



Annual Report



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House of Representatives
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Chief Executive's foreword

2018 marks the 75th anniversary of the creation of New Zealand's foreign service, during a challenging time in New Zealand's history.

Our current operating environment is different from the dark days of a world war, but nonetheless poses significant challenges, as well as some opportunities, for New Zealand.

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

Serving New Zealand's interests in turbulent times depends on a robust, responsive organisation and on New Zealand's reputation as a principled country. Both these assets reflect 75 years of investment in New Zealand diplomacy. As we mark this anniversary, we recognise the achievements of the past and the strong footing created for the future.

The Ministry's work programme is guided by seven strategic objectives. We can report solid progress on these objectives. At a more fundamental level, New Zealand relies on four foreign policy pillars to safeguard our prosperity and security. These are: supporting a rules-based international system; participating in international and regional bodies; leveraging a network of strong bilateral relationships; and building a diverse portfolio of export markets.

New Zealand has been active in supporting an **effective multilateral rules-based system** in the face of considerable challenges.

We helped to shape global rules in new areas such as migration and outer space, and to strengthen existing rules, notably the Chemical Weapons Convention following recent chemical weapons attacks. Following our instrumental role in its negotiation, New Zealand signed the Treaty on the Prohibition of Nuclear Weapons. We contributed to major reforms of the United Nations development system, promoting the interests of Small Island Developing States.

New Zealand championed the World Trade Organisation (WTO) dispute settlement mechanism and successfully used it to resolve a trade dispute with Indonesia, in partnership with the United States.

The Commonwealth Heads of Government Meeting in London in April 2018 showed that the Commonwealth remains valuable for promoting democratic values and the international rules-based system.

New Zealand stepped up its **international leadership on climate change** in 2017-18. As well as co-chairing the negotiating process to operationalise the Paris Agreement, we led work on environmental integrity in carbon markets and championed the role of agriculture in the global

response to climate change. Through the WTO, New Zealand launched a ministerial statement on fossil fuel subsidy reform.

Following entry into force of the Ross Sea Marine Protected Area, New Zealand played a leading role in promoting its effective implementation.

Against the backdrop of a dynamic **Asia-Pacific** region, the Government advanced New Zealand's position at the East Asia Summit and Asia-Pacific Economic Cooperation (APEC) meeting in late 2017 on key issues, including nuclear proliferation on the Korean Peninsula, the South China Sea and economic integration. At a meeting hosted by Canada, the Minister of Foreign Affairs reinforced New Zealand's commitment to supporting a strong and collective response to North Korea, including by fully implementing UN sanctions.

The Ministry established a programme of work to prepare for hosting APEC in 2021.

The prosperity and security of the **Pacific** region is of fundamental importance to New Zealand. The past year has seen growing recognition of the need for New Zealand to maintain influence in this increasingly contested strategic space.

The Pacific 'reset' announced in March 2018 is a significant shift through which New Zealand will build more mature partnerships with Pacific countries, promote our values, and enhance our coordination with key partners. The additional NZ\$714 million in aid funding over the next four years announced in Budget 2018 will be targeted at Pacific priorities, including climate change adaptation. The reset will also strengthen coordination among the 30 New Zealand government agencies engaged in the Pacific.

Highlights of our Pacific development cooperation in the past year included initiatives to improve internet connectivity, economic governance, health, and sustainable management of fisheries. The Ministry coordinated New Zealand humanitarian responses to multiple disasters in the region, including cyclones, volcanic eruptions, an earthquake and a disease outbreak.

Our work on **improving trading conditions** for New Zealand assumed heightened importance in the face of growing protectionism around the world. The Ministry recognises that the benefits of trade must be shared with all New Zealanders. To increase understanding of New Zealand's approach to trade, we supported the launch of the progressive and inclusive 'Trade for All' agenda.

We played an influential role in progressing the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) following the withdrawal of the United States from the Trans-Pacific Partnership. Eleven countries joined the CPTPP in March 2018. We progressed a range of other free trade agreement (FTA) negotiations, including the Regional Comprehensive Economic Partnership, the Pacific Alliance, and the upgrade of our FTAs with China and Thailand. We secured agreement to launch negotiations with the European Union.

In a globalised world, New Zealand faces a growing range of trans-border **security** threats. A priority this year has been contributing to government responses to threats from malicious cyber activity, terrorism, people smuggling and organised crime.

The Ministry also supported collaboration with our close international partners, as well as capacity-building initiatives in the Asia-Pacific region.

New Zealand continued playing its part in mitigating global security threats, including through deployments in the Middle East and Africa. The Ministry supported these operations and advised the Government on them.

This year, the Ministry's **consular** staff issued 128 travel advisories to help millions of New Zealand citizens travel and live abroad with confidence, assisted 2,821 distressed New Zealanders and responded to 24 emergency events.

Our ability to build and leverage **relationships with other countries** is central to New Zealand's prosperity and security.

This year the Ministry supported the Prime Minister, our Ministers and other new Ministers to establish relationships with key counterparts through outwards and inwards visits. We rely on our network of 58 posts to achieve value from our relationships; Bogotá joined the network in 2018 and a new embassy in Stockholm was announced in Budget 2018.

To meet our strategic objectives, the Ministry must be well connected domestically. We have prioritised investment in **stakeholder relationships** including through active outreach and capability development. The Ministry developed and started implementing a comprehensive Māori Engagement Strategy, which aims to build relationships and **partnerships with Māori** based on trust and confidence.

2018 has seen significant investment in **organisational improvement**. This investment responds directly to the outcome of the Ministry's 2017 Performance Improvement Framework review.

We have made real progress in building a happy, healthy and high-performing Ministry for all. Staff engagement increased, with a notable improvement in employee well-being. We started implementing our People Strategy; rolled out new Ministry values of impact, kotahitanga, courage, and manaakitanga; launched a far-reaching Diversity and Inclusion Strategy; reduced gender inequality; and progressed our health and safety programme.

Our first Protective Security Strategy was adopted to enable us to keep our people, assets and information safe while engaging with others more effectively.

We refreshed our Strategic Framework to strengthen the collective impact we achieve for New Zealanders. The framework's timeframe has been extended to ten years at the outcome level.

Given the transformation we are achieving as an organisation and the talented, committed and professional people who make up the Ministry, I am confident that the Ministry will repay the Government's Budget 2018 investment in our capability and help secure New Zealand's future over the next 75 years.



Brook Barrington
Secretary of Foreign Affairs and Trade

Our Purpose

The Ministry of Foreign Affairs and Trade acts in the world to make New Zealanders safer and more prosperous

Our Values



Ministry at a Glance

OUR POSTS:



WE ADMINISTER TWO VOTES:

Foreign Affairs and Trade
Official Development Assistance

WE WORK FOR MINISTERS IN FOUR PORTFOLIOS:

Foreign Affairs
Disarmament and Arms Control
Trade and Export Growth
Climate Change

WE MONITOR:

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

58 posts in
51 countries

115 accreditations to
other countries

73 Honorary
Consuls

3 New Zealand
offices

286 properties
managed in
portfolios

1,498 total staff

• **684** staff located in
New Zealand

• **814** staff at our
overseas posts

- **246** staff seconded
from
New Zealand

- **568** staff employed
at post

Our place in the world

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

In the last year, nearly 200,000 New Zealanders have used the SafeTravel system. We responded to nearly 3,000 requests from New Zealanders in difficulty overseas.



Credit: Westend61, Getty Images.



Credit: Tryaging.

We negotiate and defend access to overseas markets, and help our exporters to be successful.

This supports jobs for over 630,000 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.



Ross Sea Iceberg. Credit: Dr Regina Isert.



Credit: Pete Souza.

We are New Zealand's voice in the forums that address the most pressing security issues affecting the world and our region, including conflict, terrorism, and weapons of mass destruction.

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

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

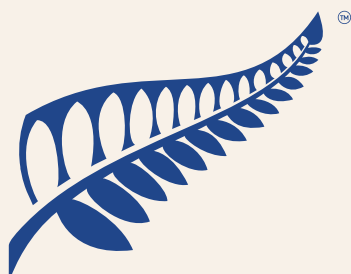
Through this, New Zealanders are improving the lives of people in need and supporting stability and prosperity around the world.



Royal New Zealand Air Force air movements operators load a Hercules C-130H with aid supplies destined for Vanuatu after the eruption of Manaro volcano on Ambae Island.
Credit: New Zealand Defence Force.

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**



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 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

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



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

Global Rules

Act in the United Nations and related international organisations to improve effectiveness, accountability, and value-for-money for New Zealanders

Objective 2

Market access and economic integration

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

Safeguard New Zealand's interests and influence in the Pacific and improve the prosperity, stability and resilience of the region and its people

Objective 5

Environment

Promote smart international solutions on climate change, oceans and Antarctica that ensure environmental protection and the sustainable use of natural resources

Objective 6

Security

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



UNFCCC Adaptation Working Group, Bonn, Germany.
Credit: UNFCCC.

1

Our global rules objective

Act in the United Nations and related international organisations to improve effectiveness, accountability and value-for-money for New Zealanders

We actively supported the multilateral rules-based system through the United Nations and World Trade Organisation and promoted global rules on trade, disarmament, human rights, and the environment.

Performance against our Success Indicators

A system which effectively manages global problems in line with New Zealand interests

Global rules provide New Zealand with protection and international cooperation on peace and security, economic, financial, human rights and social issues.

This year we actively supported United Nations (UN) Secretary General António Guterres' reform agenda. Sweeping changes to the UN's development system were adopted by the UN General Assembly in May 2018. These reforms promise to reduce fragmentation of the UN's work on implementing the 2030 Agenda for Sustainable Development. Particularly important to New Zealand in the negotiations were the proposed changes to the Resident Coordinator model for managing development. We successfully promoted this model's suitability for addressing the needs of Small Island Developing States in the Pacific and elsewhere. New Zealand also strongly supported the Secretary General's other reform streams on management and peace and security, due to conclude later in 2018, as an effective UN is at the heart of preserving and strengthening the rules-based order.

In a year when the World Trade Organisation (WTO) has come under increasing strain from moves towards protectionism, New Zealand's successful case against Indonesian agricultural non-tariff barriers was a significant achievement. New Zealand also stepped up its advocacy on the effectiveness of the WTO as a single pathway for trade dispute resolution with 164 countries.

We participated in the negotiations for the first ever Global Compact on Safe, Orderly and Regular Migration. New Zealand played an influential role in contributing language to the agreement on developing and strengthening solutions for migrants compelled to leave their country because of climate change.

The Ministry led public consultations and preparation of a report on New Zealand's human rights in advance of the UN Universal Periodic Review in January 2019. This year the UN reviewed New Zealand's human rights record under the Convention on the Elimination of Racial Discrimination, the International Covenant on Economic, Social and Cultural Rights, and the Convention on the Elimination of Discrimination Against Women. New Zealand led UN resolutions in New York and Geneva on the rights of persons with disabilities, with a focus on issues relating to women and girls, and non-discrimination.

We collaborated with other agencies to set up a working group to prepare for future reporting on New Zealand's implementation of the UN Sustainable Development Goals.



Permanent Representative to the United Nations Craig Hawke pledges to plant 1 billion trees by 2027 as part of New Zealand's contribution to the global Sustainable Development Goals. Credit: IISD.

The United Nations system better reflects the interests of New Zealand and other small states

Our participation in multilateral processes continued to focus on protecting and advancing New Zealand's interests, particularly in the Pacific. This year we saw measurable results gained from several years of sustained advocacy for Small Island Developing States (SIDS) across many multilateral fora, in line with the objectives of the SIDS Action Plan in 2017-18.

Key policy changes with direct SIDS benefits include streamlining the application process at the Green Climate Fund and improving eligibility for World Bank development assistance. New Zealand advocacy also led the International Fund for Agricultural Development to increase its allocation to the Pacific by 28 percent, or US\$30 million, over three years. We advocated at the UN for a Resident Coordinator model that would allow for better delivery in the Pacific. We also increased financial support to the Commonwealth Small States Offices at the UN and co-hosted the launch of the SIDS financing study in New York (see case study). New Zealand engaged actively with UN and SIDS bodies in preparatory meetings for the 2019 mid-term review of the SIDS Accelerated Modalities of Action (SAMOA) Pathway that resulted from the UN SIDS Conference Samoa hosted in 2014.

The constituencies that we create advance New Zealand's interests

The Ministry continued to leverage New Zealand's experience during the UN Security Council campaign and term, including through working with incoming members of the Council and others interested in learning from New Zealand's well regarded campaign experience. This was achieved through engagement in New York and with visiting delegations to New Zealand as well as visits to Viet Nam and Timor Leste.

Prime Minister Rt Hon Jacinda Ardern and Deputy Prime Minister Rt Hon Winston Peters represented New Zealand at the Commonwealth Heads of Government Meeting (CHOGM) in London in April 2018. The CHOGM Summit brought together 53 nations and provided an important opportunity to foster and develop New Zealand's traditional relationships, as well as those in the Caribbean and Africa.



Leaders attend the formal opening of CHOGM in London, England, April 2018. Credit: Yui Mok-WPA Pool, Getty Images.



CASE STUDY

Supporting Small Island Developing States

New Zealand has long advocated for greater recognition of the unique development challenges faced by Small Island Developing States (SIDS).

Fifty-two countries and territories are considered SIDS, scattered mainly across the Pacific, Caribbean and Indian Oceans. These countries vary in population, income, remoteness and natural resources, but share the common challenge of being at the forefront of the impact of climate change. This means that they are vulnerable to rises in sea level and are at risk of tropical cyclones. Raising the profile of the challenges SIDS experience benefits our Pacific neighbours.

Pacific SIDS benefited from increased multilateral financing this year as a result of sustained advocacy by New Zealand and other partners.

SIDS have unique development funding requirements. To increase understanding of the funding challenges and explore solutions, we helped design and fund two studies on SIDS. The studies were co-financed with Australia and published by the United Nations (UN) and the Organisation for Economic Cooperation and Development (OECD).

The report produced by the OECD is the most comprehensive report ever undertaken of development funding in SIDS. It analyses 35 countries, providing a comparative analysis of all Official Development Assistance, bilateral and concessional funding over a period of five years and identifying how development partners can better support SIDS.

The UN report examines the particular development funding challenges for Pacific SIDS, drawing on input from 15 Pacific countries. It identifies key financing opportunities and innovations that SIDS and their partners can use to help achieve the Sustainable Development Goals.

Both reports have attracted considerable international interest for the way they strengthen research on development funding and offer new ideas on how to respond. This puts both SIDS and New Zealand in a stronger position to influence relevant international policy.

For more on our work with SIDS, refer to pages 12 and 125.



2

Our market access and economic integration objective

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

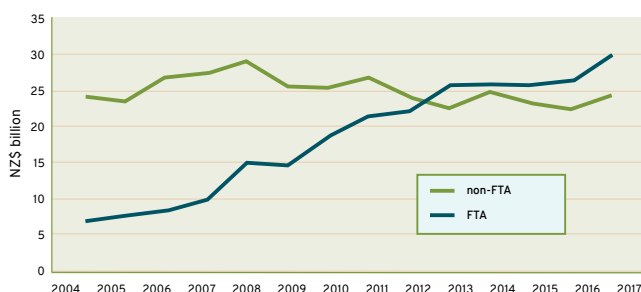
We negotiated improved access to export markets through CPTPP and other trade agreements, and supported the 'Trade for All' agenda.

Performance against our Success Indicators

Increased proportion of trade covered by free trade agreements, with coverage lifted to 90 percent of New Zealand's goods exports by 2030

The map on the facing page records the proportion of goods exports covered by free trade agreements (FTAs).

VALUE OF EXPORTS TO FTA AND NON-FTA PARTNERS



Following the withdrawal of the United States from the Trans-Pacific Partnership in January 2017, we commenced negotiations for a revised agreement with the remaining partners. In March 2018, we signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) with 10 other countries (collectively accounting for 13.5 percent of world GDP). CPTPP will deliver new FTAs for New Zealand with Japan, Mexico, Canada and Peru.

We launched FTA negotiations with the European Union (EU) in June 2018. The culmination of several years of lobbying, this promises significant economic potential. The EU is already our third largest trading partner, and furthering access to this market could boost New Zealand's GDP by as much as NZ\$1 billion.

We also:

- continued to work at the World Trade Organisation (WTO) to protect, preserve and sustain the international rules-based trading system
- accelerated progress on negotiations for the Regional Closer Economic Partnership (RCEP), a free trade agreement that includes India and 15 other countries with total GDP of US\$23 trillion
- made rapid progress in four rounds of negotiations for a FTA with the Pacific Alliance
- completed a review of the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA)
- held three rounds of negotiations on the China FTA upgrade to modernise the 2008 Agreement and address barriers that are restricting or adding cost to New Zealand's trade
- made good progress on the upgrade of our Closer Economic Partnership with Singapore

- completed the first upgrade of our 2005 Closer Economic Partnership with Thailand, delivering useful additional market access for agricultural exporters
- continued to represent New Zealand's interests through the Brexit process, in particular seeking stability and continuity in access and regulatory arrangements into United Kingdom and European Union (EU) markets
- engaged in exploratory trade discussions with MERCOSUR, a trade bloc which includes Argentina, Brazil, Paraguay and Uruguay.

Continued fracture in the relationships between the members of the Gulf Cooperation Council has stalled our efforts to advance our FTA process. When and if negotiations on the Russia Belarus Kazakhstan FTA will resume is unclear.

Existing market access is maintained

We won a case at the WTO Appellate Body against Indonesia on 18 agricultural non-tariff barriers that have cost exporters nearly \$1 billion in lost trade since the barriers were instituted.

New Zealand joined a coalition of five countries in WTO dispute settlement consultations launched by Australia and the United States concerning Canadian trade barriers on wine. These barriers are of significant concern to our wine industry as Canada is New Zealand's fourth largest wine export market, worth over NZ\$100 million per year.

We advocated for an exemption for New Zealand on United States steel and aluminium tariffs.

Market access barriers, including particularly non-tariff barriers, are progressively lowered or removed

In 2017-18, MFAT contributed to the resolution of 21 non-tariff barriers covering a range of export products, sectors and issues including organics, honey, wine, meat, tourism, government procurement rules and government price controls.

Priority placed on services, investment and digital trade issues will be higher than today

New impetus was injected into the Australia/New Zealand Single Economic Market agenda with Prime Ministers announcing new initiatives on small to medium enterprises, the digital economy, smart cities and indigenous business.

We helped New Zealand companies negotiate changing overseas internet privacy and data regulations, leading an initiative together with New Zealand Trade and Enterprise and the National

Cyber Policy Office to educate New Zealand businesses on the impact of China's Cybersecurity law. We issued advice on the EU's adoption of the General Data Protection Regulations, which affects all businesses globally storing data on their citizens.

New Zealand exporters are satisfied with the support received from the Ministry

91% of stakeholders are 'very' or 'fairly' satisfied with the exporting assistance they received from MEAT

STAKEHOLDER ENGAGEMENT
SURVEY 2017¹

Contacts and assistance provided to a more diverse range of businesses

Improved capability of business to compete offshore

The Ministry offers trade advice and assistance to exporters, coordinating with other government agencies such as the Ministry for Primary Industries, New Zealand Trade and Enterprise, New Zealand Customs Service and the Ministry for Business, Innovation and Employment to resolve barriers to trade. Exporters engage with Ministry staff at posts, drawing on their in-country expertise, and with staff in our New Zealand offices. This year we began centralising the process of managing enquiries to make it easier for exporters who do not know who to approach to contact government, and over time, to obtain a fuller picture of the exporter experience.

We worked with other government agencies to launch www.tradebarriers.govt.nz in August 2017. This website provides a single point of contact for exporters to connect with the government agency best placed to assist them. This year, the Ministry received 315 enquiries from exporters through our central advisory service, 95 percent of which were resolved. We reached our performance target of providing an initial response within two working days to 96 percent of enquiries, and an action plan for 88 percent of more complex enquiries within six weeks.

With our partners we have participated in three NZ Inc service visits to regions to engage with small to medium enterprise exporters and help with their strategies for entering international markets.

Planning began for New Zealand's participation in Dubai 2020 World Expo. With 180 nations participating and an expected 25 million international visitors, Expo 2020 Dubai represents a significant opportunity to highlight New Zealand's business competitiveness, particularly in the areas of innovation and sustainability, to a hugely influential audience from both the Middle East and beyond.

New Zealand embassies connect businesses with opportunities (including overseas direct investment and foreign direct investment)

78% of stakeholders agree that MEAT and posts help open doors for New Zealand businesses

STAKEHOLDER ENGAGEMENT
SURVEY 2017

An example of the valuable role embassies play in forging economic connections is the work by our Tokyo Embassy to support efforts by private and public sector stakeholders in New Zealand and Japan to promote a pilot project to convert geothermal energy into hydrogen and investigate supply chains within New Zealand, Japan and other markets interested in this new transportable form of green energy.

New Zealand's outwards direct investment (ODI) declined NZ\$429 million between March 2017 and March 2018. The stock of New Zealand ODI is now NZ\$24.7 billion. Inward foreign direct investment increased by NZ\$7.2 billion over the same period, to reach NZ\$109.5 billion.

Improved engagement with New Zealanders and Iwi on trade policy and issues

More than half a million New Zealand jobs depend directly on exports. As part of the recently launched "Trade for All" strategy, we are committed to continuing our engagement with New Zealanders, business, civil society organisations and Māori. This outreach informs our international engagement. For example, outreach on key issues impacting on New Zealanders in CPTPP was considered in the final agreement.

We also explained the relevance of the CPTPP, the upcoming EU FTA negotiations and other FTAs at a series of public events.

¹ The Stakeholder Engagement Survey is conducted every two years. Since 2017, the Ministry has taken steps to improve its responsiveness to stakeholders. These steps are detailed under the following two Success Indicators.



CPTPP Chief Negotiators at signing ceremony in Santiago, Chile, March 2018.

CASE STUDY

CPTPP – Growing New Zealand's opportunities in the Asia-Pacific

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is an example of where we have played a leadership role in advocating for trade agreements that benefit New Zealand and support the rules-based global trading system.

Following the US withdrawal from the Trans-Pacific Partnership (TPP), we worked together with the remaining 10 countries to create a new agreement, the CPTPP. Countries that have signed onto CPTPP include four with which New Zealand does not currently have a free

trade agreement (Japan, Canada, Mexico and Peru), four of New Zealand's top 10 trading partners (Australia, Japan, Singapore, and Malaysia), as well as Brunei Darussalam, Chile, and Viet Nam. These countries were the destination for nearly a third of New Zealand's goods exports and 31 percent of New Zealand's services exports (NZ\$6.8 billion) in 2017.

The Agreement is called "Progressive" because it goes beyond reducing costs for business and includes commitments to safeguard labour and environmental standards. It preserves New Zealand's

right to regulate for legitimate public policy purposes (for example to protect our environment), upholds the Treaty of Waitangi, and will assist in creating jobs that will help generate a better standard of living for New Zealanders.

CPTPP is an open accession Agreement, meaning its membership could expand in future creating more value for New Zealand as other trading partners join and align with its high standards.

\$222 million

ESTIMATE OF THE ANNUAL
TARIFF SAVINGS DELIVERED
BY CPTPP

\$480 million people

SIZE OF THE MARKET WE NOW
HAVE PREFERRED ACCESS TO

13.5%

OF THE
WORLD'S GDP



Leaders attend the East Asia Summit in Manila, the Philippines, November 2017.
Credit: Bullit Marquez, AFP/Getty Images.

3

Our Asia-Pacific objective

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

We advanced New Zealand positions on key security and economic issues in the regional forums we belong to and prepared for hosting APEC in 2021.

Performance against our Success Indicators

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

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

With the geopolitical order of the Asia-Pacific region undergoing significant change, New Zealand sought to safeguard its critical political, economic and security interests through active participation in regional bodies and close attention to our key bilateral relationships.

New Zealand used its participation in the East Asia Summit and the Association of Southeast Asian Nations (ASEAN) Regional Forum to call for the peaceful resolution of disputes in accordance with international law, and through diplomacy and dialogue. Key concerns were the escalation of tensions on the Korean Peninsula and the South China Sea dispute. We called for the implementation of sanctions on North Korea and its compliance to international law, urging it to abandon its nuclear missile and weapons programmes. New Zealand also emphasised the importance of all claimants exercising restraint in the South China Sea, avoiding actions that could erode trust and escalate tensions, and urged parties to resolve disputes peacefully through diplomacy and dialogue, and in accordance with international law, particularly the UN Convention on the Law of the Sea. Maritime security and cooperation were a strong area of focus for New Zealand's Asia-Pacific engagement this year. We lent our voice to a successful proposal to adopt maritime cooperation as a dedicated priority in the East Asia Summit. To support this initiative we co-chaired an East Asia Summit Conference on Combating Marine Plastic Debris with Indonesia in September 2017.

Preventive diplomacy to prevent or stop the escalation of disputes remains at the forefront of our regional approach. This was a key focus when we hosted the ASEAN Regional Forum Intersessional Meeting in Auckland in May 2018. New Zealand worked with Asia-Pacific partners on transboundary security issues, non-proliferation and disarmament. New high level statements of cooperation were agreed to stop money laundering, counter violent extremism, assist in alleviating poverty, prevent the proliferation of illegal drugs and combat illegal, unregulated and unreported fishing.

The Ministry established a programme dedicated to preparation for New Zealand chairing the Asia-Pacific Economic Cooperation (APEC) summit in 2021, an event that will see leaders from 21 economies gather in Auckland. New Zealand aims to play a leadership role in setting the post-2020 vision for APEC and is represented on the APEC Vision Group.

New Zealand's future prosperity and security will be influenced by the trajectory of South East Asia. We continued to invest in our strategic partnership with ASEAN through high level political engagement and visits, defence and security cooperation and exercises, trade and economic integration, environmental cooperation activities, good governance capacity building, and aid and development programmes.

Through bilateral visits or engagement in regional meetings, the Prime Minister, Minister of Foreign Affairs and other Ministers in New Zealand's new Government established relationships with counterparts in key Asia-Pacific countries – Australia, the United States, China, Japan, Indonesia and Singapore. The dialogue New Zealand pursued with these countries helped us navigate through and influence responses to the strategic issues facing our region.

We continued dialogue with Singapore on the Enhanced Partnership. This agreement will significantly benefit New Zealand in the areas of trade and economics, security and defence, and technology and innovation.

New Zealand became one of the first countries to pursue Associate Membership of the Pacific Alliance, a regional initiative established by Colombia, Peru, Chile, and Mexico, through a free trade agreement with the bloc. Successful conclusion of these negotiations would link New Zealand into an important new piece of regional architecture.

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

New Zealand actively engaged in activities to sustain and strengthen existing architecture. We also welcomed new initiatives that strengthen the rules-based order and reinforce inclusiveness, transparency, rule of law, open markets, and ASEAN centrality, such as the Free and Open Indo-Pacific.

New Zealand supported Myanmar's national peace process through our chairing of the Peace Support Group in Yangon, as well as providing an additional NZ\$8.39 million to support displaced Rohingya people in Bangladesh and Myanmar.

We completed the third Young Diplomats Study Tour of New Zealand. Developed for young diplomats from ASEAN countries, the course is designed to further their diplomatic tradecraft and establish common understandings that contribute to the shaping of future norms.

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

We measure this outcome through the Business Operations Survey. While annual, its international dimension is incorporated every four years. The next update is 2019.

New Zealand exporters are satisfied with the support received from the Ministry

91% of stakeholders are 'very' or 'fairly' satisfied with the exporting assistance they received from MEAT

STAKEHOLDER ENGAGEMENT
SURVEY 2017²



Foreign Minister Winston Peters meets with Japanese Prime Minister Shinzo Abe during the Japan-Pacific Islands Leaders Meeting in Fukushima, Japan, May 2018. Credit: The Asahi Shimbun, Getty Images.

² The Stakeholder Engagement Survey is conducted every two years. Since 2017, the Ministry has taken steps to improve its responsiveness to stakeholders. These steps are detailed under the Success Indicators 'Contacts and assistance provided to a more diverse range of businesses' and 'Improved capability of business to compete offshore' on page 16.



Sonya Williams, co-founder and director of Sharesies and Ruel Amparo, CEO of Cropital.
Credit: Asia New Zealand Foundation.

CASE STUDY

ASEAN Young Business Leaders Initiative

For New Zealand to be successful abroad in growing its tourism and exports, it is vital to build our domestic knowledge of these markets. An example of how we are helping New Zealanders identify and access new business opportunities is the Young Business Leaders Initiative (YBLI), a programme that supports the Ministry's efforts to improve trade access for New Zealand in Association of Southeast Asian Nations (ASEAN).

Participants in YBLI must be under the age of 40 and leading entrepreneurs in their field. It is funded by the Ministry and delivered by the Asia New Zealand Foundation, with support from ASEAN, the New Zealand Business Council and New Zealand Trade and Enterprise.

The programme has led to a number of partnerships, deals and joint ventures. To date, YBLI has taken 36 New Zealand entrepreneurs to Southeast Asia and brought 87 young business leaders from Southeast Asia to New Zealand.

"The strength of YBLI is the way it allows for the rapid exchange of industry specific knowledge, at the same time as helping participants build up their knowledge of foreign markets quickly," says Adam McConnochie, Programme Manager for the Asia New Zealand Foundation.

"An example of this at work is five leading New Zealand technology entrepreneurs visiting the Philippines in June 2018. Participants had diverse tech start-up

experience spanning industries such as artificial intelligence, investment and blockchain, and were able to network this with entrepreneurs in similar industries in the Philippines.

"People think of the Philippines as being primarily a market for outsourcing services, but it also has a significant emerging technology scene filled with entrepreneurs who are pushing boundaries, which presents a range of market opportunities for New Zealand businesses from Software as a Service (SaaS) to consulting", says McConnochie.



Cook Island women sing for the Pacific Mission, March 2018. Credit: Sunpix.

4

Our Pacific objective

Safeguard New Zealand's interests and influence in the Pacific and improve the prosperity, stability and resilience of the region and its people

We took steps to deepen New Zealand's engagement with Pacific countries, increase development cooperation, and strengthen our influence.

Our goals

Pacific Island countries are well governed, resilient and stable

Pacific people are more prosperous and enjoy higher health and education standards

Pacific Island countries' positions and actions support New Zealand's strategic interests

Performance against our Success Indicators

Decisions by Pacific Island countries and regional fora align with New Zealand interests

New Zealand's engagement in regional fora is pivotal to increasing our influence and strengthening our relationships across the Pacific. In September 2017, New Zealand participated in the Pacific Islands Forum in Samoa, which delivered outcomes on issues of importance to New Zealand. Security was strengthened through the commitment of Pacific leaders to remove vessels with links to North Korea from their ship registries, and initial discussions on a new comprehensive regional security declaration. It was agreed that climate change and fisheries will become standing items on the Forum Leaders Agenda.

New Zealand enhances its position as the partner of first choice for Pacific Island countries

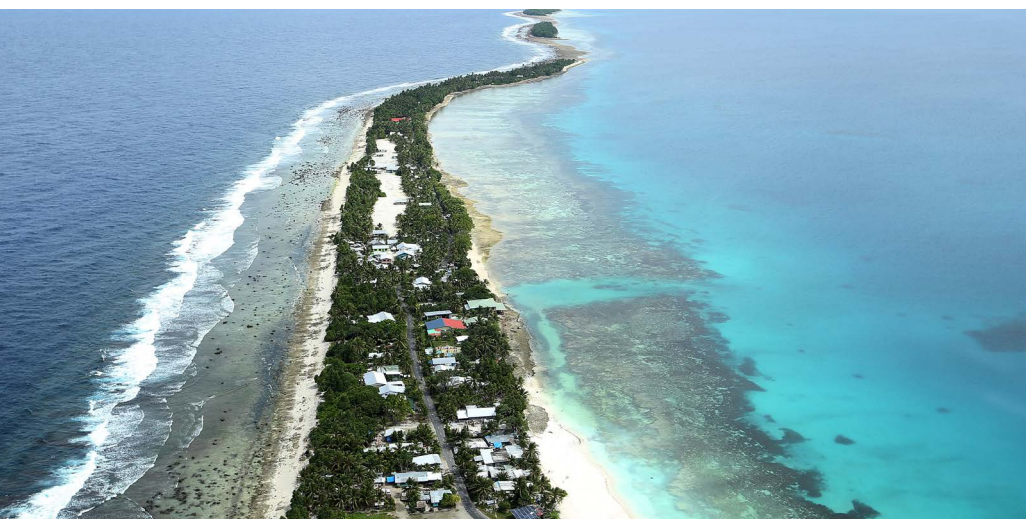
The Government's Pacific reset, announced in March 2018, signals a significant lift in New Zealand's strategic ambition and increased investment in the Pacific region. The additional NZ\$714 million in overall aid funding for the next four years announced in Budget 2018 will be drawn on to tackle priority issues for the Pacific, such as economic resilience, climate change, health and education. The reset focuses on building deeper, more mature partnerships with Pacific countries and enhancing our coordination with other key partners (particularly Australia).

Strengthened economic governance, resilience, and law and justice systems

We supported initiatives aimed at encouraging inclusive, sustainable growth, including policy reforms in Kiribati, Samoa, Tonga and Tuvalu. We partnered with the International Monetary Fund's Pacific Financial Technical Assistance Centre, which provides assistance to 15 Pacific countries and Timor Leste, and the Asian Development Bank's Private Sector Development Initiative, which supports 13 Pacific countries and Timor-Leste. A new programme was implemented by the Asia-Pacific Group to support 11 countries in improving their compliance with international anti-money laundering standards, aimed at promoting access to international finance and lowering the cost of remittances in the Pacific.

Building resilience to the adverse impacts of climate change remains a priority. New Zealand's assistance included supporting national disaster management offices and funding training for Pacific emergency services. We also completed work on improving water security in five atoll countries (Kiribati, Tuvalu, Tokelau, Cook Islands, and the Republic of the Marshall Islands), and Pacific-wide awareness-raising on ocean acidification. Over the course of the 2017-18 Pacific cyclone season, we coordinated New Zealand's efforts in assisting nationally led responses for nine events, including four all-of-government responses to Tropical Cyclone Gita (in Tonga, Samoa and Fiji), two volcanic eruptions in Vanuatu, and the Papua New Guinea earthquake.

Our programme in Buin, Papua New Guinea, paired New Zealand Police with the Bougainville Police Service and local communities to proactively tackle security concerns.



Aerial view of Tuvalu, March 2018.

Improved contribution from agriculture, tourism and fisheries sectors

Over NZ\$20 million was provided for fisheries-related activities to ensure sustainable management, enable economic development and protect food security. New programmes beginning this year focused on investing in leadership within Pacific fisheries agencies and enhancing catch documentation to improve traceability.

We continued to assist in initiatives to boost biosecurity, market access and agricultural production across the Pacific. In Papua New Guinea, we are working closely with three private sector partners to increase the reliability of fresh produce value chains.

Tourism remains a cornerstone of building sustainable economies for many Pacific countries. We support tourism in Niue, Samoa, Vanuatu, Solomon Islands and Timor Leste. These countries continued to show strong visitor growth.³

Increase economic benefit from trade and labour mobility

The Pacific Agreement on Closer Economic Relations (PACER Plus) is an important agreement among Pacific countries, New Zealand and Australia that will have benefits for trade and development in the region. New Zealand has provided NZ\$4 million over two years to support states in accessing immediate assistance for their transition to the agreement, including legislative and customs support. Vanuatu became the eleventh country to join the Agreement.

This year we also strengthened support for seasonal workers in New Zealand through the Strengthening Mobility Partnership with the Ministry of Business, Innovation and Employment and the Vakameasina Workers Training Programme, which provides support to 1,200 workers per year.

Increased access and use of renewable energy and information technology

We continued to roll out an ambitious renewable energy programme across 12 countries. Activities included rural energy access projects in Melanesia, which aim to provide power for 300,000 people, network upgrades, and hydropower projects. In Tonga, New Zealand provided line crews to help fix damage caused by Tropical Cyclone Gita.

We launched a number of initiatives to improve internet connectivity across the Pacific, including a consortium to deliver a submarine cable system for Samoa, Cook Islands, Niue and French Polynesia. We also supported an upgrade of the University of the South Pacific academic network, which will enable the University to deploy new academic digital services across 14 countries.



A workshop to support strengthening of the Bougainville Police Service facilitated through MFAT's partnership with New Zealand Police in Bougainville, Papua New Guinea, August 2017.

Improved health of people in the Pacific

Improving the prevention and control of non-communicable diseases is key to making a difference to the health of the Pacific and building healthy communities. We supported Pacific countries to implement tobacco control programmes and strengthen primary health care. This resulted in 14 countries progressing the vision of a Tobacco Free Pacific by 2025, six countries introducing health warnings, ten countries increasing tax on tobacco, and ten countries making their government buildings smoke free. We also saw an uptake in Pacific Island countries adopting a primary health care approach to improve treatment for non-communicable diseases.

NZ\$7 million was programmed in new investment for the first 1,000 days of children's lives to address high rates of newborn mortality and stunting in children under five in the Pacific.

We have also targeted support to the region to address communicable diseases through strengthening core capacities of country health systems.

Improved knowledge, skills and basic education

We supported education activities in nine Pacific Island countries and regionally through partnerships with the University of the South Pacific and the Education Quality and Assessment Programme of the Pacific Community.

Through the Pacific Literacy and School Leadership Programme we trained students in the Solomon Islands, the Cook Islands and Tonga. Our Leaders and Education Authorities Project in the Solomon Islands built capability to provide in-service training for teachers and school leaders. In Samoa, Niue, Tokelau and Nauru we supported national education strategic plans.

³ According to the latest South Pacific Tourism Organisation Annual Review of Visitor Arrivals.



Prime Minister Jacinda Ardern at a welcome ceremony in the Cook Islands as part of the Pacific Mission 2018. Credit: Sunpix.

CASE STUDY

Pacific reset – Deepening our partnerships across the region

New Zealand and the Pacific are joined by history, geography, politics, shared interests and demographics. One in five New Zealanders now has Pasifika or Māori heritage, and this trend is growing. The New Zealand Government's Pacific reset will deepen our Pacific relationships.

New Zealand has always had a strong focus on the Pacific. We have strong bilateral relationships in the Pacific, and 11 diplomatic posts across the region. We regularly participate in regional forums on issues of shared concern, such as climate change, sustainable fisheries and transnational crime.

However, the Pacific is becoming an increasingly contested strategic space and New Zealand needs to maintain its voice and influence.

The Pacific reset was launched by the Minister of Foreign Affairs in March 2018 in response to these challenges and opportunities. Over the next triennium, NZ\$1.3 billion is committed to expand our development activities aligned with the reset. The reset aims to shift our relationship from donor-recipient to a partnership where we work together to achieve a shared and sustainable future. Our approach to relationships will be based on friendship and genuine understanding at the same time as promoting New Zealand values of good governance, transparency and human rights. New Zealand has committed to considering the implications for the Pacific Islands of decisions on domestic policy.

A significant body of work has been undertaken to better coordinate New Zealand's activity across the Pacific. Currently there are more than 30 government organisations working across the region, plus a number of non-governmental agencies. The reset will facilitate a much more coordinated approach to New Zealand's engagement in the Pacific.

The announcement of the reset was immediately followed by the Prime Minister's Pacific Mission to Samoa, the Cook Islands, Niue and Tonga during which New Zealand's renewed commitment was communicated.



Penguins at Cape Hallett, Antarctica. Credit: Rachel Brown and Gus McAllister, Antarctica NZ.

5

Our environment objective

Promote smart international solutions on climate change, oceans and Antarctica that ensure environmental protection and the sustainable use of natural resources

We stepped up international leadership on climate change and took action to protect Antarctica and the Southern Ocean.

Our goals

An effective global response to climate change to which New Zealand contributes credibly and through which Pacific climate resilience improves

Healthy and productive oceans, in particular the Pacific and Southern Oceans

Safeguard New Zealand's strategic interests in Antarctica

Performance against our Success Indicators

Rules and guidelines agreed under the Paris Agreement protect New Zealand's ability to meet its commitments and sustain the integrity of the Agreement itself

We have been active in negotiations to establish a common set of enduring rules that make the Paris Agreement fully operational for its launch in 2020. This year we made progress on ensuring these rules enable New Zealand to play its full part in global efforts to address climate change in a way that accommodates our national circumstances. New Zealand's Climate Change Ambassador Jo Tyndall was re-elected as co-chair of the group within the United Nations Framework Convention on Climate Change (UNFCCC) that is charged with completing the work programme, reflecting the high regard New Zealand is held in.

New Zealand is recognised as a champion of carbon markets, a thought leader on agriculture and climate change response (including the Global Research Alliance), and a supporter of fossil fuel subsidy reform

The Ministry played a leading role in several international processes seeking to ensure international carbon markets operate with integrity. At the 23rd Conference of Parties to the UNFCCC we led a group of 20 countries to present a set of guiding principles to ensure common standards and integrity in carbon markets. We lifted the profile of the role sustainable agriculture can play in addressing climate change by hosting a precision agriculture event at the 23rd Conference of Parties. We continue to be a strong supporter of the Global Research Alliance on Agricultural Greenhouse Gases, which this year added Senegal

and the Democratic Republic of Congo to its membership. New Zealand demonstrated leadership on fossil fuel subsidy reform through launching a joint statement alongside 11 other countries at the World Trade Organisation in December 2017. This was supported by the Ministers for the Environment and Climate Change publishing articles on this topic on the UNFCCC website.

Climate resilience is improved in the Pacific, including through better access to the Green Climate Fund

We supported Pacific countries in disaster risk reduction, climate adaptation and resilience projects. Several Pacific projects have secured support from the Green Climate Fund, including a project to strengthen coastal resilience and the early warning system in the Republic of the Marshall Islands, and a new climate resilient port for Nauru.

Improved management of key Pacific fish stocks

We continued to support our Pacific partners as they work to improve fisheries management and compliance. We worked together with the Ministry for Primary Industries to engage with regional fisheries organisations to support better management rules and systems that facilitate the long-term sustainability of Pacific fish stocks.

Ross Sea Marine Protected Area established and successfully implemented

The Ross Sea Marine Protected Area came into force in December 2017. The result of several years of advocacy, it is the largest protected marine area in the world. This year, we played a leading role in its monitoring and protection, gathering research that



Solar panels in Tuvalu. Credit: Infratec.

will help New Zealand to understand the impact that fishing, environmental variability and climate change are having on the Antarctic marine environment.

Illegal, unreported, and unregulated (IUU) fishing eliminated in the Southern Ocean and reduced in the Pacific Ocean

New Zealand conducted a maritime patrol of the Southern Ocean fishery to deter IUU and to ensure the licensed fishing fleet maintains high standards. In the Pacific, we supported the apprehension in Indonesia of a vessel known to have engaged in illegal fishing and worked alongside Fiji authorities to apprehend six vessels. We also supported five Pacific regional surveillance operations and patrols with assets and technical advice. We committed NZ\$4.9 million to a new project with the Pacific Islands Forum Fisheries Agency to improve traceability along the supply chain.

Whaling eliminated in the Southern Ocean

We continued to advocate against Japan's continued whaling in the Southern Ocean, including through the coordination of multilateral diplomatic representations in Japan. New Zealand continues to sustain support in the International Whaling Commission for the global moratorium on commercial whaling and is actively supporting the work of its Conservation Committee to reduce whale mortality through incidents of fishing by-catch and entanglement.

The value of Christchurch as a gateway city to Antarctica is sustained and developed

Christchurch plays an important role as a "gateway city" to Antarctica, functioning as a logistical hub for the United States, Korea and Italy. We continued to work with Christchurch City in the development of its new Antarctic Strategy, which aims to leverage the city's economic potential in services, research, innovation and tourism. Services provided to Antarctic partners operating from Christchurch continue to improve as a result of enhanced funding received in 2017.

New Zealand is equipped to operate effectively in Antarctica, including with key partners

The Ministry supported Antarctica New Zealand in the detailed design phase of a future redevelopment of Scott Base. The Government will be invited to consider options for the redevelopment in Budget 2019. The Ministry also led a consultation process with the public to update the Statement of New Zealand's Interests in Antarctica and the Southern Ocean, which will be submitted to Cabinet in 2018.



Co-chairs of the UNFCCC's Ad Hoc Working Group on the Paris Agreement Ambassador Jo Tyndall (New Zealand) and Sara Baashan (Saudi Arabia) at COP23 in Bonn, Germany, November 2017. Credit: Kiara Worth, IISD/ENB.

Antarctic science delivers benefits to New Zealand in line with government priorities

We worked closely with Antarctica New Zealand and the Ministry of Business, Innovation and Employment in the establishment of a new Antarctic science platform. Once operational, the platform will facilitate targeted research by New Zealand scientists to improve our understanding of Antarctica's impact on global earth systems. It will be a catalyst for increased international scientific collaboration in Antarctica.

Tourism and environmental management in Antarctica is strengthened

New Zealand played a substantive role in the annual meeting of parties to the Antarctic Treaty and the Committee for Environmental Protection to strengthen the international governance framework for Antarctica. We worked with Antarctic partners to develop practical recommendations to enhance sustainable tourism management. We also led the government observer programme for New Zealand's tourist vessels in the Ross Sea region, a programme that is unique in Antarctica and supports our commitment to environmental protection.

New Zealand activity in Antarctica is an exemplar of environmental protection

The Ministry is responsible for administering permits for all New Zealand activity under the Antarctica (Environmental Protection) Act 1994. This allows us maintain a high level of oversight of all activities and to ensure that the impact from visitors does not cause environmental damage.



New Zealand support for fisheries compliance: accompanying a boarding of arriving fishing vessels in the Republic of the Marshall Islands. Credit: Francisco Blaha.

CASE STUDY

Supporting sustainable Pacific fisheries

The ocean is one of the biggest resources for Pacific nations. Managing fishing sustainably can be difficult without the resources to monitor and protect these waters, or to understand how much fish is caught. Illegal, Unreported and Unregulated (IUU) fishing takes \$600 million worth of tuna from the Pacific ocean each year,⁴ and includes everything from boats fishing in national waters without permission, to activity that is not monitored or is misreported. This deprives governments and Pacific people of valuable revenue and the ability to manage fish stocks sustainably.

Improving the reporting of fish catch is one of the best ways to prevent, deter

and eliminate the “unreported” part of IUU fishing - the major risk to the tuna fishery in the Pacific. Playing a key role in negotiating for a new global agreement monitoring the activities of fishing boats in ports, our focus this year has been on its implementation in the Pacific. The Port States Measures Agreement aims to identify illegal fishing activity when boats come into port. Most Pacific countries support the intent of the Agreement but need added capability to meet its requirements.

We have worked to build capability in the Pacific to monitor fishing so that States can sign the Agreement if they choose, while supporting countries who have

already signed. We worked closely with Pacific countries to introduce a ‘stepping stone’ regional rule that will help build capacity and meet some of the aims of the global Agreement. We also made financial contributions to regional and national agencies to strengthen port controls and to develop a regional scheme to report and document fish catch. This will help exporters to show that their fish has been sustainably harvested.

Our work in fisheries shows how the Ministry supports Pacific nations in multilateral negotiations, building capacity to comply with agreements through bespoke regional solutions and national implementation.

⁴ MRAG Asia Pacific (2016). *Towards the Quantification of Illegal, Unreported and Unregulated (IUU) Fishing in the Pacific Islands Region*.



Head of Mission Lucy Duncan visits the HALO Trust's demining project in the Department of Meta, Colombia, June 2018. Credit: HALO Trust.

6

Our security objective

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

We worked with partners to build regional and global security and stability, and provided travel advice and assistance to New Zealanders caught in emergencies.

Our goals

Identify and mitigate external threats to the security of New Zealand and New Zealanders

Support a more secure and stable South Pacific

Shape the security dynamics in the broader Asia-Pacific region in our interests

Contribute to international peace and security initiatives in ways that advance our security and foreign policy goals and project New Zealand's influence internationally

31

Performance against our Success Indicators

Relevant threats to New Zealand are identified and assessed by the Ministry in a timely manner

Threats to New Zealand security interests are mitigated

The Ministry provided advice to the Government on a range of threats, including terrorism, cyber security, irregular migration, and nuclear proliferation. We dispersed over NZ\$1 million through 29 projects in South East Asia and elsewhere to build our partners' ability to manage security threats relevant to New Zealand's interests. Within New Zealand, we have contributed to whole of government efforts to manage existing and emerging national security threats, including strengthening our cyber security.

New Zealand makes a credible contribution to collective responses to global security threats

We remain active in ensuring that our offshore defence and security contributions mitigate global security threats where New Zealand's interests are impacted. We provided advice to the government on, and directly supported, New Zealand's operations in the Middle East and Africa, including in Iraq, Afghanistan, South Sudan and the Sinai. We monitored developments on the Korean Peninsula and actively supported the diplomatic process towards North Korea's denuclearisation, including through the Minister of Foreign Affairs' participation in the Vancouver Foreign Ministers' meeting on security and stability on the Korean Peninsula. We provided support for sanctions implementation and contributed to the International Atomic Energy Agency's monitoring of North Korea's nuclear programme.

Developing norms on emerging security issues reflect New Zealand interests

Rapid developments in technology mean that New Zealand lives in an increasingly globalised world where the boundaries between nations are more permeable. This has necessitated an increased focus on establishing new rules of state behaviour. This past year we provided particular support to furthering the development of norms around the use by states of cyber space and outer space.

New Zealand's security objectives are integrated within broader bilateral, regional, trade and development goals

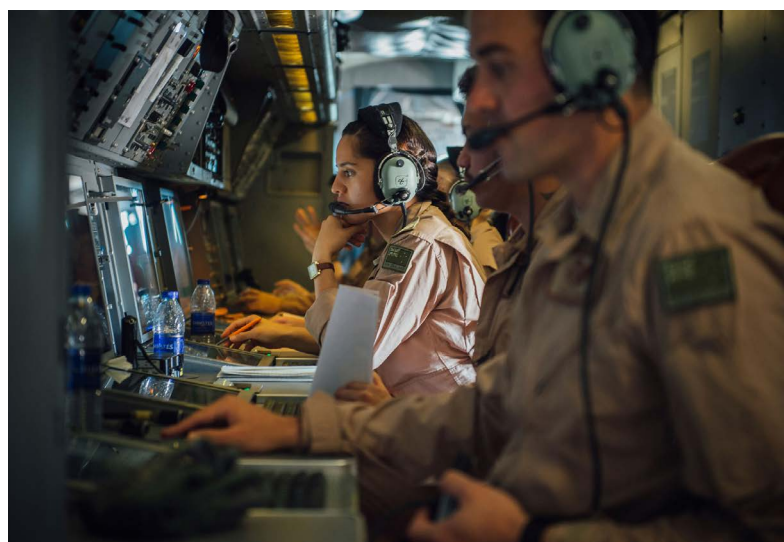
A key focus has been strengthening our regional security through working together with like-minded partners, including countries in the Asia, South and South East Asia and Pacific regions. This year we have focused on terrorism, cyber, transnational crime,

A key role for the Ministry is ensuring New Zealanders are safe when travelling abroad and can access emergency advice and consular assistance. We gave support to New Zealanders following the Afghanistan, London, Barcelona, France, Finland, Melbourne and New York terrorist attacks, and civil unrest in Zimbabwe and Ethiopia. We provided assistance for New Zealanders in natural disasters, including volcanic activity in Vanuatu and Indonesia, the California fires, and Hurricanes Harvey, Irma and Maria through the Caribbean and the United States. We also provided travel advisory updates so New Zealanders can make more informed decisions before booking travel.

and people smuggling and these issues have been given greater prominence in our bilateral and regional engagements and spending decisions.

Pacific Island countries' governments are able to proactively address security threats

We have supported Pacific Island countries to proactively address security challenges. Through the Pacific Security Fund, we provided over NZ\$2.4 million to support 40 capacity building projects delivered by New Zealand government agencies. Areas of focus included policing, aviation security, illegal, unreported, and unregulated fishing, and cybersecurity.



A Royal New Zealand Air Force P-3K2 Orion and crew operate in the Middle East in support of Combined Maritime Forces anti-terrorism and anti-piracy operations. Credit: New Zealand Defence Force.

New Zealand remains a leader on disarmament and non-proliferation issues. We supported the successful call to strengthen the implementation of the Chemical Weapons Convention in the face of recent chemical weapons attacks in Syria, Iraq, Malaysia and the UK. These amendments will allow the Organisation for the Prohibition of Chemical Weapons to apportion blame – an important step in ensuring accountability. The Ministry supported the implementation of the Brokering (Weapons and Related Items) Controls Act 2018 through Parliament.

Medium-term regional counter-terrorism threat levels do not increase

Assessed threat levels for South East Asia remain constant. New Zealand continues to work with partners in our region to build capacity and share information in respect of terrorist and transnational criminal activity. The Ministry has in particular supported projects on countering violent extremism, terrorist financing, border security and post-blast crime scene investigations.

New Zealand influences decisions made in the Asia-Pacific regional security fora

In our participation in the East Asia Summit and ASEAN Regional Forum, we have focused on the key strategic risks facing the region, notably nuclear proliferation on the Korean Peninsula and tensions in the South China Sea. Other key issues advanced by New Zealand include cyber security, preventive diplomacy, and countering violent extremism.



Foreign ministers from 20 countries including New Zealand meet in Vancouver to address North Korea's nuclear and missile programmes, January 2018. Credit: Kyodo News, Getty Images.



Disarmament Ambassador Dell Higgie takes part in the second round of negotiations for the Treaty on the Prohibition of Nuclear Weapons. Credit: ICAN, 2017.

CASE STUDY

Treaty on the Prohibition of Nuclear Weapons

New Zealand has long advocated for the elimination of nuclear weapons, arguing that their use would have catastrophic consequences on health, the economy, and environment. New Zealand was one of the first signatories of the 1968 Nuclear Non-Proliferation Treaty, which aimed to prevent states without nuclear weapons from acquiring them, and committed the five states already possessing nuclear weapons to a process of disarmament.

Dissatisfaction with the lack of progress in nuclear disarmament has since become widespread. Along with other members of the United Nations (UN), New Zealand voted in December 2016 to mandate negotiations for a treaty to prohibit nuclear weapons. New Zealand was later appointed a Vice-President of these negotiations, represented by Disarmament Ambassador Dell Higgie. Following five

weeks of negotiations, in June 2017, 122 states voted in favour of the adoption of the new Treaty on the Prohibition of Nuclear Weapons. Not all UN member states had attended the negotiations. The nine states who possess nuclear weapons did not participate in the negotiations, nor did any NATO members other than The Netherlands. New Zealand signed the Treaty on 20 September 2017, the first day it opened for signature, and initiated the domestic ratification process in May 2018.

The new Treaty goes much further than any other existing agreements on nuclear weapons. It establishes a global prohibition on all nuclear weapon-related activities including their development, testing, transportation, use and threat of use.

The Treaty's approach of putting a prohibition in place ahead of elimination has been successful for other weapons in

the past, including chemical and biological weapons, land mines, and cluster bombs.

“The Treaty [on the Prohibition of Nuclear Weapons] is the first international Treaty formally outlawing nuclear weapons and leading towards their total elimination. Joining the Treaty is a logical step for New Zealand given our long-standing policy opposing nuclear weapons. New Zealand’s ratification of the Treaty expresses New Zealand’s abiding commitment to a nuclear weapon-free world.”

**MINISTER FOR DISARMAMENT
AND ARMS CONTROL
WINSTON PETERS, 14 MAY 2018**



Powhiri for returning Heads of Mission, May 2018.

7a

Organisational capability

Our people objective

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

We launched major initiatives to build a happy, healthy and high-performing Ministry that attracts and retains talent.

Our goals

We have the right people in the right places at the right times

We develop our people for the future

We are diverse and inclusive

We care for and value our people

35

Performance against our Success Indicators

Reduced capacity and capability gaps reported by managers

Workforce planning continues to remain a priority. Following on from the resources advisory panel established last year, a workforce planning project has been approved to begin in 2018-19. This project will design an approach to ensure we have the right people in the right place at the right time.

Reduced gap between current and future capability profile

One of the outputs of the implementation of the Career Ministry programme in 2016 is better staff capability through internal development and progression. A priority project to review the development and progression model of junior foreign policy staff will be completed by the end of 2018. A current state assessment has been initiated and will be completed as the first stage of the workforce planning project, including the assessment of capability needs.

Improved leadership helps deliver strategic objectives

Work began to enable leaders to better understand what good leadership looks like and to support them to deliver this capability. We commenced a refresh of our capability framework to ensure our leadership capabilities are aligned with our strategic framework and values, as well as other Ministry strategies such as diversity and inclusion and Māori engagement.

We attract and retain a diverse workforce

A ten-year Diversity and Inclusion Strategy was launched in June 2018. It contains 74 specific initiatives and 42 goals which will result in our staff reflecting the diversity of New Zealand and the countries we work in, and that the contributions of staff with diverse backgrounds, experiences, skills and perspectives are valued and respected. It also promotes flexible working, has specific targets for recruitment and retention, and goals for increasing Māori and Pasifika, Asian and other ethnic representation within the Ministry.

Reduced inequalities for women

Reducing gender inequality within the Ministry is a key part of our Diversity and Inclusion Strategy (see the following case study). A 'Women at Post' Working Group was set up to improve the experience of women through addressing issues relating to health, safety, security and well-being.

Improved engagement, work-life balance and value that staff perceive from their contribution

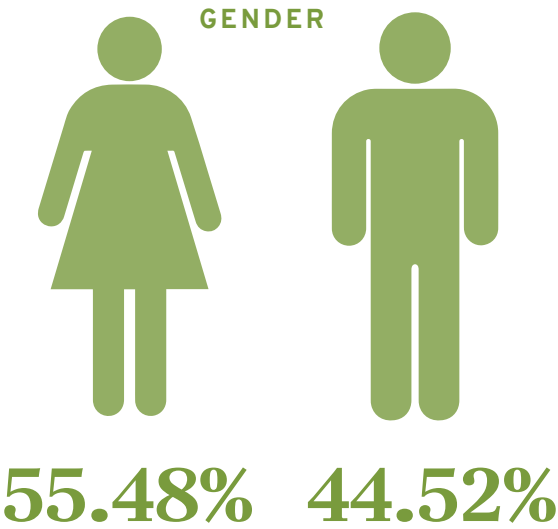
The employee engagement survey ran in October 2017 and followed an upward trend, with engagement at 73.5 percent. Improvements were evident in employee well-being with the number of staff who believe they experience a good work/life balance rising 16 percent over the last two years. We began to actively promote flexible working options as a means to enhance productivity and engagement. The survey also highlighted areas where we can improve, including increasing the quality of internal communication so that staff feel valued and lifting the engagement of leaders across the Ministry. We expect that our initiatives in building leadership capability will have a positive impact on these measures in the future.



Launch of the Diversity and Inclusion Strategy, May 2018.

Health and safety risks are identified, reduced and mitigated

Phase 3 of the health and safety programme was successfully concluded in December 2017. This included a health and safety training module, pandemic planning, property assessment and remediation and visitor management. This phase also included a working group and assessment of the issues that women face while deployed at posts (for example, additional security issues). Tranche 2 of the property assessment across Pacific posts was completed and tranche 3 assessing property across the Middle East and parts of South East Asia is now under way. A health and safety reporting framework was implemented. The Ministry commissioned two independent reports to assess how well we are managing health, safety and well-being. Recommendations will be incorporated into our ongoing work plans.



	ETHNIC 1	ETHNIC 2	%
ASIAN PEOPLES	51	11	6.67%
NEW ZEALAND EUROPEAN	700	34	78.92%
NEW ZEALAND MĀORI	60	13	7.85%
OTHER ETHNIC GROUP	12	4	1.72%
PACIFIC PEOPLES	25	13	4.09%
DO NOT WISH TO DISCLOSE/NOT IDENTIFIED	82		8.82%



MFAT Women Leaders, May 2018.

CASE STUDY

Gender pay gap

Creating a high-performing, collaborative culture that nurtures talent is crucial to our success. The State Services Commission has identified eradicating the gender pay gap as a priority for the public sector. This year, as part of our People Strategy, we undertook work to address the gender pay gap within our organisation.

We found the gender pay gap within the Ministry was primarily due to vertical segregation, and the concentration of women into lower-paying roles in the organisation. We secured endorsement from the State Services Commission to allocate an additional 1 percent of our remuneration budget (approximately NZ\$1 million) to reduce differences within pay bands which are based on gender. This reduced the overall gender

pay gap from 17.19 percent to 15.13 percent. Three hundred women (out of 458) received an adjustment to their pay rate specifically to address gender pay differences with pay bands. Our lowest pay bands (11 and 12) were then allocated an additional 2 percent pay increase across the board (over and above the standard remuneration and gender pay increases) up to 115 percent of the position in range for the grade. This acknowledges that most of our staff in those bands are female. We are on track to eliminate the remainder of the gender pay gap within bands by the 2018-19 financial year.

We also made changes to our policies to support women's career progression. These include changing our policy to include employees on parental leave without pay in remuneration reviews,

using a Remuneration Specialist to ensure that appointment salaries for men and women are equitable across the organisation, and ensuring women candidates are included in the selection process for Head of Mission roles. We began to actively promote flexible working options as a means to enhance productivity and engagement.

This effort to address the gender pay gap is one of our initial steps in the Ministry's People Strategy and Diversity and Inclusion Strategy that will ensure we continue to attract, retain and develop the best and brightest talent.



MFAT Leaders Meeting, May 2018.

7b

Organisational capability

Our networks objective

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

We enhanced New Zealand's offshore presence with a refurbished embassy in Beijing and a new embassy in Bogotá, and improved our collaboration with NZ Inc agencies.

Our goals

A network that is responsive to changing political, security, trade and consular priorities

An optimised NZ Inc network that provides a coherent New Zealand face to the world

A network that keeps our people and information safe

Improved value-for-money from New Zealand's offshore footprint

Performance against our Success Indicators

A network that adapts to changing priorities

New Zealand's embassy in Bogotá, Colombia was opened in March 2018. The embassy will support our closer cooperation on issues such as trade, agriculture and education. Colombia is a key member of the Pacific Alliance and is on track to become South America's largest economy by 2020. Funding was announced in Budget 2018 to open an embassy in Stockholm. Planning also progressed for previously announced posts in Ireland and Sri Lanka.

Improved policy coherence in NZ Inc offshore activities

We coordinate the NZ Inc Operational Senior Reference Group, which provides a unified approach to operational coordination with New Zealand government agencies operating internationally. This year, Tourism NZ joined our group, and we met quarterly with eight NZ Inc partners.

Initiatives this year included significant work on the NZ Inc Framework for International Operations, and the establishment of an inter-agency working group to progress the NZ Inc Offshore Network Operating Model Review.

Increased use of NZ Inc common workspaces

To present a coherent New Zealand face to the world and facilitate collaboration among agencies, the Ministry aims to provide workspaces that meet the needs of multiple agencies in offshore posts. The work completed this year on refurbishing the Beijing Chancery is a good example of this model in action. This provides space for up to 80 staff for the eight New Zealand government agencies with a presence in China, which is now our largest trading partner. It contains areas which are available for use by all agencies, and can easily be adapted to suit both small, intimate functions and large-scale events hosting up to 300 people.

The Ministry's capital and operating investment enables better deployment of property and information technology resources

The Ministry has a "fit-for-purpose" framework for measuring the non-monetary benefit of property. Our property portfolio met or exceeded our targets for 2017-18 for chanceries and official residences.

We have refreshed and upgraded ageing hardware and software that supports the Ministry's digital network.

Reduction in forecast increases to long-term costs for our network

The Ministry has taken steps to ensure assets continue to be well maintained, fit-for-purpose and financially sustainable into the future.



Inauguration of the New Zealand embassy in Bogotá. Left to right: Lola de la Cruz Mattos, the last resident Colombian Ambassador based in New Zealand, Head of Mission Lucy Duncan, Under-Secretary Foreign Affairs Fletcher Tabuteau and Colombian Vice-Minister of Foreign Affairs Patti London. Credit: Alexandra Ruiz.

Operation of our networks meet health and safety and security requirements

The Ministry has made improvements to its health and safety programme to ensure the safety and security of our staff posted abroad. Prior to posting, all staff undergo training and briefings. We have also continued to focus on completing property assessments and making any required improvements and have improved the management of hazardous substances at post.

Low occurrences of health and safety incidents and security breaches

This year we improved the reporting of health and safety incidents to increase visibility to managers and ensure follow up action is being taken to address hazards. We also continued to monitor security breaches.

INCREASED USE OF DIGITAL TECHNOLOGY



TWITTER: @MFATGOVTNZ

5,341 followers

67% increase

ON THE PREVIOUS YEAR



MFAT ON FACEBOOK

2,834 followers

2,605 page likes



Māori Policy Unit Divisional Manager Martin Wikaira greets staff at the Beijing Embassy, China, June 2018.

CASE STUDY

Our networks - Beijing Chancery

Our posts play an important role in promoting New Zealand's unique identity, and are often the first point of contact people in other countries have with New Zealand.

This year we began work on our Workplace Strategy, which helps us use our routine maintenance on posts as an opportunity to create a consistent and unified identity that represents New Zealand. It prompts us to think more carefully about how we can shape the visitor experience, use existing art collections, and make the most efficient use of space.

The refurbishment of the Beijing Chancery is an example of what can be achieved under the strategy. The Chancery features an installation called He Pakiaka, which means taproot. Installed in 1984

by the late Ngāti Porou master carver Pakariki Harrison, with the support of Cliff Whiting and Manaaki Wilson, He Pakiaka is representative of Māori aspirations to reach out to the world through culture. Eleven iwi contributed taonga which gives He Pakiaka its diversity while maintaining its connection to a taproot of shared values such as whanaungatanga (family), kaitiakitanga (stewardship), manaakitanga (care), rangatiratanga (leadership) and tohungatanga (excellence).

In the old building design, He Pakiaka sat to the back of the Chancery and was only accessible by invitation. During the refurbishment, the entrance to the building was shifted so that He Pakiaka is now near the front doorway, enabling many more people to see it and experience a unique

sense of New Zealand. The artwork was also restored to ensure that we are taking care of this treasure.

The refurbishment also reorganised the use of space, enabling hot desks for NZ Inc agencies to use and room for up to 80 staff.



The Diplomatic Corps arrive at Te Whare Rūnanga Marae for Waitangi Day commemorations, February 2018.

7c

Organisational capability

Our relationships objective

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

We increased our engagement with New Zealanders on trade and environment issues.

Our goals

NZ Inc agencies' international delivery is co-ordinated and effective

New Zealand has the diplomatic capital to effectively promote its interests

Relationships with domestic stakeholders improve the quality of New Zealand's international engagement and programme delivery

The Māori dimension is understood and reflected in our work

New Zealanders support the work of the Ministry and have opportunities to enquire and engage

Performance against our Success Indicators

NZ Inc agencies understand each other's roles and objectives, and how we support others to work towards them

64% of NZ government stakeholders agreed MFAT provides strategic direction for NZ's international engagement

61% of NZ government stakeholders agreed MFAT collaborates as a team player with NZ inc agencies on shared objectives

47% of NZ government stakeholders agreed MFAT helps them understand what NZ Inc agencies are trying to achieve together internationally

SOURCE:
STAKEHOLDER ENGAGEMENT SURVEY 2017

New Zealand can rally support for priority initiatives as they arise

New Zealand leveraged its relationships to generate support for a number of important initiatives this year. The Ministry's core work with other countries involves building committed relationships which we can draw on to achieve specific objectives. In 2017-18, examples of how we leveraged relationships to generate support of important initiatives included all 28 Member States agreeing to the launch of free trade agreement negotiations with the European Union (EU), announced during the visit of EU Trade Commissioner Cecilia Malmström to Wellington in June 2018.

New Zealand demonstrated leadership on fossil fuel subsidy reform by launching a joint statement alongside 11 other countries at the World Trade Organisation (WTO) Ministerial Conference in December 2017. This work aims to reduce the US\$425 billion spent by governments each year on subsidising fossil fuels in order to minimise pollution, encourage innovation in green technologies, and enable nations to meet their commitments under the UN Sustainable Development Goals.

PROGRESS FOR NEW ZEALANDERS OFFSHORE:

- **Knowledgeable Innovators and Worthy Investors Act (KIWI Act):** This was introduced into the United States Congress in 2018. The Act will allow New Zealanders to apply for E1 and E2 trade and investment visas.
- **Pathway to Australian citizenship:** Applications were received for 11,600 New Zealanders in the year after the pathway opened on 1 July 2017.



Heads of Missions speak at Latin American Business Council breakfast in Auckland, May 2018.

Domestic stakeholders are satisfied with their engagement with the Ministry

84% of domestic stakeholders are generally positive about their recent service delivery interactions with MFAT

75% agree that the Ministry is effective at representing and advocating for New Zealand's interests internationally

SOURCE:
STAKEHOLDER ENGAGEMENT SURVEY 2017

In August 2017 the first comprehensive survey of domestic stakeholder attitudes toward the work of the Ministry was reported to the organisation. Findings from the survey are being used to further improve the Ministry's engagement with domestic stakeholders and the wider public through a programme of training and skill development for staff, and the formation of outreach campaigns.

The Ministry's policy development reflects the obligations of the New Zealand Government

Māori have an increasing interest in international issues, including free trade agreements, climate change policy and promoting the New Zealand brand through cultural diplomacy. In November 2017, we adopted a Māori Engagement Strategy, which aims to build relationships and partnerships with Māori based on trust and confidence. The strategy will build Mātauranga Māori capability and capacity, increase the visibility of the Treaty of Waitangi, deliver engagement which has integrity and value for both sides, support Māori aspirations internationally, present an authentic bicultural identity to the world, and produce a collection of compelling stories for a Māori audience.

The Māori dimension is reflected in the way we present ourselves to the world

Māori culture features strongly in our offshore narrative on identity and it is important that the end result is authentic, respectful and thoughtful. The repurposing of He Pakiaka in our Beijing post, and our World War One Centenary commemorations in Brussels at the Menin Gate have provided opportunities for genuine collaboration with Māori. Under the Māori Engagement Strategy further work is also being undertaken to establish guidelines, practices and processes which better enable staff to embrace new opportunities for collaboration.

This year 150 staff participated in Te Reo Māori classes and workshops on the Treaty of Waitangi Crown-Māori Relationship, and briefings on Te Ao Māori were delivered to Foundation Programme staff. Ministry staff also participated in weekly waiata classes and karanga workshops.

Public information enquiries are responded to in a timely manner (including websites, email, social media)

The launch of the Trade Barriers website in August 2017 has allowed us to work with other government agencies to streamline our response to exporters registering concern. We now respond to 96 percent of enquiries received through our central advisory service within two working days. Requests for information received through both our social media accounts are responded to within one working day.

Participation in consultations and hui

We held 39 consultation events with key stakeholders on trade agreements and our role in progressing New Zealand's economic growth overseas. Twenty-three of these were public events. More than 30 engagement initiatives were delivered with Māori business, academics, WAI 2522 claimants, Pou Tahua (iwi chairs), and others.

Our outreach includes cooperation with the Federation of Māori Authorities and the Iwi Leaders Forum, and participation in the Crown-Māori Economic Growth interagency forum He Kai Kei Aku Ringa with New Zealand Trade and Enterprise, Te Puni Kōkiri, and the Ministry of Business, Innovation and Employment.

We have also used social media to increase our outreach to New Zealanders on trade and human rights events, and issues such as the Ross Sea Marine Protected Area and fossil fuel subsidy reform.



MFAT Māori women leaders, May 2018.

CASE STUDY

Building engagement with Māori

The Māori economy is estimated to be worth around \$50 billion, with a significant portion of this invested in the primary sector.

Māori have strong interests in New Zealand's international engagement, including economic and environmental issues, the impact of international agreements on Te Tiriti o Waitangi provisions, indigenous and human rights, and the Māori diaspora in Australia.

To give impetus and direction to our ongoing commitment to engage with Māori, in December 2017, the Ministry adopted a Māori Engagement Strategy. The vision for the Strategy is **Ka hikitia te whanaungatanga a te Manatu Aorere me te Iwi Māori**: Māori have confidence in their partnerships with the Ministry. The strategy will ensure that our engagement has integrity and develops a strong understanding of what Māori stakeholders want. It will also build our mātauranga

Māori capability through developing Māori leadership within the Ministry, and tell the story better of Māori economic development.

Relationship building and engagement in areas of priority interest for the Ministry and for Māori is a crucial and ongoing focus of the strategy.

An example of this at work is our collaboration with the Federation of Māori Authorities (FOMA). A peak Māori industry body in the primary sector, FOMA is composed of 150 Māori Authorities with a combined asset base of more than \$11 billion. Its members have significant interests in seafood, forestry, dairy, sheep and beef, horticulture, property, energy and investments. They also have an emphasis on promoting an indigenous economy based on Māori values that generate wealth today for future generations, prioritise working

collectively, supporting whanau and hapū, and preserving the environment. In 2017, the Ministry accepted an invitation to deliver a tailored workshop on free trade agreements and trade policy to a masterclass as a part of the lead up to FOMA's 30th Anniversary. This highly successful event proved the strong relationship between the Ministry and FOMA, by providing the opportunity to engage with senior Māori business leaders who are involved in supporting regional growth and international trade and to hear their perspectives on New Zealand's trade and economic policy. We have set up quarterly meetings for dialogue with FOMA, formalising the previous intermittent meeting structure.

In the coming years, we aim to increase this outreach through the foundations established in the strategy to contribute towards Māori economic growth.



Credit: Hoxton/Tom Merton, Getty Images.

7d

Organisational capability

Our systems objective

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

We improved key systems to support efficient Ministry operations.

Performance against our Success Indicators

Effective management of our capital and operating investments align with the Ministry's strategy

The effective management of our capital and operating investments was recognised in May 2017 assessment, when Cabinet gave the Ministry the top 'A' rating. This reflects the maturity of a number of our key systems, including property portfolio asset management. The Ministry's improved planning process aligns baseline resources to the Ministry's Strategic Framework. New funding is allocated to support priority deliverables identified within the Ministry's Strategic Framework. The Ministry's capital management continues to evolve with a new prioritisation framework implemented in 2017-18. Alignment with the Ministry's strategy is a criterion within the framework.

Delivery of agreed actions from independent reviews to improve our processes and systems

We made progress in addressing recommendations from the independent reviews overseen by the Ministry's Investment Management Steering Group. The work programme encompasses individual work plans for each element of the Investor Confidence Rating with target scores to be obtained at the next review scheduled for December 2019. The Portfolio, Programme and Project Management Recommendation Implementation Plan was advanced as part of a work programme that will run into 2018-19.

Both current and future operating management systems deliver effectively and as intended

We continued to develop fit-for-purpose information technology systems to support the Ministry's operations. We started implementing our Information Systems Strategic Plan, which informs investments in replacements and new assets. The Ministry's Asset Information Management System, which went live in May 2017, was progressively rolled out to our post network this year (further details are in the following case study). The consular management systems SafeCase and SafeCrisis were updated to increase functionality. The Ministry's most significant IT investment is the Enquire aid management system, the first stage of which was implemented in April 2017. All the remaining functionality including results reporting was developed this year, with implementation due in September 2018.

The Ministry's people and information are kept safe through the delivery of health and safety, security and privacy strategies

This year we conducted two external reviews of Health and Safety to check our operational maturity in New Zealand and at our posts. We introduced a number of initiatives to improve health and safety across the organisation, including a Health and Safety Foundations programme, the trial of a system to provide mobile alerts to staff and a 24/7 mayday service, and an integrated approach to the health and safety management of contractors and partners in the New Zealand Aid Programme. We also implemented a Privacy Strategy to ensure staff receive regular and ongoing training and the information we hold is stored in line with data and privacy regulations. In June 2018, we launched our Protective Security Strategy, which is a five year work programme that will enable our staff to operate safely in a more flexible working environment.

Important information is secure and accessible for those who need it to make decisions

Important information continues to be kept secure and accessible for those who need it to make decisions while greater agility in the way we do business means there are increasing demands on staff to be aware and empowered in security protocol. Our Protective Security Strategy will support this.

Continuous alignment of the Ministry enabler plans (asset management, information technology, investment, security, processes) to strategic objectives

Significant work has been done on ensuring that our plans are aligned with our strategic objectives, including the Information Systems Strategic Plan. We made progress on refreshing the Global Asset Report and Global Asset Strategy, and on plans for the delivery of our security strategy and internal communications systems that connect staff across the organisation.

Alignment of NZ Inc infrastructure offshore

The ongoing NZ Inc Operational Senior Reference Group work plan will provide greater cohesion and efficiencies across our offshore activity with other agencies. An 18 month programme has been agreed based on the outcome of the NZ Inc Offshore Network Operating Model Review. The updated NZ Inc Framework for International Operations has also been agreed, which aligns New Zealand government agencies working abroad to a common set of principles.

New Zealand Business Number

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 successfully implemented the NZBN requirement in June 2018. The Registrar commented in the NZBN 2018 implementation progress report as follows: “It is pleasing to note that, despite having more stringent security considerations than many other agencies, the Ministry has successfully determined an NZBN approach.”



The recently refurbished Ottawa Chancery, Canada.

CASE STUDY

Using technology to support asset management

This year we rolled out the Asset Information Management System (AIMS), a new system that will improve how we manage our property, information technology and security assets. These assets are key enablers that provide a platform for the delivery of the Ministry's objectives.

The Ministry manages 286 owned and leased properties across 58 posts. Managing assets on such scale is complex. Each post has different property, information technology and security needs, and in the past customised their asset information. This ensured tailored maintenance and planning but made it difficult to develop an understanding of assets and asset trends at a global level and report on these.

The implementation of AIMS is a significant achievement for the Ministry as it centralises information across the portfolio so that live data can be populated on property, information technology and security assets. This collated information will enable the Ministry to make more informed decisions. Through providing more accurate and timely reporting, AIMS will enable better oversight of our projected maintenance and both capital and operational expenditure.

The AIMS system is intuitive to use, and more than 400 staff are now able to use the system to record and store information that helps them to manage the Ministry's assets. This will enable greater standardisation in decision-making across the multiple teams involved. AIMS makes complex decisions simpler by integrating

with other programmes in the Ministry, such as our finance system. It is also designed to be adaptive to future needs, such as adding in health and safety modules.

Over time, we expect AIMS will generate efficiencies and cost-savings in a variety of areas across the Ministry, including the management of contractor and staff time. AIMS will also assist our health and safety compliance and security goals through providing greater oversight.

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 2018 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 2019 and its operations for the year ending on that date.



BROOK BARRINGTON
CHIEF EXECUTIVE

28 September 2018

Statement of performance

The Minister of Foreign Affairs purchased from us provision of services funded through the following eight departmental output expenses in Vote Foreign Affairs and Trade, and one departmental 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 dependents
- 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 for foreign missions, and consular posts accredited to New Zealand
- provision of host government services to diplomatic and consular corps
- provision of advice to Ministers, diplomatic missions, government agencies, and other partners regarding the interpretation and application of diplomatic and consular privileges and immunities in New Zealand.

PERFORMANCE MEASURES	2017 - 18		2016 - 17
	Budgeted 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)	170-180	168	162
Number of foreign diplomatic and consular staff (and their dependents) resident in New Zealand	1,350-1,450	1,344	1,361
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	90-100%	99%	98%
Percentage of cases warranting prosecution where waiver of immunity sought	100%	100%	New measure

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.

	2017 - 18		2016 - 17
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Number of Ministerial letters prepared	1,000-1,200	944	1,119
Number of Parliamentary Question responses provided	200-250	216	324
Number of Official Information Act request (OIA) responses provided	300-350	215	212
Percentage of Ministry OIA requests responded to within statutory timeframes	90%	94%	94%
Percentage of Ministerial OIA request replies completed five days prior to the statutory time limit, unless otherwise agreed	90%	85%	90%
Percentage of Ministerial correspondence completed within 15 working days	90%	81%	72%
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)	25 days	28.5 days	26 days
Average Ministerial satisfaction score	4 or above on a 5 point scale	4	2.5

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual expenditure 2018 \$000	Appropriation voted 2018 \$000	Variance 2018 \$000
939	Annual appropriations	1,018	1,021	3

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 Zealand overseas, such as a terrorist incident or natural disaster; and formally validating documentation for use in other countries.

PERFORMANCE MEASURES	2017 - 18		2016 - 17
	Budgeted Standard	Actual Standard	Actual Standard
Number of overseas locations where consular services are provided	66	67	66
Distressed New Zealanders overseas who received consular services (demand driven)	3,000-3,500	2,821	2,780
General consular advice enquiries responded to (demand driven)	47,000-52,000	34,530	44,494
Notarial services provided (demand driven)	11,000-14,000	12,616	12,076
Consular emergencies responded to	6-8	24 ⁵	13
Percentage of respondents satisfied with quality of consular services (four or above on a five point scale)	85%	78%	80%

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual expenditure 2018 \$000	Appropriation voted 2018 \$000	Variance 2018 \$000
19,779	Annual appropriations	20,135	20,575	440

⁵ These include an apartment block fire in Dubai, United Arab Emirates; a terrorist attack in Barcelona, Spain; a rock concert terror threat in Rotterdam, the Netherlands; the response to Hurricane Harvey in Texas and Louisiana, the United States; Hurricane Irma in the Caribbean and the United States; an earthquake in Chiapas, Mexico; volcanic activity in Bali, Indonesia; an active shooter in Las Vegas, United States; a car driving into pedestrians in London, United Kingdom; a terrorist attack in New York, United States; the California wildfires, United States (two instances); political unrest in Harare, Zimbabwe; an explosion at a bus terminal, Manhattan, New York; a vehicle hitting pedestrians in Melbourne, Australia; a siege in Kabul, Afghanistan; an earthquake and tsunami threat in Alaska, United States, and Vancouver, Canada; Tropical Cyclone Gita in Tonga; a knife attack in Vienna, Austria; a volcanic eruption in Ambae, Vanuatu; civil unrest in Managua, Nicaragua; a vehicle ramming attack in Toronto, Canada; an apartment fire in Sao Paulo, Brazil; and a volcanic eruption in Fuego, Guatemala.

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.

	2017 - 18		2016 - 17
PERFORMANCE MEASURES	Budgeted 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	Met	Met	100%
Funds are accessed, disbursed and monitored in accordance with the management process established by the Pacific Security Coordinating Committee	Met	Met	100%
Independent assessments of at least one project over \$100,000 finds that they were successful in achieving the majority of their objectives	Met	Met	100%

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual expenditure 2018 \$000	Appropriation voted 2018 \$000	Variance 2018 \$000
2,058	Annual appropriations	2,403	2,672	269

Explanation of significant variances

The variance of \$0.269 million between appropriation and actual expenditure was primarily due to delays receiving applications for the PSF.

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 management of 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 Cooperation and Development (OECD)
- Antarctic organisations
- international environmental organisations
- international disarmament organisations.

PERFORMANCE MEASURES	2017 - 18		2016 - 17
	Budgeted Standard	Actual Standard	Actual Standard
Binding international treaties concluded by the Ministry under this output expense class ⁶	9-11	19	15
Policy submissions produced for Ministers under this output expense class	300-500	289	283
Average score out of 10 of a sample of policy papers reviewed by an external reviewer (NZIER) ⁷	7.5	7.3	7.4
MFAT is effective at influencing key relationships and safeguarding New Zealand's interests	Met	Substantially met ⁸	Substantially met – 75% of stakeholders satisfied

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual expenditure 2018 \$000	Appropriation voted 2018 \$000	Variance 2018 \$000
57,470	Annual appropriations	43,092	44,482	1,390

⁶ 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.

⁷ 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.

⁸ The 2016-17 result is based on the biennial Stakeholder Engagement Survey 2017. The 2017-18 result is an interim result based on an aggregate of the Ministry's quarterly performance report using the Red, Amber and Green traffic light ratings reported across the year. The rating scales applied are: Fully Met = 0% Red, Substantially Met = less than 25% Red, Partially Met = between 25% and 50% Red, and Not Met = 50% or more Red. The result against this measure is 7% Red.

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	2017 - 18		2016 - 17
	Budgeted Standard	Actual Standard	Actual Standard
Non-binding arrangements concluded by the Ministry under this output expense class ⁹	35-45	49	48
Inwards visits supported by the Ministry under this output expense class	30-50	45	75
Outwards visits by New Zealand Ministers supported by the Ministry under this output expense class	45-60	94	113
Total number of days of outward visits by New Zealand Ministers supported by the Ministry under this output expense class	290-340	387	454
Policy submissions produced for Ministers under this output expense class	300-500	289	307
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%	62% ¹⁰	68%
Average score out of 10 of a sample of policy papers reviewed by an external reviewer (NZIER) ⁷	7.5	7.3	7.4
MFAT is effective at influencing key relationships and safeguarding New Zealand's interests	Met	Substantially met ¹¹	Substantially met – 75% of stakeholders satisfied

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual expenditure 2018 \$000	Appropriation voted 2018 \$000	Variance 2018 \$000
230,431	Annual appropriations	248,530	252,554	4,024

Explanation of significant variances

The variance of \$4.024 million between the appropriation and actual expenditure is the result of less travel and a continuation of savings from across the Ministry.

⁹ Concluded means signed or, if signature is not provided for in the arrangement, acceded to, adopted, accepted or ratified.

¹⁰ The review is based on a sample of 10 inward and outward visits completed during the year. The standard of 80% is a stretch target. The review panel found room for improvement in objective setting, logistics, risk management and reporting.

¹¹ The 2016-17 result is based on the biennial Stakeholder Engagement Survey 2017. The 2017-18 result is an interim result based on an aggregate of the Ministry's quarterly performance report using the Red, Amber and Green traffic light ratings reported across the year. The rating scales applied are: Fully Met = 0% Red, Substantially Met = less than 25% Red, Partially Met = between 25% and 50% Red, and Not Met = 50% or more Red. The result against this measure is 7% Red.

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.

	2017 - 18		2016 - 17
PERFORMANCE MEASURES	Budgeted 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 2017 \$000		Actual expenditure 2018 \$000	Appropriation voted 2018 \$000	Variance 2018 \$000
220	Annual appropriations	1	20	19

Explanation of significant variances

This PLA primarily funds increases required to maintain the superannuation fund for local staff in the United States of America with no increase required for 2017-18.

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	2017 - 18		2016 - 17
	Budgeted Standard	Actual Standard	Actual Standard
Annual review of fund finds that projects met agreed objectives outlined in their application ¹²	100%	100%	100%

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual expenditure 2018 \$000	Appropriation voted 2018 \$000	Variance 2018 \$000
75	Annual appropriations	35	100	65

¹² This is the Investment Promotion Fund.

Services for other New Zealand agencies overseas

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

In 2017-18, 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	2017 - 18		2016 - 17
	Budgeted Standard	Actual Standard	Actual Standard
Average satisfaction score on the Ministry's service provision on a five point scale	3.5	4.1 ¹³	4.1

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual expenditure 2018 \$000	Appropriation voted 2018 \$000	Variance 2018 \$000
7,494	Other revenue	8,000	8,400	(400)
7,494	Total revenue	8,000	8,400	(400)
7,494	Expenditure Annual appropriations	8,000	8,400	400
7,494	Total expenses	8,000	8,400	400
-	Net surplus/(deficit)	-	-	-

¹³ Based on a survey held every two years of NZ Inc secondees and head office contacts. The next expected survey is in the April-June 2019 period.

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.

	2017 - 18		2016 - 17
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Percentage of chanceries with a Fit-for-Purpose performance gap of <=2	80%	80%	82%
Percentage of official residences with a Fit-for-Purpose performance gap of <=2	85%	89%	85%
Percentage of time our networks are available	99.8%	99.78%	99.49%
Percentage of time our critical services are available	99.7%	99.88%	99.90%

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual expenditure 2018 \$000	Appropriation voted 2018 \$000	Variance 2018 \$000
-	Land	-	-	-
46,336	Property, plant and equipment	38,529	58,186	19,657
12,214	Intangibles	6,701	10,965	4,264
58,550	Total	45,230	69,151	23,921

Explanation of significant variances

The variance of \$19.657 million in Property, Plant and Equipment between appropriation and actual expenditure was primarily due to delays with the Beijing Chancery and Official Residence, a slow start to the build of the Honiara Chancery and delays with a number of other projects including opening embassies in Dublin and Colombo. The variance of \$4.264 million in intangibles between the appropriation and actual expenditure was due to delays with two software upgrades and two significant business system projects.

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.

	2017 - 18		2016 - 17
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Quantity			
Median annual activity expense	\$450,000 or more	\$481,837	\$367,470
Volume of Crown ODA resources allocated to the Pacific bilateral and regional	60% for the triennium (+/- 5% for any given year)	\$379.8m (59%) for 2017-18; 58% across the triennium	\$281.2m (53%)
Amount and proportion of sector-allocable ODA directed primarily to sustainable economic development	45% (+/- 5% for any given year)	\$204.8m (38%)	\$150.5m (36%)
Policy submissions produced for Ministers under this output expense class	150-200	159	169
Quality			
Percentage of the value of ODA delivered using high order aid modalities	45%	46%	44%
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%	75% ¹⁴	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%	80% ¹⁵	94%
Number of finalised country strategic frameworks in place	10	10	New measure
Percentage of development cooperation funding for the partner government sector disbursed in year for which it was scheduled (Pacific bilateral programmes only)	90%	99% ¹⁶	91%
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%	83% ¹⁷	67%
Percentage of evaluations (or summaries) including management response that are published to our website within 3 months of evaluation steering group sign-off	100%	70% ¹⁸	67%
Average score out of 10 of a sample of policy papers reviewed by an external reviewer (NZIER)	7.5	7.3	7.4

¹⁴ As the review is based on a sample of programmes and activities, results can be expected to vary from year to year. Four programmes are reviewed, and for 2017-18 one programme did not meet the criteria. This programme has now been closed and the activities distributed to the relevant four-year plans.

¹⁵ Of the 15 activities reviewed, three did not meet the standard, although two of those were close to doing so.

¹⁶ 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).

¹⁷ All 12 of our Pacific bilateral programmes shared Forward Aid Plans for one year. Two Forward Aid Plans did not fully meet the criteria because they did not cover an additional two years due to uncertainty with new funding.

¹⁸ One evaluation was delayed. Two evaluations did not complete Management Responses within the three month timeframe. All evaluations require a Management Response that outlines how MFAT will respond to the evaluation recommendations.

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.

	2017 - 18		2016 - 17
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Number of Ministerial letters prepared	60-90	219 ¹⁹	66
Number of Official Information Act request (OIA) responses provided	20-50	45	56
Percentage of Ministry OIA requests responded to within statutory timeframes	90%	98%	95%
Percentage of Ministerial OIA request replies completed five days prior to the statutory time limit, unless otherwise agreed	90%	75% ²⁰	90%
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)	25 days	20 days	29 days
Average Ministerial satisfaction score	4 or above on a 5 point scale	4	2.5

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual expenditure 2018 \$000	Appropriation voted 2018 \$000	Variance 2018 \$000
61,676	Annual appropriations	63,959	66,114	2,155

Explanation of significant variances

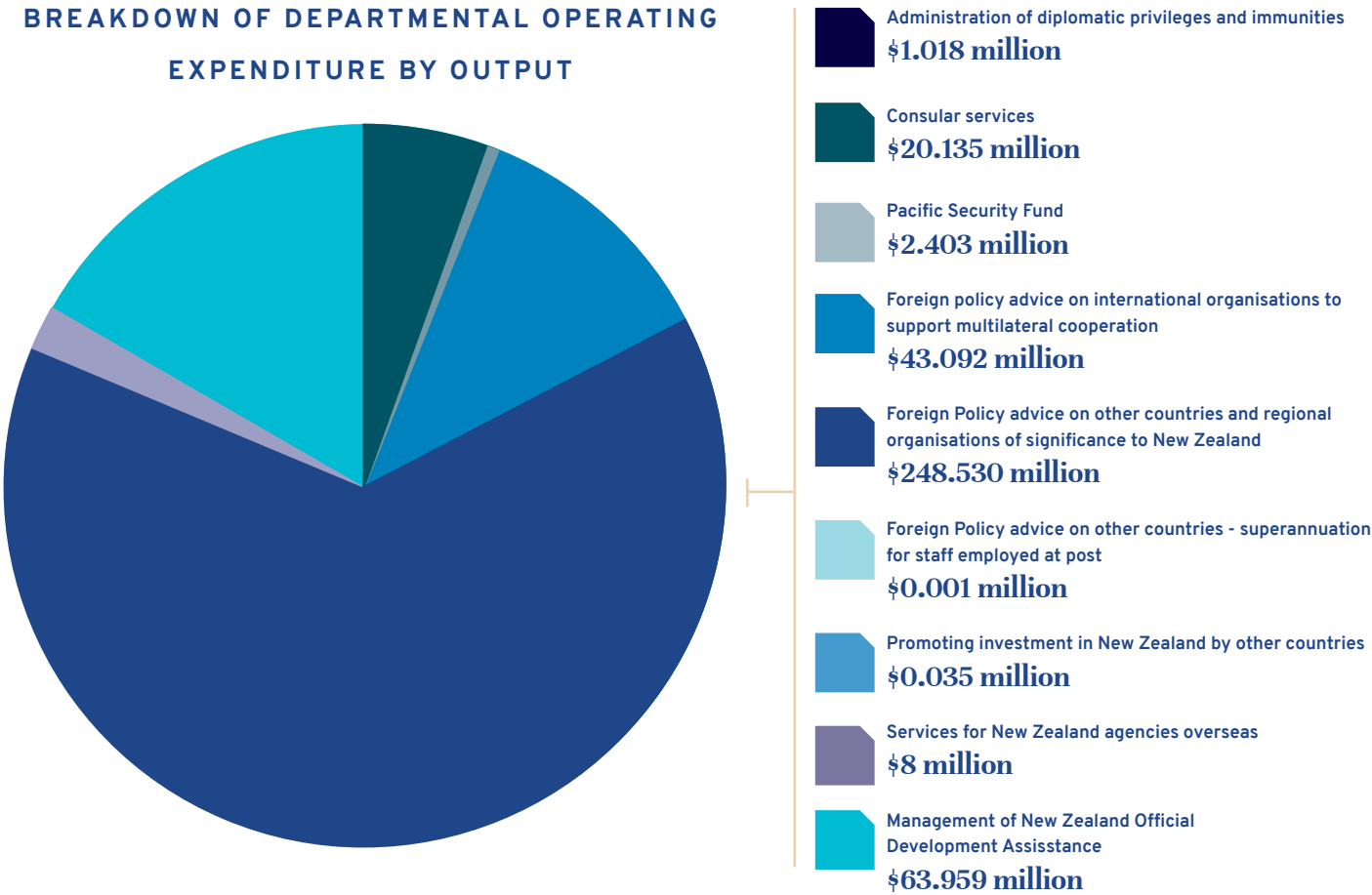
The variance of \$2.155 million between appropriation and actual expenditure is due to several factors, the main one being lower personnel costs due to vacancies.

¹⁹ The increase in volume is due to the additional Official Development Assistance budget and interest in New Zealand's role in the Pacific.

²⁰ This result was due to a small sample. We are focused on improving this performance in the current year.

Financial performance summary

BREAKDOWN OF DEPARTMENTAL OPERATING EXPENDITURE BY OUTPUT



GLOBAL PROPERTY PORTFOLIO

\$439.720 million
VALUE

DEPARTMENTAL EXPENDITURE

\$387.173 million
TOTAL OPERATING EXPENDITURE

\$45.230 million
CAPITAL EXPENDITURE

NON-DEPARTMENTAL EXPENDITURE

\$80.309 million
FOREIGN AFFAIRS AND TRADE*

\$643.037 million
OFFICIAL DEVELOPMENT ASSISTANCE

* Amount is inclusive of NZ\$1.2 million capital. (see page 115 for breakdown)

Financial statements

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2018

Actual 2017 \$000	Notes	Actual 2018 \$000	Unaudited Budget 2018 \$000	Unaudited Forecast 2019 \$000
	Revenue			
383,049	Revenue Crown 2	385,962	396,572	444,043
8,402	Other Revenue 2	10,585	8,310	9,160
15	Interest	17	20	20
369	Gain on sale of assets	188	-	-
391,835	Total revenue	396,752	404,902	453,223
	Expenses			
161,972	Personnel 3	168,783	172,442	198,288
159,035	Operating 4	160,544	162,529	190,726
19,142	Depreciation 8	18,952	19,118	21,458
2,538	Amortisation on intangible assets 9	3,822	5,814	7,396
37,455	Capital charge 5	35,072	34,979	35,335
380,142	Total expenses	387,173	394,882	453,203
11,693	Surplus/(deficit) before re-measurement	9,579	10,020	20
	Re-measurement			
(7,929)	(Gain)/loss on derivative financial Instruments 17	(5,090)	-	-
(777)	Movement in discount rate for Long Service Leave and Retirement Leave 13	177	-	-
(8,706)	Total re-measurement	(4,913)	-	-
371,436	TOTAL EXPENSES	382,260	394,882	453,203
20,399	Net surplus/(deficit)	14,492	10,020	20
	Other comprehensive revenue and expense			
-	Gain on property revaluations	31,480	-	-
20,399	Total comprehensive revenue and expense	45,972	10,020	20

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 2018

Actual 2017 \$000		Notes	Actual 2018 \$000	Unaudited Budget 2018 \$000	Unaudited Forecast 2019 \$000
574,720	Balance at 1 July		582,649	574,720	582,649
20,399	Total comprehensive revenue and expense		45,972	10,020	20
(12,470)	Return of operating surplus to the Crown	11	(9,402)	(10,020)	(20)
-	Capital injections		-	8,680	29,815
582,649	Balance at 30 June	14	619,219	583,400	612,464

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

As at 30 June 2018

Actual 2017 \$000	Notes	Actual 2018 \$000	Unaudited Budget 2018 \$000	Unaudited Forecast 2019 \$000
ASSETS				
Current assets				
41,902	Cash and cash equivalents	15,037	30,796	22,074
116,399	Debtor Crown	114,951	73,744	73,080
2,465	Debtors and other receivables	7,139	5,738	2,465
10,400	Prepayments	8,270	10,784	10,400
294	Derivative financial instruments	3,253	157	294
171,460	Total current assets	148,650	121,219	108,313
Non-current assets				
4,445	Debtors and receivables	4,929	4,553	4,445
3,403	Prepayments - leased land	3,329	3,477	3,403
445,888	Property, plant and equipment	496,754	484,853	517,040
25,198	Intangible assets	28,077	35,027	34,558
478,934	Total non-current assets	533,089	527,910	559,446
650,394	Total assets	681,739	649,129	667,759
LIABILITIES				
Current liabilities				
21,661	Creditors and other payables	20,874	15,625	21,661
12,470	Return of operating surplus	9,402	10,020	20
2,800	Provisions	2,335	1,910	1,444
15,764	Employee entitlements	16,275	16,890	18,618
2,296	Derivative financial instruments	165	10,088	2,296
54,991	Total current liabilities	49,051	54,533	44,039
Non-current liabilities				
10,790	Employee entitlements	11,456	8,597	8,733
1,964	Provisions	2,013	2,599	2,523
12,754	Total non-current liabilities	13,469	11,196	11,256
67,745	Total liabilities	62,520	65,729	55,295
582,649	Net assets	619,219	583,400	612,464
EQUITY				
436,056	General funds	441,146	435,125	465,872
146,593	Property revaluation reserve	178,073	148,275	146,592
582,649	Total equity	619,219	583,400	612,464

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 2018

Actual 2017 \$000		Notes	Actual 2018 \$000	Unaudited Budget 2018 \$000	Unaudited Forecast 2019 \$000
	Cash flows from operating activities				
434,542	Receipts from Revenue Crown		387,409	451,492	469,700
7,897	Receipts from other revenue		5,692	8,310	9,160
15	Interest		17	20	20
(309)	Goods and services tax (net)		(1,873)	-	-
(158,426)	Payments to employees		(165,450)	(172,442)	(198,288)
(157,053)	Payments to suppliers		(161,556)	(162,529)	(195,726)
(37,455)	Payments for capital charge		(35,072)	(34,979)	(35,335)
89,211	Net cash flow from operating activities	18	29,167	89,872	49,531
	Cash flows from investing activities				
9,291	Sale of property, plant, equipment		351	300	300
(42,461)	Purchase of property, plant, equipment		(38,529)	(50,159)	(62,705)
(12,214)	Purchase of intangible assets		(6,701)	(11,965)	(9,968)
(45,384)	Net cash flow from investing activities		(44,879)	(61,824)	(72,373)
	Cash flows from financing activities				
-	Capital contribution		-	8,680	29,815
(13,425)	Return of operating surplus		(12,470)	(10,020)	(5,020)
(13,425)	Net cash flow from financing activities		(12,470)	(1,340)	24,795
30,402	Net increase/(decrease) in cash		(28,182)	26,708	20,121
11,996	Add cash at the beginning of the year		41,902	4,088	1,953
(496)	Effect of exchange translation adjustments		1,317	-	-
41,902	Closing cash at the end of the year		15,037	30,796	22,074

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

As at 30 June 2018

Actual 2017 \$000		Actual 2018 \$000
	CAPITAL COMMITMENTS	
	Land and buildings	
13,300	Less than one year	13,437
-	One to five years	-
13,300	Total capital commitments	13,437
	Non-cancellable operating leases	
	Accommodation	
33,697	Less than one year	35,478
60,588	One to five years	56,473
20,006	More than five years	19,196
114,291	Total non-cancellable operating lease commitments	111,147
127,591	Total commitments	124,584

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 2018.

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 which 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.

STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2018

MFAT has a contingent liability in the form of an indemnity as at 30 June 2018 to HSBC for \$0.923 million as part of the Chancery lease conditions in New York (30 June 2017: \$0.850 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 2018 for \$1.244 million (30 June 2017: \$0.975 million). Disclosure of the individual disputes may prejudice the Ministry's position.

MFAT has contingent assets of \$0.046 million which relate to employment and property issues as at 30 June 2018 (30 June 2017: \$0.042 million).

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

Notes to the financial statements

For the year ended 30 June 2018

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 2018 and were approved for issue by the Chief Executive on 28 September 2018.

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 of 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
- Estimating the Holidays Act liability – see note 12.

Standards issued and not yet effective that have been early adopted

There are no new standards and amendments issued but not yet effective that have been early adopted, and are relevant to MFAT.

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 early adopt this standard in preparing its 30 June 2019 financial statements. This new standard is not expected to have a material impact on MFAT's financial statements.

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 and forecast figures (unaudited)

The 2018 budget figures are for the year ended 30 June 2018 and were published in the 2016-17 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 2017-18.

The 2019 forecast figures for the year ending 30 June 2019 are consistent with MFAT's best estimate financial forecast information submitted to Treasury as part of the Budget Economic and Fiscal Update (BEFU) for Budget 2018.

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

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

While MFAT regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2019 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 figures

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 2018-19 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;
- estimated year-end information for 2017-18 was used as the opening position for the 2018-19 forecasts.

The actual financial results achieved for 30 June 2019 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 2017-18 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 2019 included in BEFU 2018. These were authorised for issue on 18 April 2018 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 2017 \$000		Actual 2018 \$000
383,049	Revenue crown	385,962
	Other revenue	
7,494	Revenue department - Services for other New Zealand agencies	8,032
686	Revenue other - Consular services	648
222	Revenue other - Miscellaneous	1,905

Note 3: Personnel costs

Actual 2017 \$000		Actual 2018 \$000
141,761	Salaries and wages	148,949
3,368	Vacancy backfill	2,913
7,635	Employer contributions to defined contribution plans	7,945
332	ACC levy	237
2,627	Increase/(decrease) in employee entitlements	1,872
6,249	FBT	6,867
161,972	Total personnel costs	168,783

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 2017 \$000		Actual 2018 \$000	Unaudited Budget 2018 \$000	Unaudited Forecast 2019 \$000
400	Audit fees and disbursements	536	400	510
39,816	Rentals and operating leases	40,672	37,690	45,094
18,849	Travel	21,242	22,772	25,229
8,919	Contractors	12,006	13,141	16,610
11,859	Dedicated and special funding*	16,074	29,576	28,930
11,102	Net foreign exchange loss/(gain), excluding derivatives	(3,354)	-	
6,623	Maintenance	5,810	4,644	6,962
5,106	Contracted services	6,747	6,017	7,974
5,064	Wide area network costs	5,186	5,630	6,100
4,544	Consultants fees	5,107	6,017	9,259
4,081	Software maintenance	4,927	4,446	5,399
3,036	Rates, taxes and communal charges	3,402	3,300	3,595
3,894	Utilities	4,395	4,456	4,221
3,382	Representation	3,408	2,758	3,275
3,309	Freight	3,453	2,904	3,209
2,809	Staff training	3,199	3,743	3,229
2,382	Telecommunication Charges	2,203	2,205	2,344
23,860	Other operating	25,531	12,830	18,786
159,035	Total operating costs	160,544	162,529	190,726

* Comprises funding, some of which is 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 2018 was 6.0 percent (2017: 6.0 percent).

Note 6: Debtors and receivables

ACCOUNTING POLICY

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

Actual 2017 \$000		Actual 2018 \$000
	Current	
1,366	Trade debtors	4,903
1,099	Other Receivables	2,236
2,465	Total current	7,139
	Non-Current	
295	Deposit bonds	308
4,150	Lease deposits	4,621
4,445	Total non-current	4,929
6,910	Total debtors and receivables	12,068
	Total receivables comprise:	
6,910	Receivables from the sale of goods & services (exchange transactions)	12,068
-	Receivables from non-exchange transactions	-

As at 30 June 2018 and 2017, all receivables have been assessed for impairment and no provision was required as majority are due from other Government entities.

Actual 2017 \$000		Actual 2018 \$000
303	Not past due	1,873
1,003	Past due 1-30 days	2,030
38	Past due 31-60 days	18
20	Past due 61-90 days	394
2	Past due >91 days	588
1,366	Total	4,903

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, 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	5.0% - 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	20% - 33.3%

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 January 2018. 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. In performing the valuation, 75 percent of the value of the entire portfolio was individually inspected. A market indexation approach has been adopted for the remaining uninspected portfolio.

	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 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
Balance at 1 July 2017	260,548	152,326	95,611	24,135	8,873	35,489	576,982
Additions	-	24,875	723	3,172	1,196	8,562	38,528
Revaluations	20,888	(14,014)	-	-	-	-	6,874
Disposals	-	(1,517)	(2,180)	(226)	(958)	(25)	(4,906)
Balance at 30 June 2018	281,436	161,670	94,154	27,081	9,111	44,026	617,478
Accumulated depreciation & Impairment losses							
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)	(4,443)
Balance at 30 June 2017	-	21,866	57,910	18,379	4,414	28,525	131,094
Balance at 1 July 2017	-	21,866	57,910	18,379	4,414	28,525	131,094
Depreciation expense	-	7,642	5,971	1,382	1,061	2,896	18,952
Eliminate on disposal	-	(1,516)	(2,160)	(226)	(789)	(25)	(4,716)
Revaluation	-	(24,606)	-	-	-	-	(24,606)
Balance at 30 June 2018	-	3,386	61,721	19,535	4,686	31,396	120,724
Carrying amounts							
At 1 July 2016	262,196	108,989	35,052	5,824	4,450	7,224	423,735
At 30 June and 1 July 2017	260,548	130,460	37,701	5,756	4,459	6,964	445,888
At 30 June 2018	281,436	158,284	32,433	7,546	4,425	12,630	496,754

Work in progress

The total amount of property, plant and equipment in the course of construction is \$51.526 million (2017: \$46.052 million).

Actual 30/06/17 \$000		Actual 30/06/18 \$000
	Property, plant and equipment under construction	
42,850	Freehold buildings	44,558
1,895	Furniture and fittings	926
33	Plant and equipment	783
1,274	Computer equipment	5,259
46,052	Balance at 30 June 2018	51,526

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 \$213.331 million (2017: \$206.656 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 \$51.837 million as at 31 January 2018.

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 been estimated as follows:

Computer software 3 to 8 years **12.5% - 33%**

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.

COST	Computer Software \$000
Balance at 1 July 2016	31,327
Additions	12,214
Disposals	-
Balance at 30 June 2017	43,541
Balance at 1 July 2017	43,541
Additions	6,701
Balance at 30 June 2018	50,242
Accumulated Amortisation and Impairment Losses	
Balance at 1 July 2016	15,805
Amortisation expense	2,538
Eliminate on disposal	-
Balance at 30 June 2017	18,343
Balance at 1 July 2017	18,343
Amortisation expense	3,822
Balance at 30 June 2018	22,165
Carrying Amounts	
At 1 July 2016	15,522
At 30 June and 1 July 2017	25,198
At 30 June 2018	28,077

The total amount of intangible assets in the course of development is \$8.374 million (2017: \$4.432 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 2017 \$000		Actual 2018 \$000
	Payables under exchange transactions	
6,204	Trade creditors	9,292
11,825	Accrued expenses	9,069
18,029	Total payables under exchange transactions	18,361
	Payables under non-exchange transactions	
1,595	FBT payable	2,349
2,037	GST payable	164
3,632	Total payables under non-exchange transactions	2,513
21,661	Total payables	20,874

Note 11: Return of operating surplus

Actual 2017 \$000		Actual 2018 \$000
20,399	Net surplus/(Deficit)	14,492
	Plus/(Less)	
(7,929)	Net loss/(gain) on derivative financial instruments	(5,090)
12,470	Total return of operating surplus payable to Crown	9,402

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 2017 \$000		Actual 2018 \$000
	Current portion	
1,000	Holidays Act 2003	1,000
1,444	Lease make-good	1,011
356	Restructuring	324
2,800	Total Current	2,335
	Non-current portion	
1,799	Lease make-good	2,013
165	Restructuring	-
1,964	Total Non-Current	2,013
4,764	Total	4,348

	Holiday Act 2003 \$000	Make-good \$000	Restructuring \$000	Total \$000
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 reverse	-	-	(85)	(85)
Balance as at 30 June 2017	1,000	3,243	521	4,764
Balance as 1 July 2017	1,000	3,243	521	4,764
Additional provisions made	-	-	-	-
Amounts used	-	(219)	(145)	(364)
Unused amounts reversed	-	-	(52)	(52)
Balance as at 30 June 2018	1,000	3,024	324	4,348

Holidays Act 2003

This provision was recognised to reflect MFAT's estimated liability related to the Holiday's Act 2003 as at 30 June 2018.

Restructuring

The restructuring provision arises from MFAT's organisational change decisions and relates to the cost of expected redundancies (\$0.324 million). Management anticipate that the restructuring

will be completed over the next year 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 years 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 2018 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 3.33%
- a salary inflation rate of 2.70%

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 \$0.525 million lower or \$0.584 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 \$0.579 million higher or \$0.530 million lower respectively.

Actual 2017 \$000		Actual 2018 \$000
	Current Liabilities	
10,699	Annual leave	10,786
594	Long service leave	757
812	Retirement leave	727
1,131	Retirement gratuities	1,423
175	End of posting leave	191
1,673	Salaries and allowances	1,828
293	Sick leave liability	337
387	ACC levy	226
15,764	Total Current	16,275
	Non-Current Liabilities	
2,311	Long service leave	2,410
6,761	Retirement leave	7,301
1,369	Retirement gratuities	1,362
349	End of posting leave	383
10,790	Total Non-Current	11,456
26,554	Total Provision for Employee Entitlements	27,731

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 2017 \$000		Actual 2018 \$000
	Taxpayers' funds	
426,445	Balance at 1 July	436,056
20,399	Surplus/(deficit)	14,492
1,682	Transfer from revaluation reserve on disposal of property	-
(12,470)	Return of operating surplus to the Crown	(9,402)
436,056	Balance at 30 June	441,146
	Property revaluation reserves	
148,275	Balance at 1 July	146,593
(1,682)	Transfer to taxpayers' funds on disposal	-
-	Property revaluation	31,480
146,593	Balance at 30 June	178,073
582,649	Total Equity	619,219
	Property revaluation reserve consists of:	
122,574	Land revaluation reserve	143,463
24,019	Buildings revaluation reserve	34,610
146,593	Total property revaluation reserves	178,073

Note 15: Capital (equity) management

MFAT'S capital is its equity, which comprises taxpayers' funds and property revaluation reserves. In 2017-18 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 2017 \$000		Actual 2018 \$000
	Leadership Team, including the Chief Executive	
4,500	Total Remuneration, including long-term benefits	4,680
11.1	Total full time equivalent personnel	12.0

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 2017 \$000		Note	Actual 2018 \$000
	Loans and Receivables		
41,902	Cash and cash equivalents		15,037
6,910	Debtors and other receivables	6	12,068
116,399	Debtor Crown	2	114,951
165,211	Total Loans and Receivables		142,056
	Fair Value through Surplus and Deficit - Held for Trading		
294	Derivative financial instrument assets		3,253
(2,296)	Derivative financial instrument liabilities		(165)
(2,002)	Total Fair Value through Surplus and Deficit - Held for Trading		3,088
	Financial Liabilities measured at Amortised Cost		
21,661	Creditors and other payables	10	20,874

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 2017 \$000		Actual 2018 \$000
	Financial assets	
-	Quoted market price	0
294	Observable market inputs	3,253
-	Significant non-observable inputs	0
294	Total financial assets at fair value	3,253
	Financial liabilities	
-	Quoted market price	0
2,296	Observable market inputs	165
-	Significant non-observable inputs	0
2,296	Total financial liabilities at fair value	165

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 2018 was:

2017 \$000	Foreign Exchange Contracts	2018 \$000
19,651	USD	15,841
4,686	JPY	3,204
16,873	EUR	17,463
47,501	Other	47,492
88,711	Total	84,000

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 2017 \$000		Impact on surplus/deficit 2018 \$000
9,955	Increase in foreign exchange rates of 10%	4,829
7,707	Decrease in foreign exchange rates of 10%	12,765

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 2017 \$000	5% movement in NZD on creditors	Impact on surplus/deficit 2018 \$000
15,350	United States Dollar	4,100
2,350	Japanese Yen	20
1,500	European Union Euro	3,300
7,900	Pound Sterling	550

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
2017						
Gross settled foreign exchange contracts:	2,296	294				
- outflow	-	-	88,711	42,700	46,011	-
- inflow	-	-	86,709	41,777	44,932	-
2018						
Gross settled foreign exchange contracts:	165	3,253				
- outflow			84,000	41,678	42,322	-
- inflow			87,088	43,221	43,867	-

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

Actual 2017 \$000		Actual 2018 \$000
20,399	Net surplus/(deficit)	14,492
	Add/(less) non-cash items	
21,680	Depreciation and amortisation expense	22,774
(7,929)	Net (gains)/loss on derivative financial instruments	(5,090)
496	Other non-cash movement	(1,317)
(777)	Movement in discount rate for long service leave and retirement leave	177
13,470	Total non-cash items	16,544
	Add/(less) items classified as investing or financing activities	
(362)	(Gains)/losses on disposal of property, plant and equipment	(162)
	Add/(less) movements in statement of financial position items	
50,989	(Increase)/Decrease in receivables	(2,563)
458	(Increase)/Decrease in prepayments	2,205
2,937	Increase/(Decrease) in payables	(2,111)
1,046	Increase/(Decrease) in provisions	(418)
274	Increase/(Decrease) in employee entitlements	1,180
55,704	Total net movement in working capital items	(1,707)
89,211	Net cash flow from operating activities	29,167

Note 19: Major budget variations

Explanations for major variances from MFAT's original 2017-18 budget are as follows:

Statement of comprehensive revenue and expense

Total revenue and total expenses are \$8 million less than budgeted due to changes effected through the October and March Baseline Updates. The changes included \$6.492 million in expense transfers, which were approved to recognise delays across a range of initiatives; for example:

- \$1.625 million has been transferred for the establishment of the new Embassies in Dublin and Colombo. The projected establishment costs for Dublin planned for 2017-18 will now occur in 2018-19. A revised timeline for Colombo arising from availability of suitable office accommodation requires the unspent budget to be transferred to 2018-19 to complete the establishment.
- \$1.667 million has been transferred to future years pending the reopening of free trade negotiations that had been suspended since 2014.
- \$1.400 million has been transferred for the Korea NZ FTA Cooperation activities. An agreement covering the cooperation activities has been signed by the NZ agencies. The transfer will fund the activities to be delivered beyond 2017-18.
- \$1.200 million has been transferred for the Agricultural Cooperation Fund to carry forward this initiative to 2018-19.
- \$0.600 million was set aside in 2017-18 for the expected requirement to upgrade some Pacific buildings. The programme has faced challenges around relocating staff in some locations and additional infrastructure works required. Work has not advanced as expected and the expense transfer is required to complete the work in 2018-19.
- In 2017-18 there was higher than expected Other Revenue of \$2.275 million, the majority relating to monies received for early exit of the Sydney Consulate to facilitate a Transport New South Wales development (\$0.883 million), and a long standing insurance claim for water damage to the NZ Mission to the United Nations Office in New York (\$0.275 million).

Statement of financial position

Cash balances are \$15.759 million lower than budget as the need for high cash holdings to satisfy our resilience preparedness plan has been mitigated by an agreement with Treasury DMO on continued funding of operations in emergency.

Intangibles are \$6.950 million lower than budget and reflects delays in eight software projects that progressed slower than expected.

The original budget for creditors and payables was based on prior year actuals after allowing for the earlier timing of the final pay run in 2016-17. The higher actual balance is due to accruals of \$3 million for the Beijing rebuild and \$1 million for the Programme Activity Management system expected to be completed earlier in the year.

Trade Debtors have increased from the previous year due to the timing of invoicing of other Government entities for contributions to construction costs in Sydney and Beijing office redevelopments.

Employee entitlements (current and non-current) have increased by \$2.244 million compared to budget mainly as the result of a lower weighted average discount rate and a slightly higher salary inflation rate.

Statement of cash flows

Receipts from Revenue Crown are lower than budgeted as cash drawdowns were reduced as the higher balances that were held for resilience did not need to be at the higher levels.

Payments to employees compared to budget were \$6.992 million lower mostly due to the level of vacancies carried during the year.

Cash outflows related to the purchase of property, plant and equipment are \$11.630 million below budget. This was mainly due to delays with the rebuild of the Beijing Chancery and Official Residence (\$3 million), the Honiara Chancery build (\$2 million), and new Embassies not started or slow to start such as Colombo, and Dublin (\$1.3 million). It was also due to delays with work on existing properties (\$1.8 million), and post purchases/minor projects not started (\$4.5 million).

Cash outflows related to the purchase of intangible assets are \$5.264 million below budget due to timing delays with the Asset Information Management system (\$1 million), Programme Activity Management system (\$1 million), Microsoft and other system upgrades (\$2.4 million).

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 various New Zealand Government agencies provision of the following output expenses in Vote Foreign Affairs and Trade.

Output Expense	Supplier
Antarctic Research and Support	New Zealand Antarctic Institute
Expo 2020 Dubai	New Zealand Trade and Enterprise
Promotion of Asian skills and relationships	Asia New Zealand Foundation
Pacific Cooperation Foundation	Pacific Cooperation Foundation
Pacific Broadcasting Services	Pacific Cooperation Broadcasting Limited*
	*(100% wholly owned by Pacific Cooperation Foundation)

The performance information for the output expenses will be reported by the supplier in its Annual Report to be tabled in the House.

The Minister of Foreign Affairs also requires us to administer the following non-departmental other expenses in Vote Foreign Affairs and Trade.

- Subscriptions to international organisations.
- Asia Pacific Economic Cooperation 2018 support to Papua New Guinea

- Disbursements made and exemptions from taxation

The following statement of performance records results and services delivered for each of the above other expenses as agreed between the Minister of Foreign Affairs and the Secretary of Foreign Affairs and Trade in the *Strategic Intentions 2017-2021* and the 2017-18 Estimates of Appropriations as required by section 19C of the Public Finance Act 1989.

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.

An exemption from reporting performance measures for this appropriation has been granted under s15D(6)(ii) of the Public Finance Act.

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual 2018 \$000	Appropriation 2018 \$000	Variance 2018 \$000
50,669	Annual appropriations	46,984	55,081	8,097

Explanation of significant variances

Included in the variance is a contingency of \$6.7 million to cover unexpected calls from the UN for peacekeeping missions, possible adverse foreign exchange movements, and \$1.7 million reduction in budgeted payments.

Asia Pacific Economic Cooperation 2018 support to Papua New Guinea

This appropriation is limited to support and assistance to Papua New Guinea for the delivery and hosting of Asia Pacific Economic Cooperation 2018.

PERFORMANCE MEASURES	2017 - 18		2016 - 17
	Budgeted Standard	Actual Standard	Actual Standard
High quality and targeted support provided to Papua New Guinea for the delivery and hosting of Asia Pacific Economic Cooperation 2018	Achieved	Achieved	New measure

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual 2018 \$000	Appropriation 2018 \$000	Variance 2018 \$000
-	Annual appropriations	862	5,000	4,138

Explanation of significant variances

Expenditure was incurred more slowly than initially planned in part because the majority of approved activities will take place closer to APEC Leaders' Week in November 2018. This was anticipated with in-principle expense transfers of up to \$4.2 million approved.

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.

	2017 - 18		2016 - 17
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Number of rate reimbursements processed	65-80	76	New measure

Financial performance (figures are GST exclusive)

Actual 2017 \$000		Actual 2018 \$000	Appropriation 2018 \$000	Variance 2018 \$000
1,418	Annual appropriations	1,779	2,000	221

Explanation of significant variances

The timing of these refunds is dependent on claims being submitted by the New Zealand based overseas diplomatic missions and the appropriation includes a buffer for unexpected prior year claims.

Non-departmental statements and schedules

For the year ended 30 June 2018

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 2018

Actual 2017 \$000		Actual 2018 \$000
	Non-departmental revenue	
1,209	Other operational revenue	1,910
114	Net gain on foreign exchange	8
1,323	Total revenue	1,918

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 Official Development Assistance Programme in prior years.

SCHEDULE OF NON-DEPARTMENTAL EXPENDITURE

For the year ended 30 June 2018

Actual 2017 \$000		Actual 2018 \$000
	Output Funding	
20,819	New Zealand Antarctic Institute	20,852
4,000	Asia New Zealand Foundation	4,000
1,400	Pacific Cooperation Foundation	1,400
941	Pacific Broadcasting Services	941
-	Expo 2020 Dubai	2,291
27,160	Total outputs	29,484
	Other expenses	
50,669	Subscriptions to International Organisations	46,984
-	Asia Pacific Economic Cooperation 2018 Support to Papua New Guinea	862
1,418	Diplomatic exemptions	1,779
530,543	Official Development Assistance	643,037
582,630	Total other expenses	692,662
609,790	Total operating expenses	722,146

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 2017-18.

SCHEDULE OF NON-DEPARTMENTAL ASSETS

As at 30 June 2018

Actual 2017 \$000		Note	Actual 2018 \$000
	CURRENT ASSETS		
29,504	Cash		50,370
322	Debtors and receivables		2,049
2,959	Prepayments	2	2,593
32,785	Total current assets		55,012
	NON-CURRENT ASSETS		
5,781	Shares in foreign organisations	3	5,781
5,781	Total non-current assets		5,781
38,566	Total assets		60,793

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.

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

As at 30 June 2018

Actual 2017 \$000		Actual 2018 \$000
	CURRENT LIABILITIES	
76,903	Creditors and payables	84,981
76,903	Total current liabilities	84,981
	NON-CURRENT LIABILITIES	
49,678	Creditors and payables	48,712
49,678	Total non-current liabilities	48,712
126,581	Total liabilities	133,693

Current liabilities

Creditors and payables, includes \$59.160 million of accruals and accounts payable for contracts providing for the delivery or implementation of development activities under the New Zealand Official Development Assistance Programme (Vote Official Development Assistance). The balance of \$25.821 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 2019.

Non-current liabilities

Creditors and payables of \$48.712 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 2019-20 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.

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 2017-18.

SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS

As at 30 June 2018

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

STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2018

	Foreign currency 2017 ‘000	NZD \$000	Note	Currency type	Foreign currency 2018 ‘000	NZD 2018 \$000
			Guarantees – Asian Development			
			Bank for loans to the Cook Islands Government			
SDR*	2,065	3,922	Telecommunications loan	SDR	1,912	3,990
SDR	184	350	Multiple small-project loan	SDR	131	274
SDR	840	1,596	Multi-project loan	SDR	760	1,587
SDR	193	367	Development bank loan	SDR	155	323
SDR	525	997	Development bank loan	SDR	489	1,020
SDR	181	344	Telecommunications loan	SDR	169	353
SDR	3,988	7,576		SDR	3,616	7,547
			Other			
EUR	6,900	10,778	Guarantees – other	EUR	6,900	11,842
NZD		2,000	Indemnity – other	NZD	-	2,000
FJD	-	-	Contingent liability – other	FJD	369	266
			European Bank for Reconstruction and Development			
EUR	7,000	10,934	Uncalled share capital	EUR	7,000	12,013
		31,288	Total non-departmental contingent liabilities			33,668

* IMF 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 (2017: 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 (2017: unquantifiable).

Contingent assets

The Crown has no contingent assets (30 June 2017: 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 2017-18.

STATEMENT OF TRUST MONIES

For the year ended 30 June 2018

As at 2017 \$000	Trust Account	Contribution \$000	Distribution \$000	Revenue \$000	Expense \$000	As at 2018 \$000
45	NZ/France Friendship Trust Fund	100	(100)	8	-	53
52	Niue Admin Building Trust Fund	-	(19)	1	-	34
1	Cook Islands Trust Fund	1,795	(1,796)	1	-	1
332	Niue Primary School Infrastructure Project Trust	-	(334)	2	-	-
4	Afghanistan New Zealand Aid Programme Trust	-	-	-	(1)	3
4,378	Niue Development Assistance Trust	1,852	(150)	93	-	6,173
4,812	Total	3,747	(2,399)	105	(1)	6,264

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 Official 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. This account was closed in January 2018 as the programme of work was completed.

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 Official Development Assistance Programme in Afghanistan for the purpose specified within each donor co-operation 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 Official Development Assistance Programme to harmonise the development assistance programmes for Niue under the New Zealand Official Development Assistance Programme's management for the benefit of the Niue Government and the Niue Development Assistance Programme.

The accompanying accounting policies and notes form part of these financial statements. The Kiribati Green Climate Fund trust account was closed as it was not used.

Notes to the non-departmental statements and schedules

For the year ended 30 June 2018

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 2018. 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 (GST)

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 2017-18 main estimates for the year ended 30 June 2018.

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

Where MFAT holds a non-controlling, minority interest, the shares are valued at cost in the financial statements.

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.

European Bank for Reconstruction and Development

2017 At cost NZD \$'000	At net current value NZD \$'000	Type	Number	2018 Share value EUR'000	Paid in value EUR '000	At net current value NZD \$'000	At cost NZD \$'000
5,781	2,812	Ordinary	1,050	10,500	3,500	3,238	5,781
5,781	2,812	Total				3,238	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 2018

Actual 2017 \$000		Actual 2018 \$000	Appropriation Voted* 2018 \$000	Location of end-of-year performance information **
	VOTE: FOREIGN AFFAIRS AND TRADE			
	Appropriations for Output Expenses			
939	Administration of Diplomatic Privileges and Immunities	1,018	1,021	1
19,779	Consular Services	20,135	20,575	1
2,058	Pacific Security Fund	2,403	2,672	1
57,470	Policy Advice and Representation: International Institutions	43,092	44,482	1
230,431	Policy Advice and Representation: Other Countries	248,530	252,554	1
220	Policy Advice and Representation: Other Countries (Permanent Legislative Authority)	1	20	1
75	Promotional Activities: Other Countries	35	100	1
7,494	Services for Other New Zealand Agencies Overseas	8,000	8,400	1
318,466	Sub-total	323,214	329,824	
	VOTE: OFFICIAL DEVELOPMENT ASSISTANCE			
	Appropriations for Output Expenses			
61,676	Management of New Zealand Official Development Assistance	63,959	66,114	1
61,676	Sub-total	63,959	66,114	
380,142	Total departmental output expenditure	387,173	395,938	
	Re-measurements			
(7,929)	Unrealised (gain)/loss on the re-measurement of foreign exchange contracts	(5,090)	-	
(777)	Movement in discount rate for Long Service Leave and Retirement Leave	177	-	
(8,706)	Total re-measurements	(4,913)	-	
371,436	Total departmental expenditure including re-measurements	382,260	395,938	
	Appropriations for Departmental Capital Expenditure			
58,550	Ministry of Foreign Affairs and Trade - Capital expenditure (Permanent Legislative Authority)	45,230	69,151	1
58,550	Total Capital Expenditure	45,230	69,151	

* 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 2018

MFAT had no departmental unappropriated expenditure for the year ended 30 June 2018 (30 June 2017: nil).

STATEMENT OF DEPARTMENTAL CAPITAL INJECTIONS

For the year ended 30 June 2018

Actual capital injections 2017 \$000		Actual capital injections 2018 \$000	Approved appropriation 2018 \$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 2018

MFAT has not received any capital injections during the year without, or in excess of, authority (30 June 2017: 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 2018

Actual 2017 \$000		Actual 2018 \$000	Appropriation Voted 2018 \$000	Location of end-of-year performance information
	VOTE: FOREIGN AFFAIRS AND TRADE			
	Non-departmental output expenses			
	Annual			
20,819	Antarctic Research and Support	20,852	20,853	2
4,000	Promotion of Asian Skills and Relationships	4,000	4,000	3
1,400	Pacific Cooperation Foundation	1,400	1,400	4
941	Pacific Broadcasting Services	941	941	4
	Non-Annual			
-	Expo 2020 Dubai	2,291	3,010	6
27,160	Total non-departmental output expenses	29,484	30,204	
	Non-departmental other expenses			
	Annual			
50,669	Subscriptions to International Organisations	46,984	55,081	5
-	Asia Pacific Economic Cooperation 2018 Support to Papua New Guinea	862	5,000	5
	Non-Annual			
1,418	Disbursements made, and exemptions from taxation - permanent legislative authority	1,779	2,000	5
52,087	Total non-departmental other expenses	49,625	62,081	
79,247	Total	79,109	92,285	
	Non-departmental capital expenditure			
-	New Zealand Antarctic Institute	1,200	1,200	2
79,247	Total	1,200	1,200	
	VOTE: OFFICIAL DEVELOPMENT ASSISTANCE			
	Other expenses incurred by the crown			
104,224	International Agency Funding*	98,818	98,867	1
426,319	International Development Assistance*	544,219	548,485	1
530,543	Total	643,037	647,352	

* 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.
6. New Zealand Trade and Enterprise'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 2017-18.

STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

For the year ended 30 June 2018

During the year ended 30 June 2018, MFAT had two multi-year appropriations in Vote Official Development Assistance: International Agency Funding and International Development Assistance.

These funded non-departmental expenses 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, 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.

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	-	-
Adjustments 2017-18	-	(5,355)
Adjusted appropriation	300,000	1,411,887
Actual to 2015-16 year end	(96,909)	(437,083)
Actual to 2016-17 year end	(104,224)	(426,319)
Actual to 2017-18 year end	(98,819)	(544,219)
Appropriation Remaining	48	4,266

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 2017-18.

Our legal responsibilities

For the year ended 30 June 2018

Crown entities

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

New Zealand Antarctic Institute (Antarctica 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

Foreign affairs

- Commonwealth Countries Act 1977
- Consular Privileges and Immunities Act 1971
- Diplomatic Privileges and Immunities Act 1968
- Foreign Affairs Act 1988

Peace, rights and security

- Anti-Personnel Mines Prohibition Act 1998
- Brokering (Weapons and Related Items) Controls Act 2018
- Chemical Weapons (Prohibition) Act 1996
- Cluster Munitions Prohibitions Act 2009
- Geneva Conventions Act 1958
- International Crimes and International Criminal Court Act 2000 (jointly administered with the Ministry of Justice)
- Mercenary Activities (Prohibition) Act 2004
- New Zealand Nuclear Free Zone, Disarmament and Arms Control Act 1987
- Nuclear-Test-Ban Act 1999
- Terrorism Suppression Act 2002 (jointly administered with Ministry of Justice)
- United Nations Act 1946

Antarctica

- Antarctica Act 1960
- Antarctica (Environmental Protection) Act 1994
- New Zealand Antarctic Institute Act 1996
- Antarctic Marine Living Resources Act 1981

Law of the sea

- United Nations Convention on the Law of the Sea Act 1996
- Continental Shelf Act 1964
- Territorial Sea, Contiguous Zone, and Exclusive Economic Zone Act 1977

Realm of New Zealand and the Pacific

- Cook Islands Act 1915
- Cook Islands Constitution Act 1964
- Kermadec Islands Act 1887
- Niue Act 1966
- Niue Constitution Act 1974
- Pitcairn Islands Act 2002
- Tokelau Act 1948
- Tokelau (Territorial Sea and Exclusive Economic Zone) Act 1977
- Western Samoa Act 1961

Trade

- Trans-Pacific Partnership Agreement Amendment Act 2016

TREATIES

The following international agreements were signed, ratified, accepted, approved, or acceded to by New Zealand, or entered into force for New Zealand between 1 July 2017 and 30 June 2018.

Multilateral treaties:

1. Signed 20/09/17: Treaty on the Prohibition of Nuclear Weapons
2. Acceded 04/12/17: International Convention on Standards of Certification and Watchkeeping for Fishing Vessel Personnel, 1995
3. Acceded 23/01/18: Convention on Registration of Objects Launched into Outer Space
4. Ratified 26/02/18: Protocol of 2005 to the Protocols for the Suppression of Unlawful Acts Against the Safety of Fixed Platforms Located on the Continental Shelf
5. Ratified 26/02/18: Protocol of 2005 to the Convention on the Suppression of Unlawful Acts against Safety of Maritime Navigation
6. Signed 08/03/18: Comprehensive and Progressive Agreement for Trans-Pacific Partnership
7. Accepted 18/04/18: Amendments to the Treaty on Fisheries between the Governments of Certain Pacific Island States and the Government of the United States of America
8. Ratified 27/06/18: Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (will enter into force for New Zealand on 1 October)
9. Acceded 29/06/18: Protocol of 2003 to the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1992 (will enter into force for New Zealand on 29/09/18).

Bilateral treaties:

1. Entered into force 07/09/17: Third Protocol to the Convention between the Government of New Zealand and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income
2. Entered into force 07/09/17: Agreement between the Government of New Zealand and the Government of the Commonwealth of Dominica on the Exchange of Information with respect to Taxes and Tax Matters
3. Entered into force 08/09/17: Agreement between the Government of New Zealand and the Government of the Republic of San Marino on the Exchange of Information with Respect to Taxes
4. Entered into force 02/10/2017: Agreement between the Government of New Zealand and the Government of the United States of America for the Sharing of Visa and Immigration Information
5. Entered into force 13/11/2017: Protocol to amend Annex 3 of the Thailand – New Zealand Closer Economic Partnership
6. Entered into force 27/11/17: Agreement Relating to Science, Research and Innovation Cooperation between the Government of Australia and the Government of New Zealand
7. Entered into force 15/12/2017: Agreement between the Government of Bermuda (as authorised by) the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of New Zealand on the Exchange of Information with Respect to Taxes
8. Signed 07/03/18: Agreement between the Government of New Zealand and the Government of Papua New Guinea regarding the Status of Visiting Forces and Defence Co-operation
9. Signed 13/03/2018: Agreement in the form of an Exchange of Letters between the European Union and New Zealand pursuant to Article XXIV:6 and Article XXVIII of the General Agreement on Tariffs and Trade (GATT) 1994 relating to the modification of concessions in the schedule of the Republic of Croatia in the course of its accession to the European Union
10. Entered into force 01/05/18: Agreement between the European Union and New Zealand on cooperation and mutual administrative assistance in customs matters.

Independent Auditor's Reports

To the readers of the Ministry of Foreign Affairs and Trade's annual report for the year ended 30 June 2018

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 65 to 91, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2018, 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 2018 on pages 10 to 49, 51 to 63 and 92 to 95;
- the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2018 on pages 102 to 105; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 96 to 101 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2018;
 - the schedules of expenses; and revenue for the year ended 30 June 2018;
 - the statement of trust monies for the year ended 30 June 2018; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Ministry on pages 65 to 91:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; 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.
- the performance information of the Ministry on pages 10 to 49, 51 to 63 and 92 to 95:
 - presents fairly, in all material respects, for the year ended 30 June 2018:
 - 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 102 to 105 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 96 to 101 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 2018; and
 - expenses; and revenue for the year ended 30 June 2018; and
 - the statement of trust monies for the year ended 30 June 2018.

Our audit was completed on 28 September 2018. 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.

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 information on Strategic Intentions 2017-2021, Estimates and Supplementary Estimates 2017/18, and the 2017/18 forecast financial figures included in the Ministry's 2016/17 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, 50, 64, 106 to 108, and 113 to 114, 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 Ministry's annual report is not part of the Ministry'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.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Ministry.

A handwritten signature in blue ink, appearing to read 'S B Lucy', followed by a stylized flourish.

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: Five years (July 2013-June 2018)	
Number and category of alleged serious offences ²¹	8
-Assault (6)	
-Indecent assault (1)	
-Careless driving causing injury (1)	
Number of alleged serious offences considered to warrant prosecution ²²	4
Waivers sought	4
Waivers granted	1
Percentage of cases warranting prosecution where waiver sought	100%
Percentage of waivers granted to waivers sought	25%

²¹ A serious offence is defined as one that carries a penalty of imprisonment for 12 months or more.

²² Police do not prosecute in every serious case for a variety of reasons, e.g. strength of evidence, or the alleged offender no longer in New Zealand.

Asset performance

The Ministry is a tier-two investment-intensive agency. It has a \$662 million asset base that comprises property (84%), information and communications technology assets (14%) and motor vehicles (less than 2%). The Ministry actively manages a portfolio of 286 owned and leased properties around the world to support the Ministry's goals.

The following measures are used to monitor the performance of our property and information and communications technology assets. These measures inform the Investor Confidence Rating indicator on asset performance.

Asset Portfolio Name	Asset Performance Measure	Asset Performance Indicator	Target level	Actual level
Property	Chancery buildings with a performance gap <= 2	Functionality (Fitness for Purpose)	More than 80%	80%
Property	Official Residences with a performance gap <= 2	Functionality (Fitness for Purpose)	More than 85%	89%
Property	Head Office occupancy rate	Utilisation	Less than 16m ²	14m ²
Property	Chancery buildings with a condition rating of 3 or better	Condition	More than 90%	96%
Property	Official Residences with a condition rating of 3 or better	Condition	More than 90%	92%
ICT	Proportion of time networks are available	Utilisation	More than 99.7%	99.8%
ICT	Proportion of time critical applications are available	Utilisation	More than 99.7%	99.9%
ICT	Proportion of available data storage capacity being used: Storage Area Network – Management pools	Utilisation	Less than 70%	79% ²³
ICT	Proportion of available data storage capacity being used: Storage Area Network – In Confidence	Utilisation	Less than 60%	80% ²³
ICT	Proportion of available data storage capacity being used: Storage Area Network – Restricted	Utilisation	Less than 60%	83% ²³
ICT	Proportion of available data storage capacity being used: DataDomain	Utilisation	Less than 70%	34%
ICT	Proportion of server machines patched each month	Condition	More than 95%	99.7%
ICT	Proportion of desktop machines patched each month	Condition	More than 90%	90.8%
ICT	Fitness for purpose of the top five applications identified in the APM	Functionality (Fitness for Purpose)	More than 80%	80%

²³ The Ministry is in a transitional state with the building of two new Data Centres and a number of other projects are temporarily consuming resources in various tenants. Applications and systems are also moving to new environments and we expect to see a more stable situation occurring where resources are more within our ideal limits.

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.

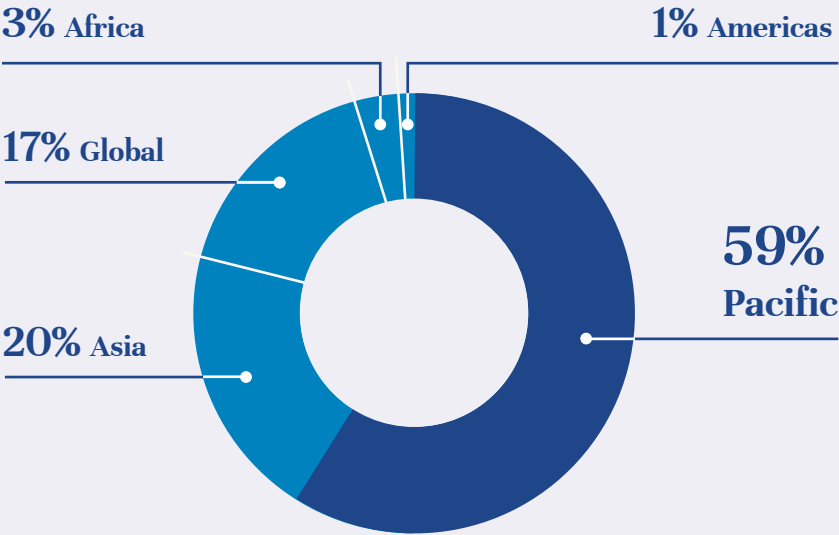
The Ministry is committed to providing international development cooperation and humanitarian assistance that supports the sustainable development and welfare of Pacific Island and developing countries. We target investment priorities that draw on New Zealand’s strengths, such as in agriculture and renewable energy, and promote our values in gender equality, human rights and good governance. Country relationships are integral to our development cooperation and we work closely with partner governments.

Appropriations

The total non-departmental New Zealand Aid Programme budget (comprising International Development Assistance and International Agency Funding) for the 2015-2018 three year appropriation is \$1.72 billion dollars. Three-year appropriations allow expenditure on projects to be managed across years, which enables us to focus on longer-term results and quality. A departmental appropriation set at 9.75 percent of the Crown appropriation covers the costs of managing the development cooperation.

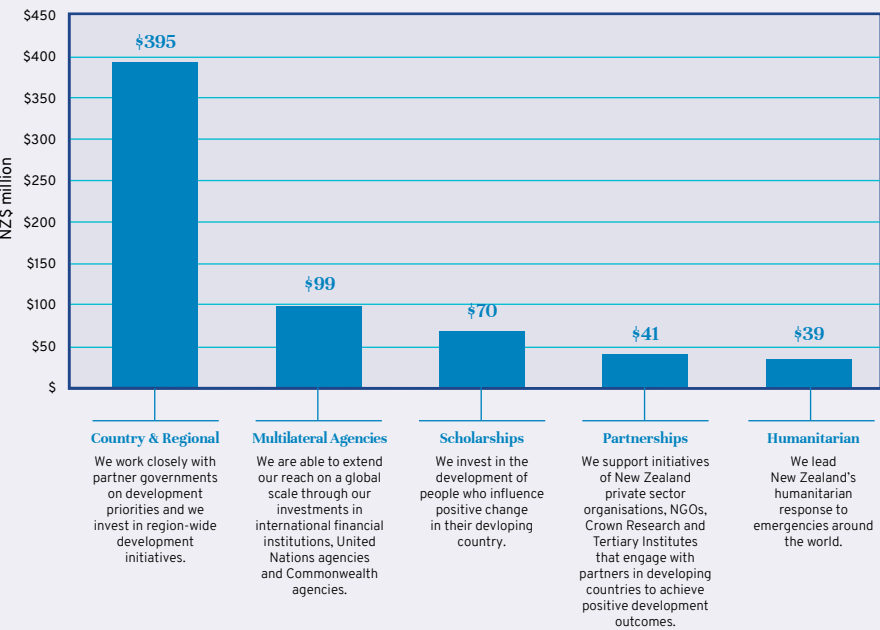
Expenditure 2017-18

EXPENDITURE BY REGION



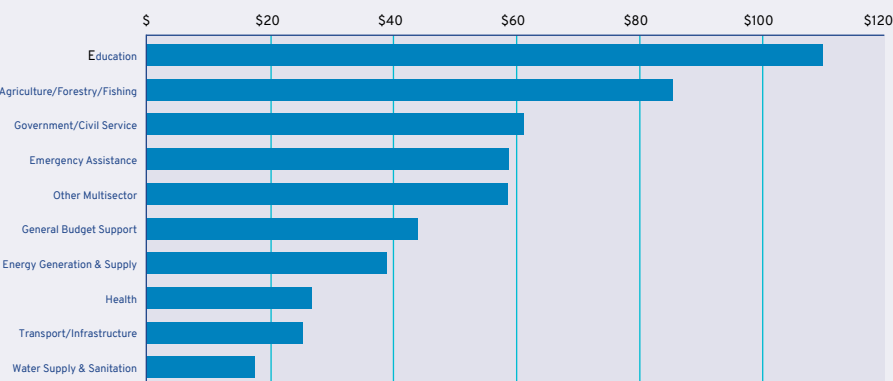
59%
of our expenditure
went to the Pacific
during the 2017-18
financial year

EXPENDITURE BY FUNDING POOL



The majority
of our aid went
towards country
and regional
programmes

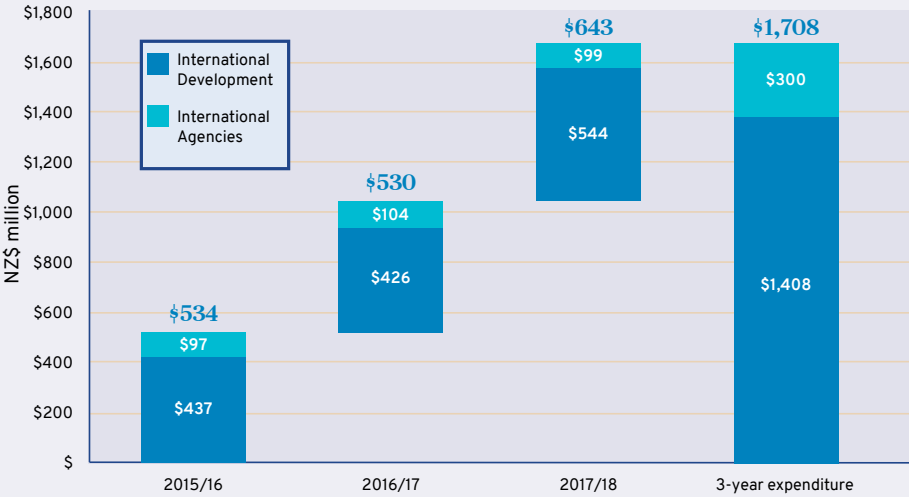
EXPENDITURE BY SECTOR



The sector with the
highest funding
was Education,
largely made up of
scholarships

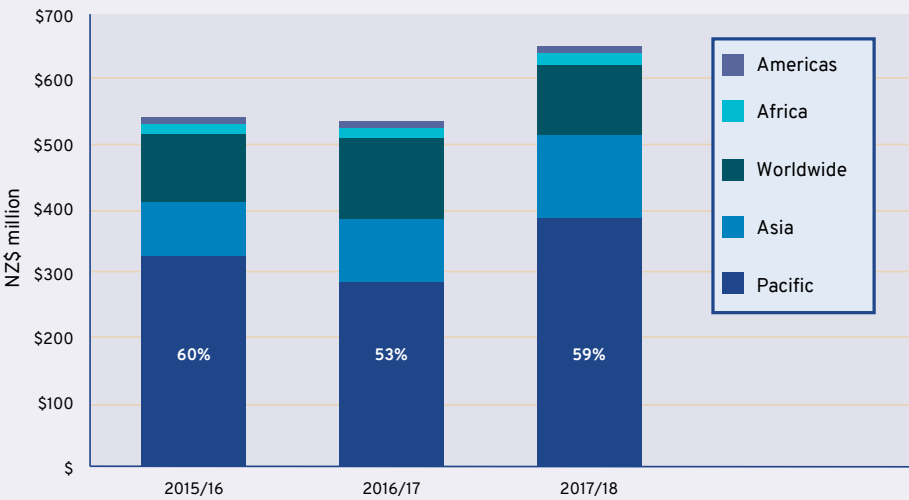
Triennium expenditure July 2015-June 2018

TOTAL EXPENDITURE



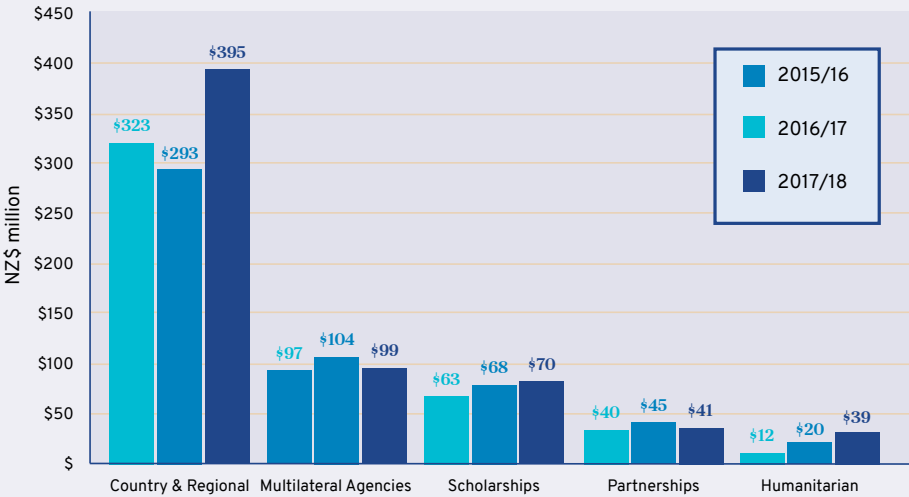
Total expenditure for the triennium was **NZ\$1.7 billion**, amounting to 99.7% of the allocated non-departmental budget

EXPENDITURE BY REGION



Across the triennium, **58%** of our aid went to the Pacific

EXPENDITURE BY FUNDING POOL



Across the triennium, country and regional programming was our largest funding pool



Country and regional programmes

\$395
MILLION

The majority of New Zealand's international development cooperation is delivered in partner countries and through regional initiatives based on priorities agreed with the government in that country. Our priority focus is supporting the needs in the Pacific. We also provide targeted assistance globally.



Pacific country programmes

In March 2018, the New Zealand Government announced a reset of New Zealand's approach to the Pacific region to build deeper partnerships with Pacific countries through applying principles of understanding, friendship, mutual benefit, collective ambition, and sustainability.

HIGHLIGHTS

Pacific Sporting Partnerships for Health

The Pacific Sporting Partnerships programme promotes healthy lifestyles for children through 'Sports for Health' activities. A partnership between the Ministry, New Zealand Rugby and Netball New Zealand aims to increase the availability and range of sports in Cook Islands, Fiji, Samoa and Tonga to reduce the risk of factors leading to non-communicable diseases.

In Samoa, 68 new rugby teams were created and 66 rugby coaches were trained. In Fiji and the Cook Islands, 80 netball coaches were trained. The activity has promoted messaging around healthy lifestyles through sports ambassador visits from former Silver Fern Irene Van Dyk, former All Blacks Pita Alatini and Rodney So'oialo, and Black Ferns star Charlene Gubb.



Credit: Steven Nowakowski

Pacific regional agencies

New Zealand's development assistance supports enabling functional, well-coordinated agencies that provide strong leadership in the Pacific region.

As a member of the various agencies, New Zealand is able to actively engage in their governance, policy-setting processes and strategic management. This year, our priorities for New Zealand's engagement with these agencies led to improved development results in areas such as fisheries, agriculture, trade and investment, governance and security, natural resource and environmental management, education and health.



Dominica, February 2018.



Credit: Julien Millet, Unsplash.

Global programmes

Our global development cooperation leverages New Zealand's comparative advantage and expertise in the areas of agriculture, renewable (geothermal) energy, disaster risk management, and builds capacity in these areas supported by knowledge and skills training.

HIGHLIGHTS

Leadership in renewable energy

New Zealand's development cooperation has supported improved access to affordable, reliable, and clean renewable energy through provision of targeted technical assistance, capacity building and training. Our Caribbean Geothermal Assistance Programme has supported five Eastern Caribbean Island States and positioned New Zealand as the go-to partner in the region for support on geothermal energy development. In 2017, the five-year New Zealand-Africa Geothermal Facility was established with the Africa Union Commission. In 2018, New Zealand launched phase 1 for a renewable energy facility in Laos. In Indonesia we support geothermal energy development and capacity building, including the development and delivery of practical training, as well as improving access to energy and the development of renewable energy resources in Indonesia's Maluku Province. We began implementation of the Myanmar Renewable Energy Programme in 2018 providing technical assistance and capacity building to increase the beneficial and sustainable use of renewable energy resources to support economic and social development.

Disaster risk management in the Caribbean

New Zealand's support towards volcanic resilience in the Eastern Caribbean through the University of West Indies Seismic Research Centre has provided substantial upgrades in its capacity to monitor volcanoes in the region. The project has had notable results, including improvements in public outreach and communication strategies necessary to provide advance warning. Enhanced technical skills are also opening commercial opportunities to the Centre to provide services to geothermal energy producers and insurance companies in the Caribbean. Funding for collaboration with New Zealand institutes has allowed for the development of advanced techniques for remotely monitoring volcanic activity and is contributing to the joint development of sensing equipment.



New Zealand distributes aid following Cyclone Gita, Tonga.

Humanitarian

\$39
MILLION

New Zealand's humanitarian funding helps to save lives and alleviate suffering resulting from natural disasters and complex emergencies. Our assistance also funds early recovery. New Zealand's response includes direct assistance in the Pacific delivered with other government agencies and through funding to accredited New Zealand non-governmental organisations and the Red Cross. Over the course of the 2017-18 Pacific cyclone season New Zealand Government agencies worked together to support nine nationally led responses across the Pacific in close coordination with the affected governments, our non-governmental organisation partners, and France and Australia. This year was characterised by a wide range of disasters including seven cyclones, four volcanic eruptions, one earthquake and one disease outbreak.

Our international work prioritises support to the ASEAN region, and large-scale emergencies such as those in Yemen and Syria. Our contributions outside the Pacific are generally through funding expert humanitarian organisations, such as the International Committee of the Red Cross.

In October 2017, New Zealand became a signatory to the Grand Bargain on Humanitarian Financing, a platform for donors to collectively advance humanitarian reform issues to improve efficiency and effectiveness.



New Zealand distributes aid following Cyclone Gita, Tonga.

HIGHLIGHTS

Ambae volcano response

Following volcanic activity on Ambae Island, Vanuatu in September and October 2017, we led the New Zealand government's response providing a combination of technical assistance, funding and relief supplies for the affected populations in coordination with Australia and France. The Ambae response involved the evacuation of the entire population of the island to the nearby islands and followed by the subsequent repatriation to Ambae. Volcanic activity on Ambae Island stepped up again in March 2018. We also deployed GNS volcanologists to provide technical support to the Vanuatu Meteorology and Geo-hazards Department, released prepositioned relief supplies, delivered 67.3 tonnes of relief supplies, and supported non-governmental organisation recovery efforts.

Tropical Cyclone Gita

Our largest response began in February 2018 when Tropical Cyclone Gita directly impacted Tonga (Nukualofa and 'Eua) as a powerful category 4 cyclone. A multi-agency New Zealand team deployed to support the Government of Tonga's response. Working closely with our Australian and French partners, and leveraging the expertise of our New Zealand Government partners, the Ministry led a New Zealand response that delivered over 70 tonnes of emergency relief supplies, undertook urgent damage assessments on critical infrastructure, supported the Red Cross to replenish relief supplies that had been distributed to communities in need, and provided funding to non-governmental organisations to deliver emergency relief and early recovery assistance with their in-country partners.

Support for Myanmar and Rohingya crises

The Ministry has helped to address the humanitarian needs of those affected by the recent violence in Myanmar, including Rohingya refugees and their host communities through over \$8.3 million in funding to international humanitarian organisations and to New Zealand non-governmental organisations to deliver relief supplies, establish temporary learning centres, public health promotion, and provide protection and psychosocial assistance.

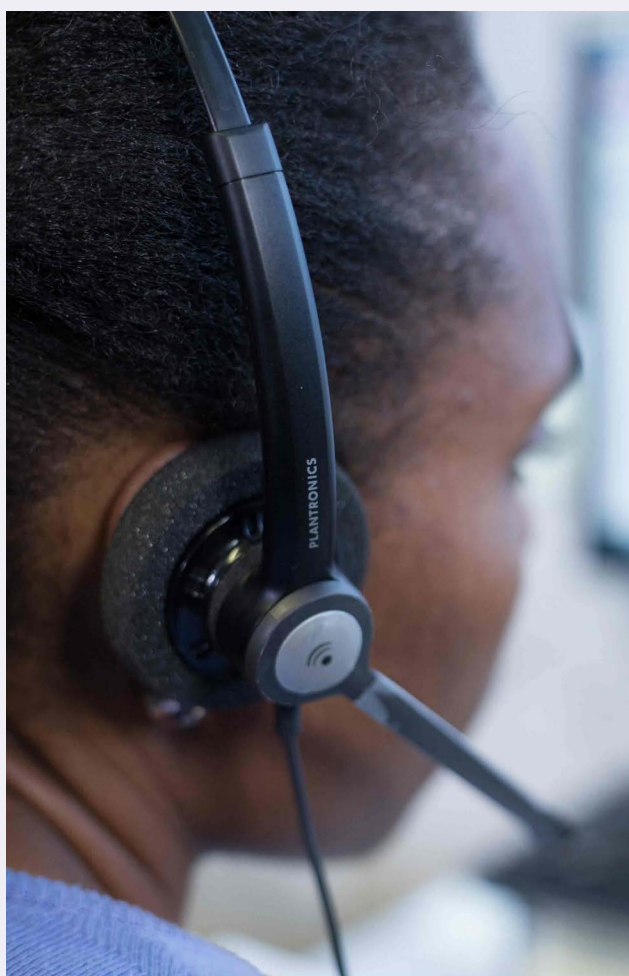


Credit: Nurphoto, Getty.

Partnerships

\$41
MILLION

New Zealand organisations working with local partners in developing countries play a valuable role in delivering economic and social development outcomes at the community level. We invest in New Zealand State sector organisations and other specialist organisations that are well-placed to support our strategic objectives in the Pacific. This year we continued to support long-established partnerships with New Zealand non-governmental organisations such as Volunteer Services Abroad, and managed the contestable Partnerships for International Development fund, which provided opportunities for state, private and non-governmental agencies to deliver projects in priority areas.



HIGHLIGHTS

Gender-based violence hotline in Papua New Guinea

The Partnerships Fund is providing \$2.6 million over 2014-19 to ChildFund NZ for the establishment and operation of Papua New Guinea's first nationwide free telephone counselling and referral service, with a goal of providing coordinated and effective services for survivors of gender-based violence. Crisis counsellors are supported to advise and refer callers to a network of social and protective services. Thus far the hotline has provided crisis counselling for over 3,200 clients, safety planning for over 1,200 clients, suicide intervention for 36 clients, referral advice to over 6,500 clients, and information to over 10,000 callers. The hotline has served as an unexpected lifeline for traumatised survivors of the earthquakes in the Southern Highlands, with over 2,000 calls fielded in the aftermath as many earthquake survivors have limited options for face-to-face counselling or mental health support.

International agencies

\$99
MILLION

New Zealand's financial contribution to international agencies contributes to tackling global challenges at scale. This includes helping developing countries achieve the Sustainable Development Goals and addressing the consequences of disaster and conflict. Our contribution also gives us a voice to advocate on policy positions that are a priority for New Zealand.

We support organisations that have the capacity to deliver effective outcomes which align with New Zealand's values, such



A child is immunised in Aleppo, Syria. Credit: Khouder Al-Issa, UNICEF.

as transparency and human rights. This year, we contributed to 26 international agencies, including the United Nations Development Programme, the World Food Programme, the United Nations Children's Fund (UNICEF), the World Bank and the Asian Development Bank. Our partners continued to demonstrate effective delivery in their global and regional performance.



A Rohingya boy in Camp 4, Cox's Bazaar, Bangladesh. Credit: David Azia, UNHCR.



Kiribati. Credit: Pedram Pirnia.

HIGHLIGHTS

Small Island Developing States (SIDS)

The Ministry's advocacy helped ensure continued visibility of the importance of the UN system responding to the needs of SIDS. For example, New Zealand consistently highlighted issues associated with vulnerability to natural disasters in Pacific SIDS in its national statements in UN governing bodies. The needs of SIDS are well addressed in the UN Population Fund's new strategic plan, while the International Fund for Agricultural Development agreed to increase funding allocated for SIDS by 28 percent under its 2019-21 replenishment.

New Zealand advocacy efforts for **greater Pacific Focus** also contributed to:

- Improved Pacific planning from the UN Population Fund and increased 2018 core allocations for the Pacific and Caribbean
- UNAIDS improved reporting on its Pacific work
- The World Food Programme agreed to develop its first ever strategy for its work in the Pacific
- The International Fund for Agricultural Development agreed to strengthen its institutional human resources to manage Pacific programmes.

Scholarships

\$70
MILLION



Jhemmylrat Teng from the Philippines completed a Master's degree in international development at Massey University.

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 in New Zealand on an aid-funded scholarship. In 2018, 8,750 people from developing countries around the world applied for a New Zealand tertiary scholarship.

In January 2018, a data analysis and monitoring work stream began, which aims to increase value for money, track development impact and provide evidence for programme improvements over time.



Credit: University of Auckland.

CASE STUDIES

Erna Takazawa – Samoa

Erna Takazawa came to New Zealand from Samoa on a New Zealand Scholarship, and completed her Bachelor of Optometry in 2012. Upon returning home, Erna has used the knowledge and skills she acquired from her studies to become the first optometrist in Samoa. Nowadays, eye care in Samoa is more accessible and decentralised than ever before, with teams of eye nurses and Erna travelling out into the communities to perform treatments. Erna believes that being proactive and setting goals is the key to making a big difference: “No matter what age or circumstances, everyone has the potential to make an impact in their communities”.

Samuel Kofi Sarpong – Ghana

Samuel Kofi Sarpong came to New Zealand from Ghana on a New Zealand Scholarship, and completed a Postgraduate Diploma in Agricultural Science in 2015. After returning to Ghana, Samuel secured a job as the Head of Agronomy for the biggest rice processing company in West Africa, and was recognised as the company's best worker of 2016. More recently, Samuel now manages his own farm where he employs 22 permanent staff and is harvesting his own rice crops. Samuel attributes his success to the knowledge he acquired through his study in New Zealand.





Delivering lasting results

New Zealand's international development cooperation emphasises achieving outcomes with our partners. We use a results-based management approach that requires a strong focus on planning (including setting goals, direction and allocation of resources), monitoring through effective results frameworks at each level, and evaluation and learning. We have activity and programme level results frameworks and annual performance reporting that measure progress against a standard set of indicators that aggregate up to our Strategic Results Framework for the whole of New Zealand's International Development Cooperation.

Our suite of evaluations are providing a strong and credible evidence base to inform future direction, programme management, and to strengthen our decision-making.

The Papua New Guinea country programme evaluation is an example of how evidence is being used to adapt and improve our approach.

The evaluation challenged the Ministry to look at our relationship with Papua New Guinea in its development journey with fresh eyes. It allowed our discussions with key stakeholders to be a dynamic and honest exchange of ideas about the development programme in Papua New Guinea based on the evidence. This means more strategic and meaningful partnerships and a deliberate gender focus across the Papua New Guinea programme. We are also moving from project approaches to systemic and policy interventions and more flexible modalities for delivering our development assistance. We will be signing a new Development Partnership with the Papua New Guinea government before the end of this year.

International Agency Funding

	2017 - 18		2016 - 17
ASSESSMENT OF PERFORMANCE	Budgeted Standard	Actual Standard	Actual Standard
Renewable Energy			
Households provided with access to electricity (World Bank)	25,000,000 – 35,000,000 people across 3 years; average of 10,000,000 people per year	11,600,000 people (annual average for 3 years until 2016-17) ²⁴	8,900,000 people (2015-16)
Agriculture			
Area provided with new and /or improved irrigation services (World Bank)	1,300,000 to 2,300,000 hectares	2,100,000 hectares (2016-17)	3,010,000 hectares (2015-16)
Land under improved management practices (million hectares)	Not available ²⁵	Not available ²⁶	New measure
People receiving services from IFAD-supported projects (International Fund for Agricultural Development)	90,000,000 people (2015)	Not available ²⁶	97,040,000 people (2016)
Economic Governance			
People benefiting from microfinance loans (World Bank)	4,000,000 to 6,000,000 people	36,000 people ²⁷	11,400,000 people (2015-16)
New jobs and other livelihoods generated under sustainable development (United Nations Development Programme)	21,700,000 (2017)	33,600,000 new jobs and livelihoods (2017)	27,000,000 new jobs and livelihoods (2016)
Law & Justice			
New eligible voters who are registered (United Nations Development Programme)	94,800,000 (2017)	165,757,000 new eligible voters (2017) ²⁸	74,900,000 new eligible voters (2016)
Health			
School children receiving school meal and take home rations (World Food Programme)	Not applicable ²⁵	18,300,000 school children (2017)	14,900,000 school children (2016)
Households with new or improved water (Asian Development Bank)	419,000 households	53,000 households (2017) ²⁸	278,000 households (2016)
Number of sexual and reproductive health services provided (International Planned Parenthood Foundation)	2 billion services target (by end of 2022)	163,887,000 services (2017)	182,500,000 services (2016)
Education			
Students benefiting from new or improved educational facilities (Asian Development Bank)	7,890,000 students across 3 years; average of 2,630,000 students per year	1,558,000 students (2017) ²⁸	930,000 students

²⁴ Data is reported by multilateral agencies. For the 2017-18 financial year, no new data has been reported for this measure. The multilateral development banks (the World Bank and Asian Development Bank) report results on a three year rolling total basis, of which this reporting takes the annual average.

²⁵ Agency standard not applicable for setting budget standard.

²⁶ For the 2017-18 financial year, no new data has been reported for this measure.

²⁷ Reporting on this measure by the World Bank reflects the fact that the anticipated results were achieved early (see next column on results for 2016-17) but then dropped off the three year rolling total with the passing of time.

²⁸ Sector result expectations are subject to: a) timing uncertainties as projects may be launched early or later than expected, which could shift results to an earlier or later year; and b) changing priorities of client countries (for example, when financing is shifted from pipeline projects to disaster response, or changing political priorities leading to pipeline projects being replaced by a different activity).

	2017 - 18		2016 - 17
ASSESSMENT OF PERFORMANCE	Budgeted Standard	Actual Standard	Actual Standard
Humanitarian Response			
People provided with food assistance (this includes cash and vouchers) (World Food Programme)	Not applicable ²⁵	88,900,000 people (2017)	82,200,000 people (2016)
Percentage of core relief items provided for emergency assistance were dispatched with 48 hours (UNHCR)	100%	1.4 million people ²⁹	New measure
Percentage of targeted populations in humanitarian situations provided with sufficient safe water (UNHCR)	80%	79% ³⁰	New measure

International Development Assistance

	2017 - 18		2016 - 17
ASSESSMENT OF PERFORMANCE	Budgeted Standard	Actual Standard	Actual Standard
Percentage of indicators improving at the "Global Results" level of the New Zealand Aid Programme Strategic Results Framework for bilateral partner countries	Improve or maintain	62%	61%
Renewable Energy			
Renewable energy share in the total final energy consumption in bilateral partner countries	Maintain or increase number with improving trend	26.6% across 14 bilateral partner countries ³¹	37% across 10 bilateral countries
Installed renewable energy capacity of new or upgraded infrastructure)	Maintain or increase number with improving trend	45.82MW from 3 projects: 37.5 MW in Indonesia (based on NZ funding contribution of 25% towards the project); 8MW in Cambodia; 0.319MW in Niue	3.22MW from 5 projects: 2.00MW Cambodia; 0.04MW Indonesia; 1.05MW Samoa; 0.12MW Tokelau; 0.01MW Vanuatu
Agriculture			
Agriculture sector - added value of GDP in bilateral partner countries	Maintain or increase number with improving trend	16.1% averaged across 11 bilateral partner countries ³¹	16.54% averaged across 13 bilateral partner countries

²⁹ Reporting for this measure is provided by UNHCR who did not provide a percentage for the period.

³⁰ The budget standard for this indicator included three components: (a) safe drinking water, (b) adequate sanitation and hygiene facilities, (c) handwashing facilities. The result refers to part a) of this indicator.

³¹ The number of countries reported against is determined by data available at the time of reporting. Data is drawn from external sources and there is variability year to year.

	2017 - 18		2016 - 17
ASSESSMENT OF PERFORMANCE	Budgeted Standard	Actual Standard	Actual Standard
Information & Communications Technology			
Proportion of individuals using the internet in bilateral partner countries	Maintain or increase number with improving trend	35.1% averaged across 14 bilateral partner countries ³¹	29.8% averaged across 13 bilateral partner countries
People provided with new or improved ICT services (telecommunications and/or internet)	Maintain or increase number with improving trend	500 people as part of the USPNet (University of the South Pacific Net) infrastructure upgrade ³²	1,000 people from Tokelau
Fisheries			
Proportion of key tuna fish stocks within biologically sustainable levels, in the Pacific	Maintain	100% (4 out of 4 key tuna stocks)	New measure
People assisted (through training and advisory support) to increase benefits from fisheries/aquaculture sector	Maintain or increase number with improving trend	We assisted 280 people across the Pacific ³²	We assisted 1,072 people including 774 from Kiribati
Tourism			
National tourist arrivals	Maintain or increase number with improving trend	1,100,296 averaged across 15 bilateral partner countries ³¹	1,246,347 averaged across 11 countries. This is an increase of 69% compared with the previous reporting period
People assisted (through training or advisory support) to increase benefits from tourism sector	Improve or maintain trend	294 people: 179 from Samoa, 65 from Cambodia, and 50 from Lao PDR ³²	1,425 people. 409 from Samoa, 612 from Cambodia, and 404 from Vanuatu
Trade & Labour Mobility			
Growth rate of exports	Maintain or increase number with improving trend	5.3% averaged across 6 bilateral partner countries	New measure
People assisted (through training or advisory support) to increase benefits from trade (and labour mobility) sector	Improve or maintain trend	4,199 people across the Pacific, including 2,940 through the labour mobility activity in Kiribati	811 in Samoa

³² Results are aggregated from the aid programme's entire portfolio of activities. Individual activities begin, end or progress to a new phase at different times. This means a certain amount of variability within an individual measure is to be expected on an annual basis, with an overall improvement shown across the longer term. In this area a number of activities are in their early stages and at the time of reporting were yet to report results.

	2017 - 18		2016 - 17
ASSESSMENT OF PERFORMANCE	Budgeted Standard	Actual Standard	Actual Standard
Economic Governance			
Governance and effectiveness index (Rank) in bilateral partner countries	Maintain or increase number with improving trend	Average rank of 29 across 14 bilateral partner countries	Average rank of 29 across 14 countries
Countries that have received advisory support to strengthen economic governance through bilateral engagements	Maintain or increase number with improving trend	We have assisted 16 countries, including Kiribati, Samoa and the Solomon Islands ³³	We have assisted 19 countries, including Cook Islands, Fiji, Kiribati and Solomon Islands
Law & Justice			
Rule of Law Index (Rank) in bilateral partner countries	Maintain or increase number with improving trend	Average rank of 40 across 14 bilateral partner countries	Average rank of 35 across 15 bilateral countries
People assisted (through training or advisory support) to strengthen law and justice systems	Maintain or increase number with improving trend	We assisted 590 people in Timor-Leste to strengthen law and justice systems through the Community Policing Programme ³²	We have assisted 1,852 people to strengthen law and justice systems. Most of these participants were from Timor-Leste and Papua New Guinea
Health			
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	25% of 30-year old-people would die before their 70th birthday
Under 5 mortality rate in bilateral partner countries	Maintain or increase number with improving trend	Average under-5 mortality rate was 31 per 100,000 live births across 14 bilateral partner countries where data was available	Average under-5 mortality rate was 34 per 1,000 live births across 14 countries where data was available
People that have received essential medicines and care at primary health facilities	Maintain or increase number with improving trend	106,215 people across the Pacific, including 91,800 through the Pacific Non-Communicable Diseases Initiative ³²	159,624 people across the Pacific

³³ This is in part a demand-driven measure, determined by the number of requests for advisory support we receive.

	2017 - 18		2016 - 17
ASSESSMENT OF PERFORMANCE	Budgeted Standard	Actual Standard	Actual Standard
Education			
Children meeting regional test levels at grade 6 for literacy in bilateral partner countries	Maintain or increase number with improving trend	46% (2015) (48% in 2012) ³⁴	46% (2015) (48% in 2012)
Children meeting regional test levels at grade 6 for numeracy in bilateral partner countries	Maintain or increase number with improving trend	68% (2015) (56% in 2012) ³⁴	68% (2015) (56% in 2012)
People that complete vocational training	Maintain or increase number with improving trend	1,106 people completed vocational training	652 people completed vocational training
People that complete tertiary scholarships	Maintain or increase number with improving trend	707 people completed tertiary scholarships	598 people completed tertiary scholarships
Resilience			
Carbon emissions (metric tonnes per capita) in bilateral partner countries	Maintain or increase number with improving trend	1.9 metric tonnes per capita averaged across 13 bilateral partner countries	1.9 tonnes per capita averaged across 13 countries
People trained to strengthen resilience (disaster risk reduction and climate change adaptation)	Maintain or increase number with improving trend	We trained 1,263 people in Indonesia, Viet Nam and Fiji ³⁵	We trained 3,637 people to strengthen resilience for disaster risk reduction and climate change adaptation. This training occurred in ASEAN countries and Fiji
Humanitarian Response			
Risk of humanitarian crises and disasters (Index for Risk Management scores)	Improving trend	4.0 averaged across 13 bilateral partner countries ³¹	4.4 averaged across 12 bilateral partner countries
Vulnerable people provided with essential and useful assistance following a natural or human induced disaster	Standard dependent on need	We provided 301,134 people with useful and essential assistance following natural or human-induced disasters. This included responses to Tropical Cyclone Gita in Samoa and Tonga, and the meningococcal outbreak in Fiji ³⁶	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
NZ responses to natural disasters in the Pacific that are launched within mandated timeframes (%)	100%	100%	Revised standard

³⁴ This indicator is sourced from the Pacific Islands Literacy and Numeracy Assessment (PILNA), a regional study which is carried out every three years. New data will be available in 2019.

³⁵ Results are aggregated from the aid programme's entire portfolio of activities. Individual activities begin, end or progress to a new phase at different times. This means a certain amount of variability within an individual measure is to be expected an annual basis, with an overall improvement shown across the longer term. In this instance, previous activities include some resulting from Tropical Cyclone Pam which occurred in 2015.

³⁶ People may have benefited from more than one assistance activity, and therefore be counted twice as a person provided with assistance.

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