58,833	
76,413	Total	79,247	85,993	
VOTE: OFFICIAL DEVELOPMENT ASSISTANCE				
Other expenses incurred by the Crown				
96,909	International Agency Funding *	104,224	101,753	1
437,083	International Development Assistance *	426,319	437,147	1
533,992	Total	530,543	538,900	

* Multi-Year Appropriation 1 July 2015 – 30 June 2018

** The numbers in this column represent where the end-of-year performance information has been reported for each appropriation administered by MFAT, as detailed below:

1. To be reported in the Minister of Foreign Affairs report appended to this annual report.
2. To be reported by Antarctica NZ in their Annual Report to be tabled in Parliament.
3. To be reported by the Asia New Zealand Foundation in their Statement of Service Performance to be tabled in Parliament.
4. To be reported by the Pacific Cooperation Foundation in their Statement of Service Performance to be tabled in Parliament.
5. MFAT's annual report

The accompanying accounting policies and notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016-17.

Statement of non-departmental expenditure and capital expenditure against appropriations

For the year ended 30 June 2017

During the year ended 30 June 2017, MFAT had two multi-year appropriations in Vote Official Development Assistance: International Agency Funding and International Development Assistance.

These funded non-departmental expenses are to be incurred by the Crown for the provision of assistance for development activities for Pacific Island and non-Pacific countries (including Asian, African, Latin American, Caribbean, and Middle Eastern countries).

This assistance, which included some humanitarian assistance, was provided to development organisations and partner countries, and through other delivery mechanisms,

to implement a range of development activities including the design, management, implementation, and evaluation of those partner-led activities. This assistance is also provided to multilateral agencies and international voluntary agencies to assist them to provide development.

The assistance is consistent with the government's directions and the Minister's requirements for the New Zealand Development Assistance Programme to work with development partners to ensure development assistance expenditure is delivered efficiently and is targeted as closely as possible to need. Both appropriations commenced on 1 July 2015 and expire on 30 June 2018.

Appropriation	International Agency Funding \$000	International Development Assistance \$000
Original appropriation	300,000	1,400,805
Adjustments 2015-16	-	16,437
Adjustments 2016-17	-	-
Adjusted appropriation	300,000	1,417,242
Actual to 2015-16 year end	(96,909)	(437,083)
Actual to 2016-17 year end	(104,224)	(426,319)
Appropriation Remaining	98,867	553,840

The accompanying accounting policies and notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial

Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2016-17.

Our legal responsibilities

For the year ended 30 June 2017

Crown entities

MFAT's relationship to Crown entities and providers of other organisations that provide nondepartmental output classes funded under Vote Foreign Affairs and Trade is as follows.

New Zealand Antarctic Institute (Antartica New Zealand)

The New Zealand Antarctic Institute is a Crown entity established under the New Zealand Antarctic Institute Act 1996. Its purpose is to develop, manage, and execute New Zealand's activities in Antarctica and the Southern Ocean, in particular the Ross Dependency, in cooperation with us and other government agencies. Our main responsibility is to monitor on behalf of the Minister the institute's effectiveness, efficiency, and management of risks.

We do this by providing advice on strategic direction and capability, assessing the appropriateness of output and performance measures for the Statement of Intent, providing advice to the Minister on board appointments and inductions, and monitoring performance against expected outputs and outcomes.

Pacific Cooperation Foundation

The Pacific Cooperation Foundation was established as a charitable trust in June 2002 with accountability to the Crown under the Public Finance Act 1989. By undertaking targeted projects the foundation acts as a catalyst for strengthening New Zealand–Pacific relationships, providing information, facilitating outcomes, and developing networks within the Pacific region.

The foundation has been funded since 2004 through Vote Foreign Affairs and Trade. Our Chief Executive is an ex-officio member of the Foundation's Board of Trustees. We act on behalf of the Minister as purchase and ownership adviser in respect of the foundation. We assist with the preparation of the purchase agreement between the

foundation and the Minister, coordinate the appropriation process, provide financial and performance monitoring, advise on the foundation's strategic direction and capability, and report quarterly to the Minister.

Asia New Zealand Foundation

The Asia New Zealand Foundation was established in 1994 as an incorporated trust with accountability to the Crown under the Public Finance Act 1989. The Government provides funding to the foundation through MFAT on the basis of an annual output agreement. The foundation works to deepen New Zealanders' knowledge and understanding of Asia through its activities in education, business, media, Track II (i.e. non-government discussion of policy issues), research, arts, and community. We act on behalf of the Minister as purchase adviser and contract manager in respect of the foundation. We oversee preparation of the annual output agreement and coordinate the appropriation process as part of the foundation's performance and financial monitoring.

New Zealand Trade and Enterprise (NZTE)

New Zealand Trade and Enterprise is a Crown entity. MFAT, in conjunction with the Ministry of Business, Innovation and Employment, has a joint role in monitoring the performance of NZTE on behalf of the Ministers of Trade and of Economic Development, although NZTE is not funded from Vote Foreign Affairs and Trade. We provide regular briefing and comment to Ministers on NZTE's performance. Our Chief Executive acts as a special adviser to the NZTE board. This dialogue ensures high-level policy coordination and close alignment of goals between the two organisations.

Legislation we administer

1. Antarctica Act 1960
2. Antarctica (Environmental Protection) Act 1994
3. Antarctic Marine Living Resources Act 1981
4. Anti-Personnel Mines Prohibition Act 1998
5. Chemical Weapons Prohibition Act 1996
6. Cluster Munitions Prohibition Act 2009
7. Commonwealth Countries Act 1977
8. Consular Privileges and Immunities Act 1971
9. Continental Shelf Act 1964
10. Cook Islands Act 1915
11. Cook Islands Constitution Act 1964
12. Diplomatic Privileges and Immunities Act 1968
13. Foreign Affairs Act 1988
14. Geneva Conventions Act 1958
15. International Crimes and International Criminal Court Act 2000 (jointly administered with Ministry of Justice)
16. Kermadec Islands Act 1887
17. Mercenary Activities (Prohibition) Act 2004
18. New Zealand Antarctic Institute Act 1996
19. New Zealand Nuclear Free Zone, Disarmament and Arms Control Act 1987
20. Niue Act 1966
21. Niue Constitution Act 1974
22. Nuclear-Test-Ban Act 1999
23. Pitcairn Trials Act 2002
24. Territorial Sea, Contiguous Zone, and Exclusive Economic Zone Act 1977
25. Terrorism Suppression Act 2002 (jointly administered with Ministry of Justice)
26. Tokelau Act 1948
27. Tokelau (Territorial Sea and Exclusive Economic Zone) Act 1977
28. United Nations Act 1946
29. United Nations Convention on the Law of the Sea Act 1996
30. Western Samoa Act 1961

Treaties

The following international agreements were signed, ratified, accepted, approved, or acceded to by New Zealand, or entered into force for New Zealand between 30 June 2016 and 30 June 2017

Multilateral treaties

1. Seventh Additional Protocol to the Constitution of the Universal Postal Union – entered into force on 8 September 2016
2. Eighth Additional Protocol to the Constitution of the Universal Postal Union – entered into force on 8 September 2016
3. Optional Protocol to the Convention on the Rights of Persons with Disabilities – acceded to and entered into force on 3 November 2016
4. Paris Agreement – entered into force on 4 November 2016
5. Protocol Amending the TRIPS Agreement – accepted and entered into force on 23 January 2017
6. World Trade Organisation: Trade Facilitation Agreement – accepted and entered into force on 22 February 2017
7. Maritime Labour Convention 2006 – ratified and entered into force on 9 March 2017

Bilateral/plurilateral treaties

8. Air Services Agreement between the Government of the Republic of Mauritius and the Government of New Zealand – signed on 27 July 2016
9. Air Services Agreement between the Government of the State of Kuwait and the Government of New Zealand – entered into force on 1 August 2016
10. Air Services Agreement between the Government of the Republic of Finland and the Government of New Zealand – entered into force on 1 September 2016
11. Agreement between the Government of New Zealand and the Government of the French Republic regarding the Status of Visiting Forces and Defence Cooperation – entered into force on 1 September 2016
12. Air Services Agreement between the Government of New Zealand and the Government of the Lao People's Democratic Republic – signed on 8 September 2016 and entered into force on 5 May 2017
13. Audiovisual Co-production Treaty between the Government of New Zealand and the Government of Canada – signed 11 September 2016 and entered into force on 1 May 2017
14. Air Services Agreement between the Government of the Kingdom of Cambodia and the Government of New Zealand – entered into force on 22 September 2016
15. Partnership Agreement on Relations and Cooperation between New Zealand and the European Union – signed 5 October 2016

16. Agreement between the Government of New Zealand and the Government of St Vincent and the Grenadines on the Exchange of Information with respect to Taxes – entered into force on 17 October 2016
17. Side Letters on the treatment of items covered by HS headings 2203, 2204, 2205, 2206, 2207, and 2208 of the Malaysia New Zealand Free Trade Agreement – signed 20 October 2016 and entered into force on 2 November 2016
18. Third Protocol to the Convention between the Government of the Republic of India and the Government of New Zealand for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income – signed 26 October 2016
19. Agreement between the Government of New Zealand and the Government of the Republic of Vanuatu on the Exchange of Information with respect to Taxes – entered into force on 27 October 2016
20. Exchange of letters which comprise the Resolute Support Mission Financial and Participation Agreement between NATO and New Zealand – signed and entered into force on 28 October 2016
21. Agreement between the Government of the State of Qatar and the Government of New Zealand for Air Services – entered into force on 4 December 2016
22. Agreement on Film Co-Production Between the Government of New Zealand and the Government of the State of Israel – entered into force on 7 December 2016
23. Agreement on Social Security between the Government of New Zealand and Government of Australia – signed on 8 December 2016
24. Agreement between the Government of New Zealand and the Government of the United States of America on Technology Safeguards Associated with United States Participation in Space Launches from New Zealand – entered into force on 12 December 2016
25. Agreement between the Government of New Zealand and the Government of the British Virgin Islands for the Exchange of Information Relating to Taxes – entered into force on 23 December 2016
26. Agreement between the Government of New Zealand and the Government of the British Virgin Islands for the Allocation of Taxing Rights with Respect to Certain Income of Individuals – entered into force on 23 December 2016
27. Agreement between the Government of New Zealand and the Government of the Turks and Caicos Islands on the Exchange of Information with Respect to Taxes – entered into force on 23 December 2016
28. Agreement on a Working Holiday Scheme Between the Government of the Republic of Lithuania and the Government of New Zealand – entered into force on 1 January 2017
29. Agreement between the Government of New Zealand and the Government of Anguilla on the Exchange of Information with Respect to Taxes – entered into force on 6 January 2017
30. Air Services Agreement between the Government of the Republic of Mauritius and the Government of New Zealand – entered into force on 3 February 2017
31. Agreement Relating to Science, Research and Innovation Cooperation Between the Government of Australia and the Government of New Zealand – signed on 17 February 2017
32. Exchange of Letters amending the existing Agreement on a Working Holiday Scheme between the Government of New Zealand and the Government of the French Republic – entered into force on 10 March 2017
33. Exchange of Letters between the Government of New Zealand and the Government of the United States of America implementing the Asia Pacific Economic Cooperation Mutual Recognition Arrangement for Conformity Assessment of Telecommunications Equipment – signed and entered into force on 22 March 2017
34. New Zealand-Australia Side Letter: Application of PACER Plus between Australia and New Zealand – signed on 14 June 2017
35. Second Protocol to amend the Agreement between the Government of Hong Kong Special Administrative region of the People's republic of China and the Government of New Zealand for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income – signed on 28 June 2017

Independent Auditor's Report

To the readers of the Ministry of Foreign Affairs and Trade's annual report for the year ended 30 June 2017

The Auditor-General is the auditor of the Ministry of Foreign Affairs and Trade (the Ministry). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the Ministry on pages 55 to 83, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Ministry for the year ended 30 June 2017 on pages 10 to 33, 37, 39, 41 to 53, and 84 to 86;
- the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2017 on pages 96 to 99;
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 87 to 95 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2017;
 - the schedules of expenses; and revenue for the year ended 30 June 2017;
 - the statement of trust monies for the year ended 30 June 2017; and
 - the notes to the schedules that include accounting policies and other explanatory information.
- the performance information of the Ministry on pages 10 to 33, 37, 39, 41 to 53 and 84 to 86:
 - presents fairly, in all material respects, for the year ended 30 June 2017:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Ministry on pages 96 to 99 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 87 to 95 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2017;
 - expenses; and revenue for the year ended 30 June 2017; and
 - the statement of trust monies for the year ended 30 June 2017.

Our audit was completed on 29 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Secretary of Foreign Affairs and Trade and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Opinion

In our opinion:

- the financial statements of the Ministry on pages 55 to 83:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Secretary of Foreign Affairs and Trade for the information to be audited

The Secretary of Foreign Affairs and Trade is responsible on behalf of the Ministry for preparing:

- financial statements that present fairly the Ministry's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Ministry, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Ministry on behalf of the Crown.

The Secretary of Foreign Affairs and Trade is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Secretary of Foreign Affairs and Trade is responsible on behalf of the Ministry for assessing the Ministry's ability to continue as a going concern. The Secretary of Foreign Affairs and Trade is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Ministry, or there is no realistic alternative but to do so.

The Secretary of Foreign Affairs and Trade's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect

a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Ministry's Strategic Intentions 2016-2020 and relevant Estimates and Supplementary Estimates of Appropriations 2016/17, and the 2016/17 forecast financial figures included in the Ministry's 2015/16 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary of Foreign Affairs and Trade.
- We evaluate the appropriateness of the reported performance information within the Ministry's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Secretary of Foreign Affairs and Trade and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Secretary of Foreign Affairs and Trade regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Secretary of Foreign Affairs and Trade is responsible for the other information. The other information comprises the information included on pages 2 to 9, 34 to 36, 38, 40, 54, 100 to 102 and 106 but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Minister of Foreign Affairs' report on relevant non-departmental appropriations that is appended to the Department's annual report is not part of the Department's annual report. The Public Finance Act 1989 does not require the information in the Minister's report to be audited and we have performed no procedures over the information in the Minister's report.

Independence

We are independent of the Ministry in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out an engagement to provide independent probity assurance in relation to a procurement process, which is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with or interests in the Ministry.



S B Lucy

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

Diplomatic immunity cases summary

In the interests of transparency, the Ministry of Foreign Affairs and Trade now publishes an aggregate list of alleged serious criminal offences committed by foreign representatives and accredited family members. The dates of the incidents and the names of the countries involved are not published. Given the small number of cases, and the small size of New Zealand's resident diplomatic corps, releasing the yearly statistics on immunity cases could lead to the identification of the individual(s) concerned (including the alleged victims).

The table below outlines the number and nature of alleged serious offences involving foreign representatives (and members of their families) who held immunity, whether the offences were considered to warrant prosecution by Police, whether a waiver of immunity was sought by MFAT, and whether a waiver of immunity was granted by the sending Government.

Reporting period: July 2012-June 2017	
Number and category of alleged serious offences ²⁴ - Assault (5) - Indecent assault (2) - Careless driving causing injury (1)	8
Number of alleged serious offences considered to warrant prosecution ²⁵	5
Waivers sought	5
Waivers granted	1
Percentage of cases warranting prosecution where waiver sought	100%
Percentage of waivers granted to waivers sought	20%

²⁴ A serious offence is defined as one that carries a penalty of imprisonment for 12 months or more.

²⁵ Police do not prosecute in every serious case for a variety of reasons, e.g. strength of evidence, alleged offender no longer in New Zealand.

Annex: Minister of Foreign Affairs report on Vote Official Development Assistance non-departmental appropriations

This report is prepared under s19B of the Public Finance Act 1989: Provision of end-of-year performance information by Ministers.

New Zealand invests in the sustainable development of developing countries in order to reduce poverty and contribute to a more secure, equitable, and prosperous world. Our development cooperation programme focuses on sustainable economic development. It draws on the best of New Zealand's knowledge and skills to deliver results for developing country partners and for New Zealand.

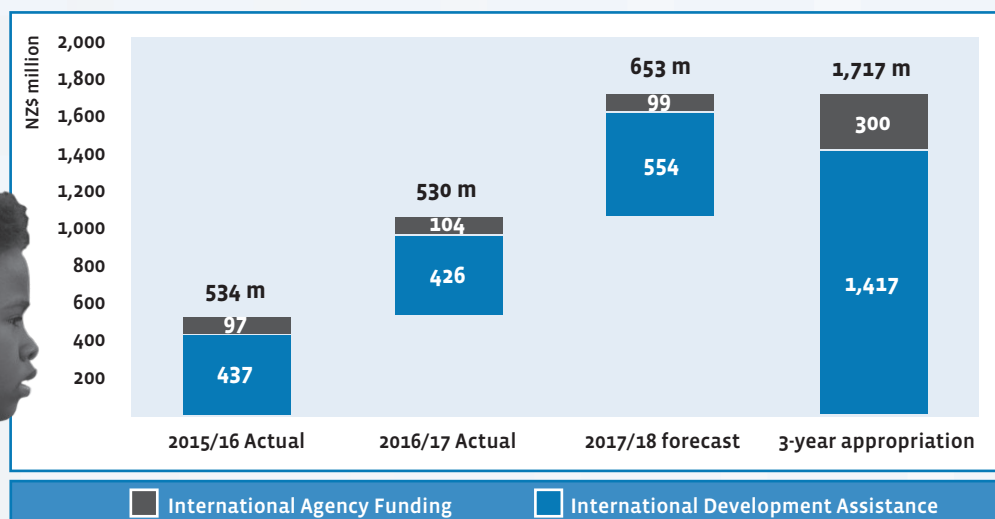
Country relationships are integral to our development cooperation and we work closely with partner governments as they lead their own development. We use our investments to leverage contributions of others in support of country-led programmes.

Appropriations and expenditure

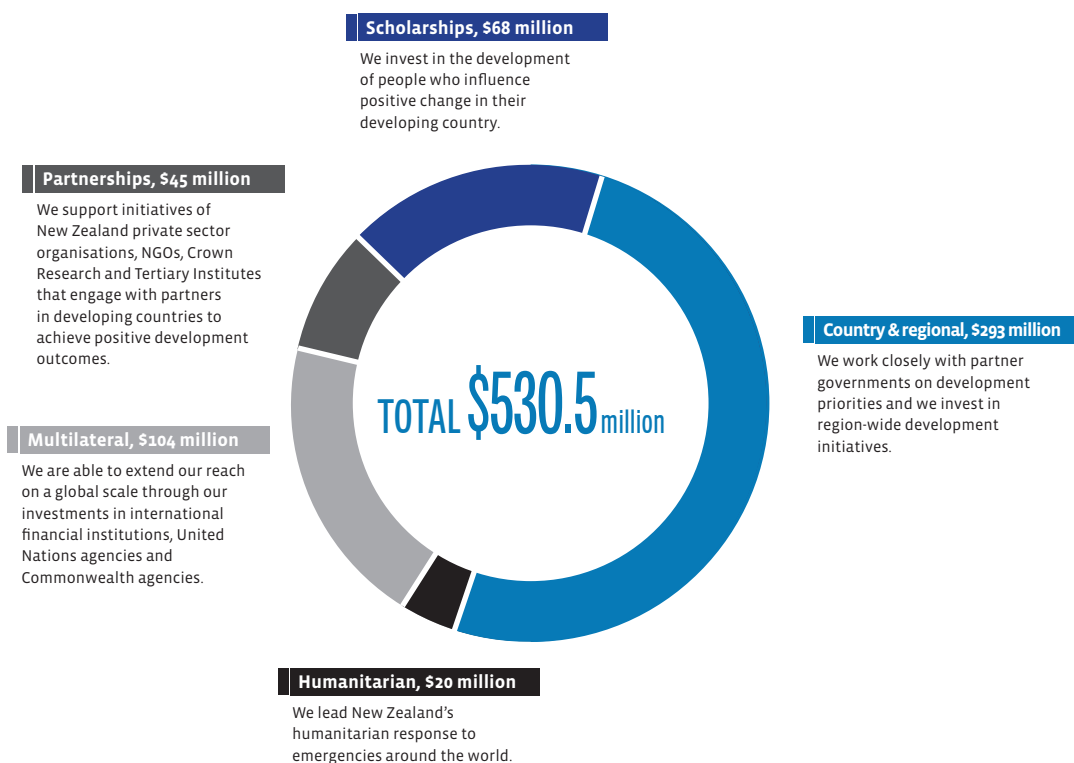
Vote Official Development Assistance (ODA) comprises two Crown appropriations (International Agency Funding and International Development Assistance), which together provide \$1.72 billion over the current triennium (2015 – 2018). Three-year appropriations allow management of expenditure, including large projects, across financial years.

In the 2016-2017 financial year, our total Vote ODA expenditure was \$530.5 million. We continue to invest the majority of our aid in the Pacific region, where we have the deepest knowledge and relationships. We also have targeted programmes in Asia, Africa, Latin America, and the Caribbean.

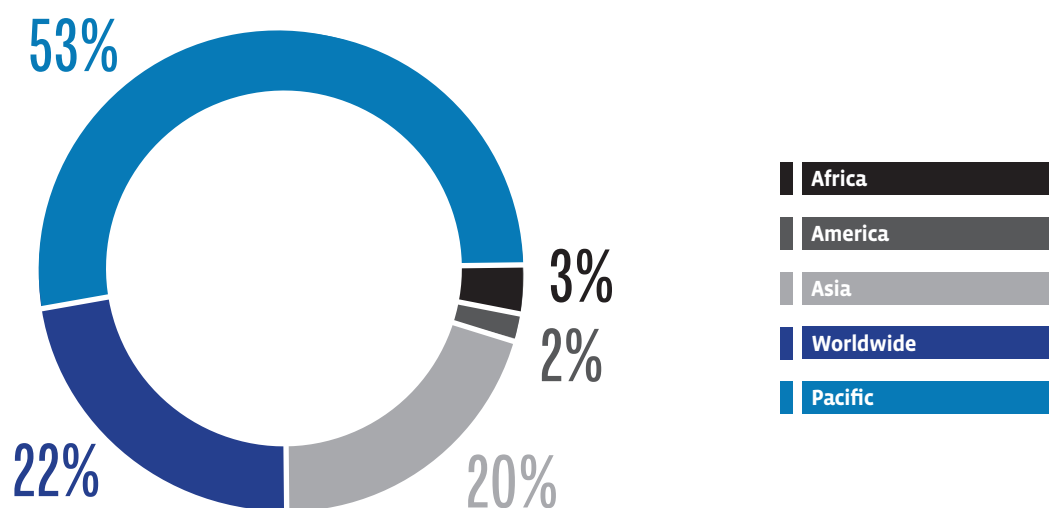
Crown Appropriations: July 2015 - June 2018



Expenditure by funding pool - 2016-2017



Actual expenditure by region - 2016-2017



Country and regional highlights

Country and regional programmes - \$293 million

Most of New Zealand's development cooperation is delivered in specific countries based on priorities agreed with the government of that country. We also support agencies and programmes that tackle development issues at a regional level.

Pacific Non-Communicable Diseases (NCDs) initiative

Non-communicable diseases such as diabetes and heart disease present health challenges in the Pacific. The regional Pacific Non-Communicable Diseases initiative supports countries to address tobacco reduction and strengthens primary health services for NCDs.

In the last year:

- Fiji, Marshall Islands, Nauru, Palau, Samoa, Solomon Islands, Tonga, and Vanuatu have laws in place on smoke-free schools
- Cook Islands, Fiji, Marshall Islands, Samoa, Solomon Islands and Tonga have increased taxes on tobacco
- Cook Islands, Fiji, Federated States of Micronesia, Kiribati, Nauru, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu have strengthened primary health care for NCDs. This resulted in 94,102 people receiving essential medicines and care (a six-fold increase from 2015-16).



Tonga Village Network Upgrade Programme

The \$27.8 million Tonga Village Network Upgrade Programme performed strongly over the past year, exceeding targets in line loss reduction and new connections (6,231 new connections to date). Once completed in 2018, electricity lines will have been upgraded in 50 villages and more than 8,000 households will be connected to the grid. This programme has also built capacity for Tongan linespeople, who have been trained to New Zealand standards and are eligible for NZQA qualifications.



Pacific Aeronautical Charting and Procedures Project

The Pacific Aeronautical Charting and Procedures Project has issued updated data, charts, and approaches at 14 aerodromes as part of a regional project that covers 38 aerodromes across eight Pacific Island countries. It enables aircraft to fly into aerodromes more safely and in more challenging weather conditions. The project will be completed in 2018 at a cost of NZ\$2.5 million.

Demining support in Lao People's Democratic Republic (PDR)

Lao PDR is still clearing around 80 million pieces of unexploded ordnance (UXO) left over from the war in Indochina in the 1960s and 1970s. In Xieng Khouang Province, UXO kill and injure around 10 people per year, and constrain opportunities in tourism, forestry, and agriculture.

Building on previous support, we provided \$10.1 million this past year to help clear 1,050 hectares of UXO-contaminated land; strengthen the capacity of UXO Lao to undertake survey and clearance work in at least 10 villages; and provide at least 50 community risk-awareness education events. By 2021, New Zealand will have supported clearance of around 7,000 hectares of UXO in Laos.



Recognised Seasonal Employer scheme

We supported 9,029 people from nine Pacific countries to access seasonal employment in New Zealand's horticulture and viticulture industries under the Recognised Seasonal Employer scheme. In the 10 years that the scheme has been operating, it has generated over 61,000 work visas for the Pacific, enabling those workers to remit over \$40 million to the Pacific each year. Six thousand of those workers have also accessed training in English language, financial literacy, and basic trades while in New Zealand.



Pasifika trades scheme

This year we piloted a new scheme to recruit 24 experienced carpenters from Fiji, Samoa, and Tonga to work on the Christchurch rebuild for one year. While in New Zealand, those workers achieved a Level 4 New Zealand qualification in carpentry based on their prior experience. We are currently reviewing the pilot with a view to expanding the labour mobility scheme in New Zealand's construction sector to recruit semi-skilled and skilled workers from the Pacific.

Partnerships - \$45 million

Our development cooperation funds New Zealand-based organisations to deliver projects in developing countries. This includes:

- funding for State sector organisations to build the capacity of their developing country counterparts, particularly in the Pacific. Partners include New Zealand Police, New Zealand Customs, and Ministry for Primary Industries
- long-established partnerships with a number of New Zealand non-government organisations, including Volunteer Services Abroad and the Council for International Development
- a contestable Partnerships Fund, which provides opportunities for state, private, and non-government sector agencies to access project funding.

Oceania Football Confederation - Just Play Programme

The Partnerships Fund is providing \$1.5 million over 2015-18 to the Oceania Football Confederation for the 'Just Play Programme' in the Cook Islands, Fiji, Samoa, Solomon Islands, and Tonga. Children aged 6-12 years take part in sports sessions that have a development focus, encouraging healthy and active lifestyles. By 2018, this programme will be implemented in 235 primary schools, reaching around 80,000 children, including children with disabilities. Just Play also focuses on gender equality and increased community engagement. Over the past year, this programme has received support in all five countries from both their Ministries of Education and Ministries of Health, who provide training to teachers and community volunteers.

Humanitarian - \$23 million

Our development cooperation funds the New Zealand Government's responses to international humanitarian crises, which are led by the Ministry.

In the Pacific, our response can include on-the-ground assistance delivered with other New Zealand agencies, including New Zealand Defence Force and New Zealand Police, as well as funding to non-government organisations.

In the days following a disaster, the Minister of Foreign Affairs may approve a New Zealand Disaster Response Partnership funding round for immediate humanitarian assistance by accredited New Zealand non-government organisations.

New Zealand generally responds to a humanitarian crisis outside the Pacific via contributions to expert humanitarian organisations, such as the Red Cross and relevant United Nations agencies.

We have worked closely with response partners to maintain readiness to support the Pacific during natural disasters over the past year. During the Pacific cyclone season we responded to flooding in Fiji and to Tropical Cyclone Donna in Vanuatu.

Our development cooperation has provided humanitarian assistance to some of the most significant global crises, including in Syria and Iraq. Additionally we have provided assistance to mitigate risk and impact of famine and food insecurity across Nigeria, Yemen, South Sudan, and Somalia.



International agencies - \$104 million

Our development cooperation provides funding for international development and humanitarian organisations including UN agencies such as the World Food Programme, development banks such as the Asian Development Bank, and research and scientific institutions such as the Consultative Group on International Agricultural Research.

Our contributions help us to ensure that international agencies respond to needs in the Pacific. They also allow New Zealand to contribute to development in areas where we do not have a country aid programme or specialist expertise.

Our multilateral investments give us a voice in setting the strategic priorities of these organisations. We have been able to raise issues with international agencies that are important to New Zealand, and these have led to positive developments such as the Asian Development Bank and World Bank increasing resourcing for the Pacific.

We support organisations on the basis of their ability to effectively deliver outcomes that align with our strategic priorities. Over the last year, we have contributed to:

- United Nations Development Programme (UNDP) interventions leading to new jobs and improved livelihoods for 27 million people, improved access to energy for over 5.3 million people, and to 75 million people being registered as new voters in 2016
- World Food Programme (WFP) feeding 82.2 million people in 2016
- UNICEF working with 77 countries to improve access to drinking water, e.g. in Pakistan support from UNICEF and partners enabled 935,000 people to access improved drinking water and 773,000 to access adequate sanitation.

Scholarships - \$68 million

Our development cooperation funds tertiary scholarships and vocational training for people who have the potential to make a real difference in their home country.

At any given time, 1,500 scholars from over 60 countries are studying on an aid-funded scholarship.

In 2017, 18,000 people from developing countries around the world applied for a New Zealand scholarship. Successful candidates after this year's selection round will go on to study at 10 different tertiary institutions around New Zealand.



Chelcia Gomes came to New Zealand from the Solomon Islands on a New Zealand Pacific Scholarship, and completed her Postgraduate diploma in Environmental Studies in 2017.

Upon returning home, Chelcia has used the knowledge and leadership skills she acquired while studying to successfully start a number of not-for-profit community development projects.

Focus on effective development and quality

We are committed to delivering results that lead to positive outcomes. We have performance measures in place to assess if we are reaching our targets and making a measurable difference. Performance information is monitored at the activity, programme, global, and corporate levels. We also have a research and evaluation programme to strengthen our use of evidence, and to continuously improve our development cooperation. In the last year we completed four research studies, seven activity evaluations, and four strategic or programme level evaluations. These inform our strategic planning and drive improved performance.

This year, New Zealand and Australia coordinated to develop a joint Monitoring and Evaluation Framework for Humanitarian Responses in the Pacific. This framework was designed to enable timely decision-making through real-time monitoring and evaluation methods. In urgent emergency contexts, having a readily developed framework improves our efficiency and ability to identify lessons that can be applied for improving future responses.

Statement of performance

This report provides service performance data and examples selected from the range of activities supported by the New Zealand Development Cooperation to contribute to the Ministry's Annual Report. This report is prepared under s19B of the Public Finance Act 1989: Provision of end-of-year performance information by Ministers.

International Agency Funding

Performance measures	2016-17		2015-16
	Budget standard	Actual standard (most recent data available)	Actual standard
Renewable Energy			
People provided with access to electricity (World Bank – Corporate Scorecard)	6,667,000 people (annual average of IDA17 rolling target) (2015-16)	8,900,000 people (2015-16)	19,100,000 people (2014-15)
Agriculture			
Area provided with new and/or improved irrigation services (World Bank – Corporate Scorecard)	1,400,000 hectares (upper end of IDA17 target) (2015-16)	3,010,000 hectares (2015-16)	743,868 hectares (2014-15)
Farm households that have adopted improved varieties, breeds or trees, and/or improved management practices (Consultative Group on International Agricultural Research)	Not available ²⁶	Not available	14,500,000 farm households (2013)
People receiving services from IFAD-supported projects (International Fund for Agricultural Development)	90,000,000 people (2015)	97,040,000 people (2016)	114,250,000 people (2014)
Economic Governance			
People benefiting from microfinance loans (World Bank)	Not available (for monitoring purposes) ²⁶	11,400,000 people (2015-16)	8,000,000 (2014-15)
New jobs and other livelihoods generated under sustainable development (United Nations Development Programme)	23,500,000 new jobs and livelihoods (2016)	27,000,000 new jobs and livelihoods (2016)	19,946,000 new jobs and livelihoods (2015)
Law & Justice			
New eligible voters who are registered (United Nations Development Programme)	77,260,000 new eligible voters (2016)	74,900,000 new eligible voters (2016)	68,000,000 new eligible voters (2015)

²⁶ Agency target not available for setting budget standard.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard (most recent data available)	Actual standard
Health			
School children receiving school meal and take home rations (World Food Programme)	Not applicable ²⁷	14,900,000 school children (2016)	15,700,000 school children (2015)
Households with new or improved water (Asian Development Bank)	331,000 households (against pipeline project projections 2016)	278,000 households (2016)	37,000 households (2015)
Number of sexual and reproductive health services provided (International Planned Parenthood Foundation)	2 billion services target (by end 2022)	182,500,000 services (2016)	175,300,000 services (2015)
Education			
Students benefitting from new or improved educational facilities (Asian Development Bank)	1,431,000 (against pipeline project projections 2016)	930,000 students	6,700,000 students (2015)
Humanitarian Response			
People provided with food assistance (this includes cash and vouchers) (World Food Programme)	Not applicable ²⁷	82,200,000 people (2016)	76,700,000 people (2015)
Displaced people (refugees/internally displaced) receiving protection or assistance from UNHCR and its partners (United Nations High Commissioner for Refugees)	Not applicable ²⁷	Not available	50,000,000 displaced people (2015)
People in humanitarian situations who have access to safe drinking water (UNICEF)	Not applicable ²⁷	28,800,000 people (2016)	25,500,000 people (2015)

²⁷ Agency target not applicable for setting budget standard.

International Development Assistance

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Quantity			
Percentage of indicators improving at the “Global Results” level of the New Zealand Aid Programme Strategic Results Framework for bilateral partner countries ²⁸	Improve or maintain trend	61%	57%
Renewable Energy			
Renewable energy share in the total final energy consumption in bilateral partner countries ²⁸	Maintain or increase number with improving trend	37%	New measure
Installed renewable energy capacity of new or upgraded infrastructure	Improve or maintain trend	3.22MW from 5 projects: 2.00MW Cambodia; 0.04MW Indonesia; 1.05MW Samoa; 0.12MW Tokelau; 0.01MW Vanuatu	Three solar array projects constructed including one of the largest in the Southern Pacific (2.2MW of power), delivering around 2.58MW to the national grid. Power produced estimated to meet 4.5% of Samoa's total electricity needs
Agriculture			
Agriculture sector — added value of GDP in bilateral partner countries ²⁸	Increasing number of improving trends	16.54% averaged across 13 bilateral partner countries	18% averaged across 13 bilateral partner countries
People assisted (through training, access to agricultural technology, and advisory support) to increase benefits from agriculture sector	Improve or maintain trend	We assisted 33,640 people to increase benefits from the agricultural sector. This was across 14 activities, including 24,823 from the Regional Pacific Fairtrade Development Initiative	We assisted 17,136 people to increase benefits from the agricultural sector. This was across 20 activities and 16,212 people were from Africa

²⁸ These indicators assess results at an outcome level in bilateral partner countries. As such they will also include contributions from other agencies and actors and the Internal Agency Funding appropriation.

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Information & Communications Technology			
Proportion of individuals using the internet in bilateral partner countries ²⁸	Maintain or increase number with improving trend	29.8% averaged across 13 bilateral partner countries	New measure
People provided with new or improved ICT services (telecommunications and/or internet)	Maintain or increase number with improving trend	1,000 people from Tokelau	30 people from Tokelau were provided with new or improved ICT services. Note this is a new Investment Priority so most activities are not yet reporting results
Fisheries			
People assisted (through training and advisory support) to increase benefits from fisheries/aquaculture sector	Improve or maintain trend	We assisted 1,072 people including 774 from Kiribati	We assisted 246 people through training, mentoring, and advisory support provided by Pacific regional agencies (FFA, SPC), technical advisers, NZ Ministry for Primary Industries and NZ training providers
Sustainable fisheries as a percentage of GDP ²⁸	Maintain or increase number with improving trend	Data not available (New measure)	New measure

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Tourism			
National tourist arrivals ²⁸	Maintain or increase number with improving trend	1,246,347 averaged across 11 countries. This is an increase of 69% compared with the previous reporting period	New measure
People assisted (through training or advisory support) to increase benefits from tourism sector	Improve or maintain trend	1,425 people. 409 from Samoa, 612 from Cambodia, and 404 from Vanuatu	New measure
Trade & Labour Mobility			
Doing business score (distance to frontier) in bilateral partner countries ²⁸	Increasing average score	55 points averaged across 10 bilateral partner countries	58 points averaged across 7 bilateral Pacific partner countries
People assisted (through training or advisory support) to increase benefits from trade (and labour mobility) sector	Improve or maintain trend	811 in Samoa	2,624 people were assisted, 2,077 of whom were from Tonga
Economic Governance			
Governance and effectiveness index (Rank) in bilateral partner countries ²⁸	Increasing average rank	Average rank of 29 across 14 countries	30th averaged across 14 countries
Countries that have received advisory support to strengthen economic governance through bilateral engagements	Improve or maintain trend	We have assisted 19 countries, including Cook Islands, Fiji, Kiribati and Solomon Islands	We have assisted 7 countries to strengthen economic governance (Cook Islands, Fiji, Kiribati, Samoa, Solomon Islands, Tonga and Tuvalu)

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Law & Justice			
Rule of Law Index (Rank) in bilateral partner countries ²⁸	Increasing average rank	Average rank of 35 across 15 bilateral countries	37th averaged across 14 countries
People assisted (through training or advisory support) to strengthen law and justice systems	Improve or maintain trend	We have assisted 1,852 people to strengthen law and justice systems. Most of these participants were from Timor-Leste and Papua New Guinea	We have assisted 1,658 people to strengthen law and justice systems. Most of these participants were from Papua New Guinea, Solomon Islands, Timor-Leste, Tonga, and Vanuatu
Health			
Under 5 mortality rate (deaths per 1,000 live births) in bilateral partner countries ²⁸	Increasing number of improving trends	Average under-5 mortality rate was 34 per 1,000 live births across 14 countries where data was available	Average under-5 mortality rate was 33 per 1,000 live births across 14 countries where data was available. This ranged from 6 in the Cook Islands to 75 in Papua New Guinea
Mortality rate attributed to cardiovascular disease, cancer, diabetes, or chronic respiratory disease, in bilateral partner countries	Maintain or increase number with improving trend	25% of 30-year-old-people would die before their 70th birthday	New measure
People that have received essential medicines and care at primary health facilities	Improve or maintain trend	159,624 people across the Pacific	New measure
Education			
People that complete vocational training	Improve or maintain trend	652 people completed vocational training	New measure
People that complete tertiary scholarships	Improve or maintain trend	598 people completed tertiary scholarships	New measure
Children meeting regional test levels at grade 6 for literacy in the Pacific region	Improve or maintain trend	46% (2015) (48% in 2012)	New measure
Children meeting regional test levels at grade 6 for numeracy in the Pacific region partner countries	Improve or maintain trend	68% (2015) (56% in 2012)	New measure

Performance measures	2016-17		2015-16
	Budget standard	Actual standard	Actual standard
Resilience			
Carbon emissions (metric tonnes per capita) in bilateral partner countries ²⁸	Increasing number of improving trends	1.9 tonnes per capita averaged across 13 countries	2 tonnes per capita averaged across 13 countries
People trained to strengthen resilience (disaster risk reduction and climate change adaptation)	Improve or maintain trend	We trained 3,637 people to strengthen resilience for disaster risk reduction and climate change adaptation. This training occurred in ASEAN countries and Fiji	We assisted 4,583 people to be trained to strengthen resilience for disaster risk reduction and climate change adaptation. This training occurred in the ASEAN countries as well as Fiji, Indonesia, and Vanuatu
Humanitarian Response			
Vulnerable people provided with essential and useful assistance following a natural or human-induced disaster within Pacific and outside the Pacific	Standard dependent on need	We provided at least 146,407 people with essential and useful assistance following a natural or human-induced disaster. This does not include beneficiaries of assistance channelled through United Nations or Red Cross humanitarian appeals	We provided 226,629 vulnerable people with essential and useful assistance following a natural or human-induced disaster. Approximately 167,000 of these people were part of our response to Tropical Cyclone Winston
Risk of humanitarian crises and disasters (Index for Risk Management scores)	Improving trend	4.4 averaged across 12 bilateral partner countries	New measure
New Zealand responses to natural disasters in the Pacific that are launched within mandated timeframe	Standard dependent on need	New Zealand's response to the Tropical Cyclone Donna in Vanuatu, the 2016 flooding in Fiji, and the Solomon Islands Earthquake were all within timeframe	New measure

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