



Annual Report

2019 - 20





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**Presented to the
House of Representatives
pursuant to Section 44(1) of the
Public Finance Act 1989**

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Chief Executive's foreword

This has been an exceptionally challenging year for the Ministry of Foreign Affairs and Trade. Before COVID-19, New Zealand was facing a concerning global outlook clouded by strategic tension and a weakened international order. The pandemic created significant new headwinds as well as exacerbating these trends. But the Ministry's response reaffirmed **the organisation's essential purpose – acting in the world to make New Zealanders safer and more prosperous.**

This report accounts both for the Ministry's delivery against our *Strategic Intentions 2019-2023* and for the role we played in the New Zealand government's response to the COVID-19 pandemic. The significant pivot of resources to this response, combined with COVID-19's impact on international engagement, meant that we were unable to deliver some planned results as we re-directed effort to a fresh set of priorities.

COVID-19 dominated the Ministry's work in the second half of the year and impacted heavily on our staff around the world. Throughout the crisis, the Ministry focused on three priorities: keeping our people safe and well both abroad and at home; maintaining and sustaining our offshore network; and providing advice on the critical foreign, trade, consular, and development activities either impacted by or important to New Zealand's COVID-19 response.

The Ministry managed a **consular response on an unprecedented scale**. This saw the repatriation of over 5,000 New Zealanders by 30 June and consular assistance provided to thousands of other New Zealanders in difficulty overseas due to COVID-19.

We also contributed to the All-of-Government response in many other ways. Our post network delivered insights and reporting on international developments that informed the New Zealand government's understanding and helped shape the response to COVID-19. We also supported the flow of essential imports and exports; contributed to New Zealand's border management; helped address issues related to foreign nationals in New Zealand; tackled multiple Pacific impacts; and helped develop, then pursue New Zealand's strategy to secure access to vaccines.

The **Ministry's response capability was further tested by a number of other disasters**, some of which coincided with COVID-19 or each other. These included the eruption of Whakaari / White Island in November 2019, a serious measles outbreak in the Pacific and the impacts of Tropical Cyclone Harold in Vanuatu and Fiji.

COVID-19 reinforced the value of our international relationships and demonstrated the benefit of past investment in these relationships. New Zealand worked particularly closely with Australia and Singapore. The Prime Minister's participation in Australia's National Cabinet meeting in May 2020 symbolised the special trans-Tasman relationship.

The inability to travel for face-to-face engagements due to COVID-19 had an immediate and fundamental impact on New Zealand's diplomatic engagement. While some activities halted completely or were severely curtailed, especially in the multilateral arena, many transitioned to virtual platforms. New Zealand Ministers and officials adapted rapidly to making the best use of these platforms, in particular to sustain bilateral Ministerial contacts, but also for regional and multilateral engagements, trade negotiations, and even signing a treaty.

COVID-19 is having severe economic impacts in the Pacific despite the virus's low prevalence in the region. New Zealand's role as a preferred Pacific partner was reinforced through a wide range of support for Pacific countries' preparation and response and policy decisions that took Pacific interests into account. This was consistent with the **partnership-focused approach the Ministry took to Pacific engagement throughout the year, aiming to safeguard New Zealand's interests and influence in this critical region.**

The **increased aid budget** saw almost \$450 million invested in Pacific development, including to improve health outcomes, climate resilience and digital connectivity. A major new initiative – the Pacific Public Service Fale – hosted by the Public Service Commission, will help strengthen government services in the Pacific. This exemplifies how important agency partners are in achieving New Zealand's objectives in the region.

2019-20 saw further weakening in the **international rules and institutions** that are so important to small countries. The COVID-19 pandemic required strong multilateral action but tensions between the major powers held this back. New Zealand supported the **World Health Organisation's** role and a review of its response to ensure it continues to perform effectively. The impasse over the World Trade Organisation's dispute settlement system was not resolved but we played an active role in establishing the Multi-Party Interim Appeal process to preserve its functionality.

The Ministry promoted ambitious **global climate action** for the benefit of New Zealand and the Pacific, supporting the Prime Minister's leading role in the **UN Secretary-General's Climate Action Summit** and launching negotiations on a trade and sustainability agreement. New Zealand established itself as an influential player in the **Biodiversity Beyond National Jurisdictions treaty** negotiations, the only new significant international treaty currently under negotiation at the United Nations.

Rising protectionism was creating challenges for New Zealand's trade interests before COVID-19 struck. The Ministry nevertheless delivered some important outcomes before and after COVID-19 began disrupting global economies. These included concluding an **upgrade of our Free Trade Agreement with China** and signing the **Digital Economic Partnership Agreement** with Chile and Singapore. The Ministry worked hard to ensure that **supply chains** stayed open in the aftermath of COVID-19, and provided valuable insights for exporters through **market reports** from posts.

New Zealand has a critical interest in **regional architecture** supporting broad-based stability and economic integration. Ahead of chairing APEC in 2021, we played an influential role in shaping APEC's post-2020 vision and its adoption of COVID-19 recovery as a priority theme. COVID-19 drove the Government's decision in June 2020 to pivot to **hosting APEC21 virtually**. Across our regional engagement, New Zealand consistently applied our **principles-based Indo-Pacific policy**.

Our security environment was marked by negative trends which COVID-19 will amplify. Our leadership of follow-up work on the **Christchurch Call** resulted in the rapid removal of terrorist and violent extremist content stemming from incidents in other countries during the year. We also hosted and chaired a well-received **Missile Control Technology Regime conference** in Auckland, helping to limit the destabilising effect of missile proliferation. **We continued to work closely with Defence and Police** in supporting New Zealand contributions to various peace and sanction-related operations, including in the Middle East, Asia, and the Pacific.

Strong relationships with our **New Zealand partners** are important to us and we continued efforts to reinforce these. A milestone was the launch of Te Taumata in October 2019, providing a dedicated platform for deeper discussion with Māori on trade issues. Positive connections were built through APEC21 preparations with iwi and the Auckland City Council.

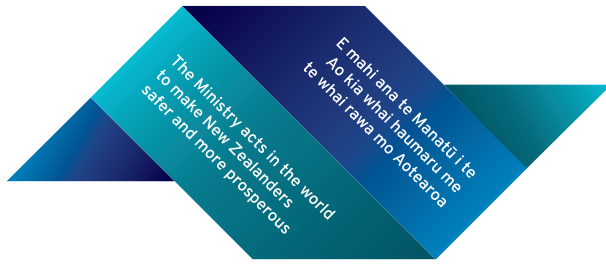
COVID-19 robustly tested many aspects of the **Ministry's organisational capability, resilience and performance**. We had to swiftly shift focus, adjust to remote working in many locations, manage unprecedented risks to staff wellbeing, and in some cases temporarily close posts. The dedication of individuals working in extremely challenging circumstances was evident across our network. The Ministry's investments in technology and capability stood us in good stead. These factors all played a part in enabling the Ministry to continue providing valuable services from within New Zealand and across our network.

Alongside this year's operational focus, the Ministry has sustained its **stewardship function**. In 2019 we completed the first of what will be three yearly strategic assessments. And over April-June 2020, the Ministry advised the Government on the implications of COVID-19 for our foreign policy, trade strategy and Pacific engagement. We also continued to build **our capability and confidence in Mātauranga Māori** and to give practical effect to the **principles of Te Tiriti o Waitangi**.

I want to acknowledge the exceptional work of the Ministry's staff – onshore and off shore – during a year that presented us with unprecedented professional challenges and personal risks. They have many reasons to be proud of their contribution to New Zealanders' wellbeing.



Chris Seed
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. In line with our purpose, we engage with other countries and seek to influence outcomes that align with our values and protect our enduring national interests in:

- A rules-based international order that supports New Zealand's priorities;
- A security environment that keeps New Zealand people and activities safe;
- International conditions and connections that enable New Zealanders to prosper; and
- Global action on sustainability issues that matter to New Zealand.



Our values

Our values guide how we interact with people within and outside of the Ministry. They also reflect to our global partners and to New Zealanders the qualities of the country we represent: a tolerant, diverse, inclusive and welcoming society.

Our values support the Public Service Commission's focus on spirit of service, and help us deliver to New Zealanders in an increasingly challenging global environment.

Our contribution to the Māori/Crown relationship

The Ministry recognises the importance of *Te Tiriti o Waitangi* as New Zealand's founding document and the basis of the relationship between the Crown and Māori. The principles of *Te Tiriti* – including partnership, good faith, and active protection – are at the core of our work. As the national and global landscape changes, we appreciate that how we interpret and apply those principles will need to adapt, but the relevance and importance of *Te Tiriti* will remain.

The Ministry is committed to delivering on our obligations as a Treaty partner with authenticity and integrity and to advancing Māori interests in our international work. We are conscious that the mana of *Te Tiriti o Waitangi* and the enduring relationship between Māori and the Crown makes New Zealand unique on the world stage.

The Ministry's Māori Engagement Strategy, which was adopted in 2017 with a four-year horizon, sets out our enduring commitment to and aspirations for our relationship with Māori.

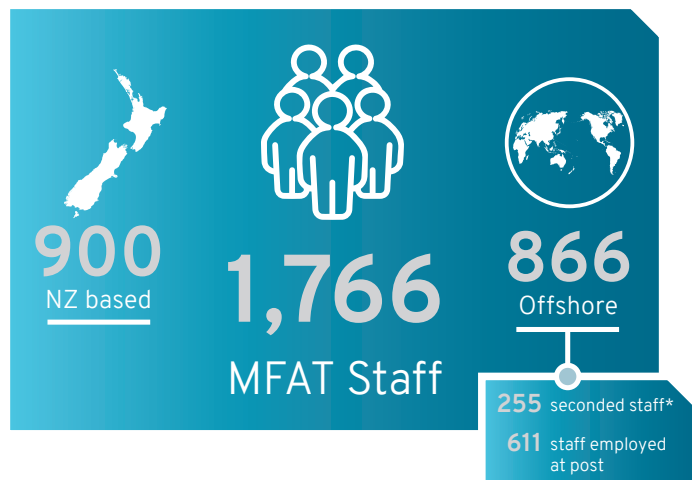
In implementing the Strategy, we aim to improve the way we engage, partner and consult with Māori in order to ensure Māori are able to influence the development and implementation of Ministry-led issues and activities that affect them.

The Strategy also drives efforts to build Māori capability and capacity in the Ministry. We want our people to have the confidence to use *Mātauranga Māori* in their mahi in a way that brings mana to the Ministry and represents Māori interests with authenticity offshore. The Ministry is also actively working to attract and retain Māori staff.

In 2019, the Ministry entered into an agreement to establish *Te Taumata*, a unique engagement model involving a group of recognised leaders in Māori socio-economic and cultural development chosen by Māori to engage with the Ministry on trade matters.

We are committed to ensuring the Ministry is well placed to meet our obligation under the Public Service Act 2020 to support the Crown in its relationships with Māori under the Treaty and to build the Māori capability and capacity required to deliver this.

A Snapshot of MFAT



Where MFAT people work in NZ

Americas and Asia Group	62
APEC NZ	64
Deputy Chief Executive - Policy Group	97
Europe, Middle East and Africa, and Australia Group	36
Multilateral and Legal Group	110
Office of the Chief Executive	8
Pacific and Development Group	209
People and Operations Group	227
Trade and Economic Group	87

Key data

Expenditure for 2019-20 was:

Vote Foreign Affairs and Trade	\$479.8 million
Vote Official Development Assistance	\$814.6 million
Capital	\$45.2 million

4	ministerial portfolios
32	pieces of legislation administered
13	NZ Inc agency partners offshore
168	missions/consular posts resident in or accredited to New Zealand supported
51	languages spoken by MFAT staff

Our network

59	posts in 52 countries
115	accreditations to other countries
74	Honorary Consuls
2	NZ offices
330	properties managed in our portfolio

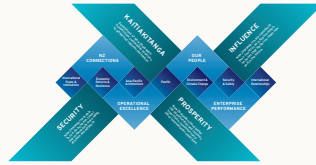
MFAT's offshore footprint

Africa	9
Americas	40
Asia	89
Australia	9
Europe	60
Middle East	21
Pacific	45

MFAT locations around the world and in NZ



**Numbers represent actual seconded staff at posts at 30 June 2020 reflecting COVID-19 impacts.*



Our contribution to New Zealanders' wellbeing and what we did to deliver this in 2019-20



KAITIAKITANGA

Generations of New Zealanders benefit from sustainable solutions to global and regional challenges.



Credit: Camilla Rutherford.

New Zealanders' long-term wellbeing depends on the international community working together to safeguard shared global resources, promote global norms and achieve sustainable development. We lead New Zealand's contribution to these efforts, ensuring New Zealand has a say on decisions that affect them and people around the world now, and in the future. This year we:

- supported the Pacific to prepare for and respond to COVID-19, with funding, measures at the border to protect Pacific countries, and maintenance of supply chains.
- launched negotiations on the Agreement on Climate Change, Trade and Sustainability, with Costa Rica, Fiji, Iceland, Norway and Switzerland.
- supported the WHO's role in the global COVID-19 response.
- advocated for the defence of human rights, including in Hong Kong, Myanmar, Philippines and Xinjiang.
- secured Cabinet approval of a Policy Statement on New Zealand's International Cooperation for Effective Sustainable Development.

INFLUENCE

New Zealanders have confidence their country can influence others on issues that matter for them now and in the future.



Credit: MFAT.

The international dimension of New Zealanders' wellbeing depends on New Zealand's ability to influence the decisions of other countries and organisations. The Ministry works to ensure that New Zealand has the relationships and levers to achieve what matters to us. This year we:

- supported the Prime Minister's leading role in the UN Secretary-General's Climate Action Summit.
- sustained virtual engagement by Ministers with international counterparts to enable New Zealand to benefit from our close partnerships during the COVID crisis.
- helped shape and launch the COVAX Facility, an international mechanism to support the availability of COVID-19 vaccines and equitable access to them.
- used our diplomatic connections with countries in the Gulf region and with Singapore to maintain vital air links and medical supplies during the COVID-19 crisis.

SECURITY

New Zealanders are able to live, do business, travel and communicate more safely at home and offshore.



The New Zealand led Bougainville Referendum Regional Police Support Mission. Credit: MFAT.

New Zealanders' ability to operate in safe environments, whether in New Zealand, offshore or online, can be threatened by international factors ranging from conflict to cyber-attacks. The Ministry is New Zealand's voice in the fora that address security issues affecting New Zealand, our region and the world. We also provide the consular services that help keep New Zealanders safe and informed when they live or travel overseas. This year we:

- undertook the largest and most complex consular response ever to assist New Zealanders in difficulty overseas due to COVID-19, including by helping with the repatriation of over 5,000 New Zealanders.
- led work to ensure that the Christchurch Call has processes and structures in place to deliver on its aim of eliminating terrorist and violent extremist content online.
- supported the peaceful conduct of the non-binding referendum on Bougainville's future political status.
- chaired the Missile Technology Control Regime to help reduce the proliferation of missiles.

PROSPERITY

New Zealanders have better job opportunities and incomes from trade, investment and other international connections.



Credit: New Zealand Story.

International trade and investment are essential for New Zealanders' prosperity and standard of living. One in four jobs depend on exports. The Ministry negotiates the reduction and removal of barriers to trade and investment, defends access to overseas markets and helps exporters succeed. This year we:

- played a leading role in setting up the Multi-Party Interim Appeal arbitration arrangement at the WTO, preserving the benefits of the dispute settlement system for international trade.
- concluded negotiations on the NZ/China FTA Upgrade and the Regional Comprehensive Economic Partnership, and launched negotiations on a FTA with the UK.
- actively supported New Zealand businesses affected by supply chain issues and other impediments during the COVID-19 crisis and developed a Trade Recovery Strategy to help New Zealand exporters in the wake of COVID-19.
- concluded the Digital Economy Partnership Agreement with Singapore and Chile to increase opportunities for New Zealand businesses to trade digitally.



Natural Capital
Social Capital
Human Capital



Natural Capital
Social Capital
Human Capital
Financial and Physical Capital



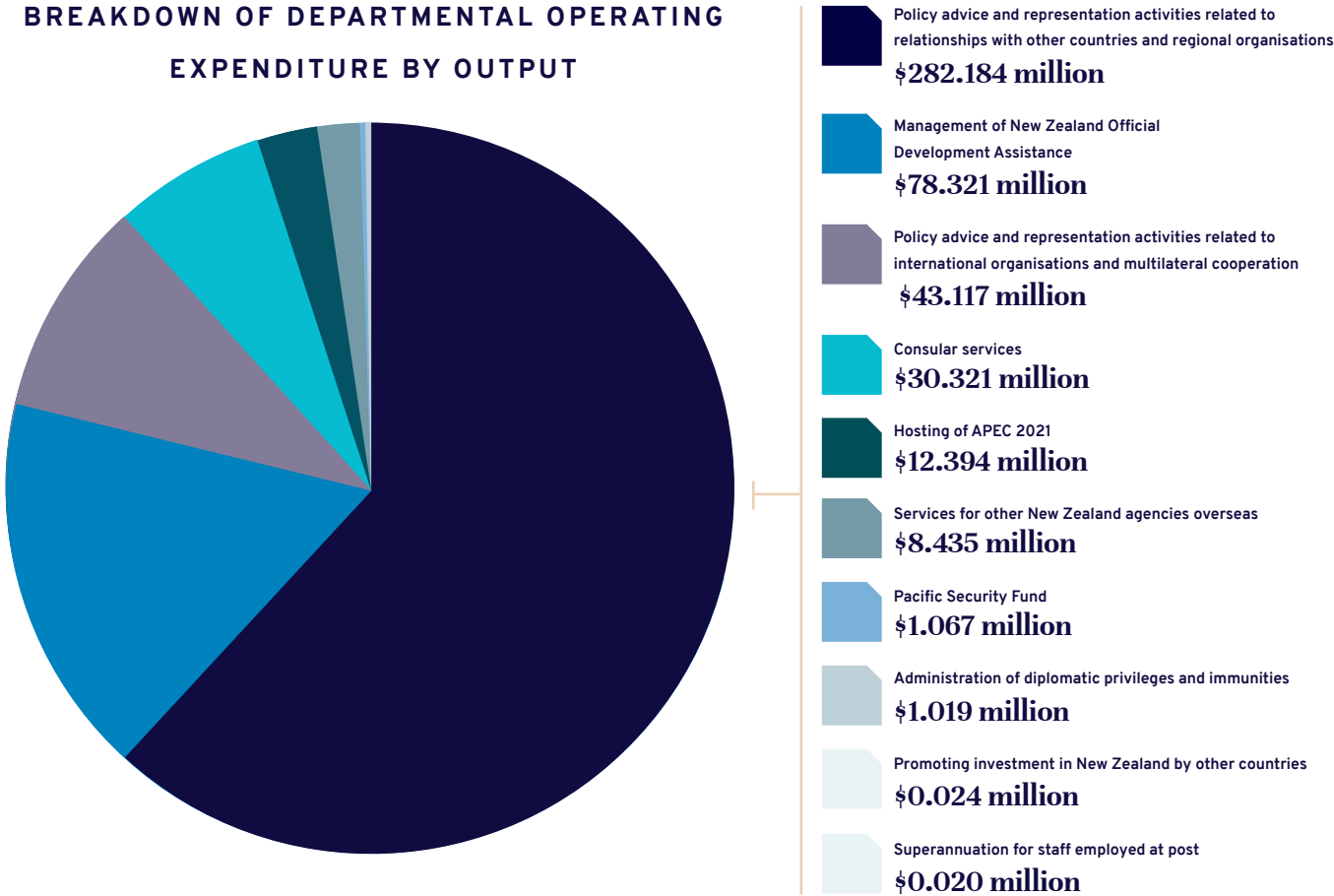
Social Capital
Financial and Physical Capital



Human Capital
Financial and Physical Capital

Financial performance summary

BREAKDOWN OF DEPARTMENTAL OPERATING EXPENDITURE BY OUTPUT



GLOBAL PROPERTY PORTFOLIO

\$435.4 million
VALUE

DEPARTMENTAL EXPENDITURE

\$456.9 million
TOTAL OPERATING EXPENDITURE

\$37 million
CAPITAL EXPENDITURE

NON-DEPARTMENTAL EXPENDITURE

\$101.2 million
FOREIGN AFFAIRS AND TRADE

\$736.3 million
OFFICIAL DEVELOPMENT ASSISTANCE*

\$8.2 million
CAPITAL EXPENDITURE

*(see page 137 for breakdown)

Reporting against our Strategic Framework

The content of the Strategic Framework is set out in the Ministry's *Strategic Intentions 2019-2023*. The Goals, Outcomes and Results express the impact we are aiming to achieve over a ten year period. We deliver this through a combination of 'Priority Deliverables' over a rolling four-year period and enduring work streams, both of which are identified for each Goal.

In the Annual Report we report on our performance at the Outcome level under each of the Goals in our Strategic Framework (see diagram overleaf). These reports are on pages 18-64.

This year we have also included a section on the additional work the Ministry undertook in support of the national response to COVID-19 (see pages 12-17).

How we assess and measure progress

The Annual Report is based on our Annual Goal Assessment which consists of a qualitative assessment at the Goal/Outcome level, and a more detailed qualitative assessment against each Result.

Work continues to ensure that the Indicators we use add measurement value to the qualitative assessment against Outcomes and Results, and are supported by evidence. The level of correlation between Indicators and Results varies: in some cases it is direct and in others is less closely aligned, but still supportive of the assessment.

Availability of 2019-20 data for Indicators in a few Goals has constrained the Ministry's ability to report against them. We have used other measures to support the qualitative assessment where possible. Where progress could not be measured, we have not included the Indicators in the reporting against Goals and have relied on the qualitative assessment. Those Indicators that we could not measure are listed on page 65.

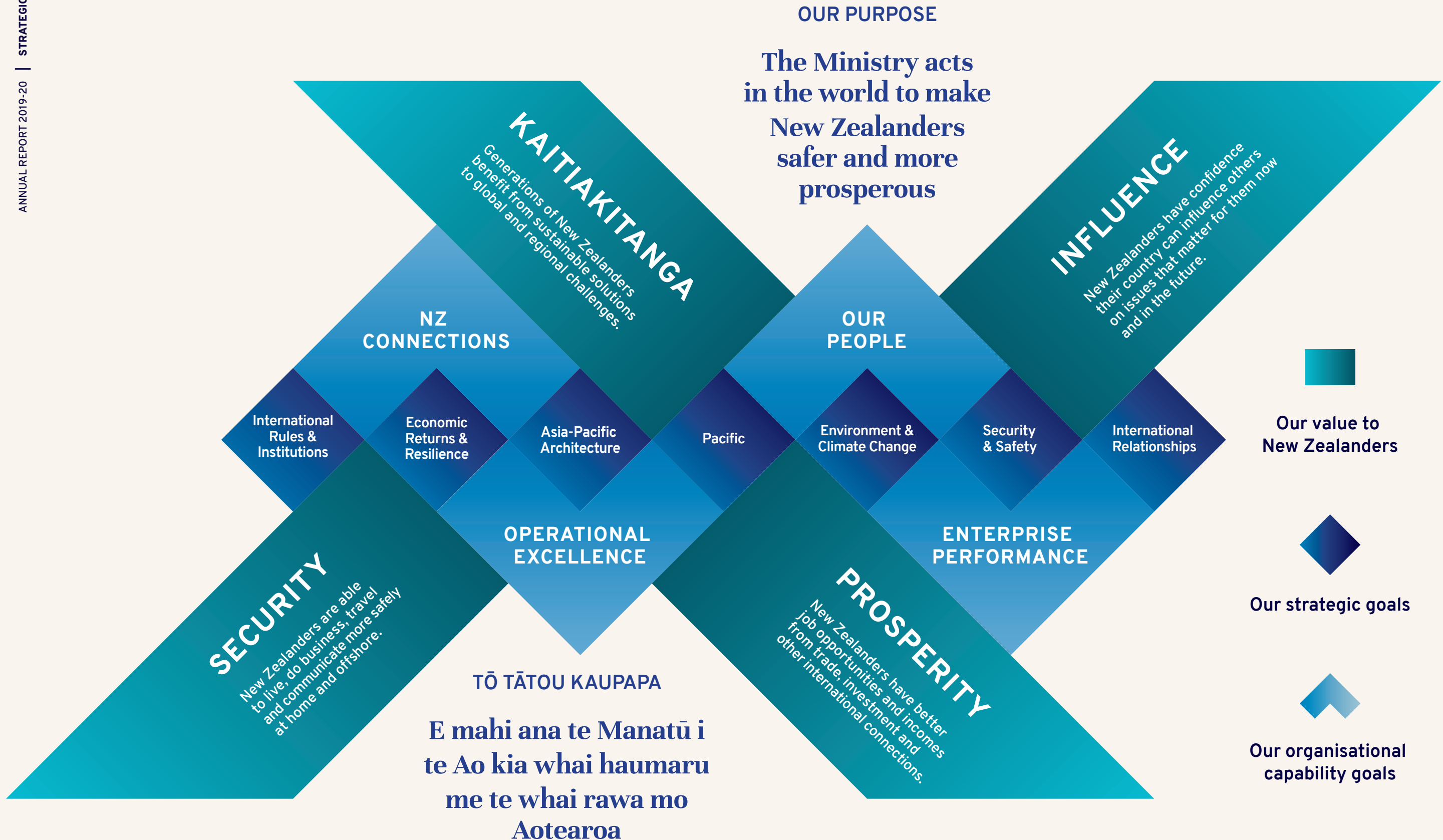
In the Indicators, we use a symbol to represent the future trend we would like to see:

- ↓ a desired downward trend aimed at reducing a problem
- current level maintained
- ↑ a desired upward trend aimed at creating benefits
- ✓ we aim to achieve the Indicator every year (where relevant).

Acronyms

ACCTS	Agreement on Climate Change, Trade and Sustainability	NZDF	New Zealand Defence Force
AoG	All-of-Government	NZTE	New Zealand Trade and Enterprise
ANZF	Asia New Zealand Foundation	PACER Plus	Pacific Agreement on Closer Economic Relations
ASEAN	Association of South East Asian Nations	PIF	Pacific Islands Forum
APEC	Asia-Pacific Economic Cooperation	RCEP	Regional Comprehensive Economic Partnership
ARF	ASEAN Regional Forum	RSE	Recognised Seasonal Employer Scheme
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership	SDGs	Sustainable Development Goals
DEPA	Digital Economy Partnership Agreement	SIDS	Small Island Developing States
EAS	East Asia Summit	SLT	Senior Leadership Team
ECC	Emergency Coordination Centre	SMEs	Small and medium-sized enterprises
EU	European Union	SPC	The Pacific Community
FTA	Free Trade Agreement	SPREP	Secretariat of the Pacific Regional Environment Programme
GCF	Green Climate Fund	TC	Tropical Cyclone
HSW	Health, safety and wellbeing	TPNW	Treaty on the Prohibition of Nuclear Weapons
ICR	Investor Confidence Rating	UK	United Kingdom
MoH	Ministry of Health	UN	United Nations
MTCR	Missile Technology Control Regime	US	United States of America
NTBs	Non-Tariff Barriers		
NPT	Nuclear Non-Proliferation Treaty		

Strategic Framework





NZ Inc staff at Mumbai airport ready to help New Zealanders get home, ahead of the second repatriation flight from India on 27 April. Credit: MFAT

COVID-19: The Ministry's part in New Zealand's response

The COVID-19 pandemic caused significant adjustments in the Ministry's work from late January 2020. We re-focused most of our resources on contributing to the Government's response. This reflected both the priority of this work and the pause that COVID-19 initially brought to much normal diplomatic activity. As noted throughout the Annual Report, this meant that the Ministry did not progress as much planned work as we would otherwise have done.

This section outlines the Ministry's work leading the international dimensions of New Zealand's COVID-19 response, including providing round the clock consular assistance to New Zealanders around the world, reporting on the pandemic's progress and the response to it overseas, border issues, maintaining supply chains and repatriation of New Zealanders. To support these operations, the Ministry ran a Wellington-based Emergency Coordination Centre (ECC) for 19 weeks. The majority of this time the ECC operated on a 24/7 basis.

The Ministry also collaborated intensively with other agencies on COVID-19-related matters and Ministry staff were seconded to the All-of-Government (AoG) response, including in the Ministry of Health (MoH). As well as assisting the MoH with the management of COVID policy issues, a health liaison role streamlined interaction on a range of issues relevant to the Ministry's consular work, our engagement with foreign embassies in New Zealand, and our management of bilateral relationships. It also ensured that reporting and insights from our offshore network were optimally targeted to inform the New Zealand health response.

The Ministry provided advice to Government about the need to adjust foreign policy priorities; develop a trade recovery strategy; recalibrate New Zealand's engagement to respond to the impacts of COVID-19 in the Pacific; and reframe our hosting of APEC in 2021 in light of COVID-19 and began implementing the Government's decisions on these issues.

The case study on pages 63-64 documents how we adjusted as an organisation to enable us to continue serving New Zealand effectively during the crisis and to deliver what will be required to support the New Zealand response over the medium term.

New Zealanders overseas

The COVID-19 pandemic affected thousands of New Zealanders travelling and living overseas. It required the Ministry's largest and most complex ever consular response.

On 19 March a global 'do not travel' advisory was issued due to the outbreak of COVID-19 and the associated health risks and fast evolving travel restrictions. It was the most wide-ranging travel advisory for New Zealanders ever issued.

We provided advice and consular assistance to thousands of New Zealanders in 130 countries, including hundreds who were on cruise ships. Our assistance included working with local authorities and partners to help create and support opportunities for New Zealanders to return home, lobbying governments so that cruise ships could dock and liaising with cruise companies to ensure onward travel. We negotiated transit for New Zealanders through countries when borders were shut. In extremely exceptional situations, we organised government-led repatriation flights to bring New Zealanders home. By 30 June, our actions had helped the repatriation of over 5,000 New Zealanders.

During the COVID crisis as in other emergencies, our consular assistance also helped New Zealanders to help themselves. Where we were unable to provide the type of assistance requested, our SafeTravel messaging helped New Zealanders make informed decisions, we alerted them to opportunities to return to New Zealand, we directed them to other agencies where appropriate, we encouraged them to explore other sources for financial support and we advised them how to keep safe where they were when returning home was not possible. We sent a record 3,400 messages to SafeTravel registrants and communicated directly with many New Zealanders in difficulty.

Our posts around the world were at the forefront of supporting New Zealanders offshore, and many did so in a challenging context of lockdowns, remote working and COVID-19 outbreaks in the countries where they are located.

Assisted departure flight from Wuhan

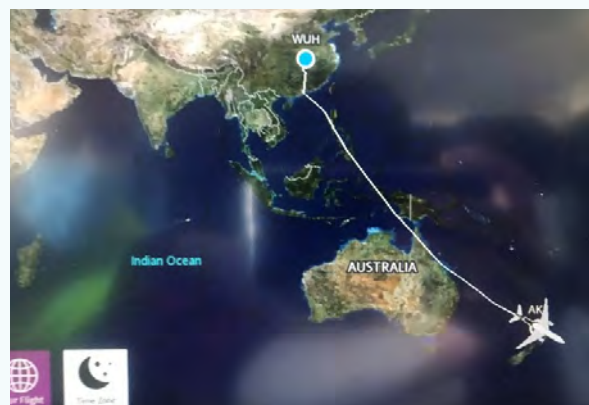
In late January, the COVID-19 outbreak was centred on Hubei province, China. On 23 January, in efforts to contain the virus, the Chinese Government placed the city of Wuhan in lockdown, with restrictions on all travel including international flights. In the following days, the lockdown was extended to the wider province. This left a number of New Zealanders stranded in Wuhan and the surrounding area.

On 30 January, the New Zealand Government made the decision to charter an Air New Zealand (Air NZ) flight to Wuhan to assist New Zealanders to return home. The Ministry was the lead agency for the operation. We obtained the necessary approvals from China for the flight, and communicated with New Zealanders on the ground. We worked closely with the MoH on the health measures for the flight, with Air NZ on the flight logistics, and with the New Zealand Defence Force (NZDF) and border agencies on the logistics for the passengers' arrival and quarantine in New Zealand. We also liaised with Australia and Pacific nations to support bringing their nationals on the flight if capacity allowed.

On the morning of 5 February, 190 passengers boarded the plane in Wuhan. This included 98 New Zealand citizens and permanent residents; 23 Australian citizens; and 69 citizens of other, predominantly Pacific, countries including the Federated States of Micronesia, Fiji, Kiribati, Papua New Guinea, Samoa and Tonga. They arrived in New Zealand the same evening and were then transferred to the special quarantine facility established at Whangaparaoa.

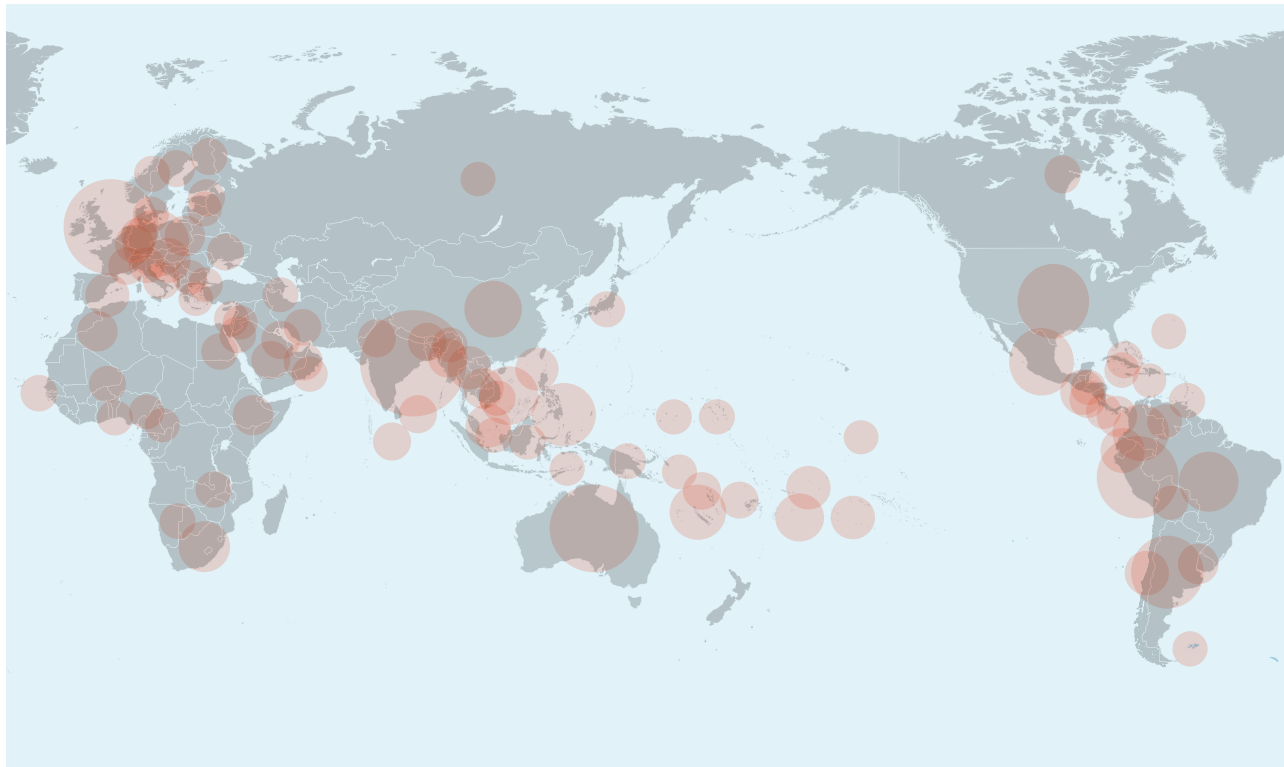


MFAT and Air NZ staff assisting New Zealanders boarding the flight from Wuhan to Auckland on 5 February. Credit: MFAT.



The path of the flight on 5 February that flew New Zealanders home from Wuhan, the initial epicentre of the COVID-19 outbreak. Credit: MFAT.

Global spread of the 1,343 COVID-19 consular cases recorded between 30 March–30 June 2020



International insights

The Ministry's offshore network engaged with foreign governments, international organisations, experts and commentators in order to provide regular valuable information about COVID-19 around the world. Information included progress of infection rates, the capacity of countries' health systems, the effectiveness of various responses, upcoming tightening and relaxing of border restrictions, trade measures, and other aspects of countries' responses.

These insights were shared with other agencies, including the Ministry for Business, Innovation and Employment (MBIE), Department of Prime Minister and Cabinet (DPMC), MoH, New Zealand Trade and Enterprise (NZTE), Tourism New Zealand, Ministry of Transport and The Treasury. They helped inform New Zealand's own COVID-19 response and were fundamental to our ability to provide well-grounded advice to exporters and New Zealanders living and travelling overseas.

Health cooperation

COVID-19 created a new impetus for global health cooperation to manage the pandemic, and in particular to develop a vaccine against the virus.

The Ministry worked with government partners to help develop New Zealand's COVID-19 vaccine strategy which aims to secure access to a safe and effective vaccine to implement our preferred

immunisation strategy as early as possible. The Ministry's focus is on the international engagement required to support the achievement of the strategy's objectives.

Our international engagement has ensured New Zealand's contributions to international efforts are valued and visible so that we can influence international settings around access to vaccines. This included a \$37 million contribution to international vaccine research, development and distribution. We gave early and vocal support for multilateral efforts to ensure equitable access to COVID-19 vaccines for all. We actively engaged with partners in bilateral and plurilateral settings to shape the nascent COVAX Facility (a global pooled purchasing mechanism for vaccines). As part of this, we provided input to and support for the World Health Organisation's (WHO) Global Allocation Framework, which will allow for equitable allocation of vaccines in an environment where demand is expected to outstrip supply. We also advocated in a range of international settings for commitments to ensure the unimpeded movement of vaccines worldwide, and for access for Pacific Island countries. We worked with partners in the region to ensure Pacific countries (the Realm in particular) receive viable vaccines as well as any support needed for immunisation campaigns.

Trade

The immediate implications for New Zealand's trade from the unfolding COVID-19 pandemic were serious. The sharp downturn in international travel and other restrictions put global supply chains under intense pressure and disrupted global trade.

In response, the Ministry redirected resources to engage intensively with our trading partners, protect New Zealand trade and supply links, and assist New Zealand exporters in resolving problems they faced on and offshore. During the COVID-19 response phase the Ministry handled 91 business enquiries through its Export Helpdesk, 87 of which have been resolved.

The Ministry also significantly increased its public reporting of how the pandemic was affecting New Zealand's key markets. By the end of June the Ministry had published 39 market reports, many of which provided insights on the impact the pandemic was having on supply chains and the demand for New Zealand's exports. Other reports highlighted changes in regulations and consumer habits that helped New Zealand businesses navigate developments in offshore markets.

Following Cabinet approval, the Trade Recovery Strategy was launched on 8 June to help New Zealand recover from the impacts of COVID-19 and to seize new opportunities for exports and investment.

Tackling barriers to agricultural exports to the Middle East during level four lockdown

In late March, MFAT became aware that the meat, dairy and horticulture sectors were having difficulty getting their paper export documentation authenticated by the relevant embassies in Wellington due in large part to New Zealand's level four lockdown. This matter became particularly problematic when a meat consignment arrived in its Middle East destination and was unable to clear customs without these documents. MFAT and Ministry for Primary Industries worked to resolve the issue by seeking a letter from Trade and Export Growth Minister, Hon David Parker, to his Gulf country counterpart requesting a temporary waiver of this authentication requirement. We also activated NZ Inc staff in-market, who, although also in lockdown, were able to engage with relevant local authorities. These efforts led to a temporary waiver being granted and the meat consignment and other goods were able to move through the border. The temporary exemption was applied for multiple consignments, but was recently removed. However, the experience has led to the positive discussion of implementing acceptance of New Zealand E-certification in impacted markets such as Saudi Arabia and Kuwait. This would remove the need for outdated requirements for embassy involvement in health and halal certification.

Global cooperation to maintain trade flows

The Ministry actively promoted international commitments to maintaining trade flows, consistent with the view that an open rules-based multilateral trading system and global cooperation remain the best mechanisms for addressing the trade impacts of COVID-19.

Key initiatives:

- **March 21:** New Zealand and Singapore released a Joint Ministerial Statement on supply chain connectivity, now with 10 additional signatories.
- **April 15:** New Zealand and Singapore launched a new trade initiative to ensure supply chain connectivity and the removal of blockages to trade in a list of essential products that includes medicines, medical and surgical equipment.
- **April 22:** New Zealand and 23 other World Trade Organisation (WTO) members called for government response measures to avoid adversely affecting trade in agriculture and food, which would ultimately have negative impacts on the food security, nutrition and health of their populations.
- **May 1:** New Zealand joined Australia, Canada, Chile, Korea, and Singapore in a Joint Ministerial Statement on action plans to facilitate the flow of goods and services as well as the essential movement of people.
- **May 5:** the 21 APEC ministers responsible for trade committed to work together to ensure trade and investment continue to flow.
- **May 5:** New Zealand and 42 other WTO members affirmed their support for the multilateral trading system and highlighted the WTO's role in responding to COVID-19.



The first 100 returning ni-Vanuatu Recognised Seasonal Employer scheme workers disembarking the NZDF facilitated repatriation flight on 18 June. Credit: Airports Vanuatu Limited.

Maintaining supplies of Fluoxetine

On 31 March, Pharmac sought urgent assistance from government agencies. A delivery of the drug Fluoxetine due to be dispatched from India on 25 March had been delayed. Fluoxetine is used for the treatment of depression and other mental health conditions. Stocks in New Zealand were seriously depleted, and it was needed to maintain treatment for over 70,000 people.

New Zealand agencies quickly coordinated their efforts on the issue, which was challenging as India was in a strict lockdown to contain COVID-19. NZTE staff based in Mumbai used local pharmaceutical contacts to help track down exactly where the shipment was and ascertain the barriers to its despatch. The New Zealand High Commission submitted the documentation required to the Ministry of External Affairs to support the drug's despatch. MFAT staff in New Zealand liaised closely with Teva Pharma (New Zealand) Ltd (the New Zealand supplier) and with DHL around shipment logistics. NZTE and the High Commission in India coordinated with DHL at their end. The High Commission in Singapore was also involved to secure back up transport in case that was required.

The quick activity had a positive result: 20 pallets of Fluoxetine (over 40,000 packets) arrived in New Zealand in time to ensure continuity of treatment for thousands of New Zealanders.

Supporting the Pacific COVID-19 response

New Zealand worked very closely with Pacific Island governments, sharing information and supporting their COVID-19 preparedness and their responses.

An initial \$50 million package of support helped Pacific countries to prepare health systems, and helped address wider health, economic, governance and social challenges arising from the effects of the pandemic.

The Ministry also provided regular advice to the Government to ensure that domestic policy decisions took Pacific interests into account. This was evident in exit screening measures for Pacific people at the New Zealand borders; the inclusion of money transfer operators in the list of essential services, recognising the importance of remittances to households in the Pacific; and our assisting with the repatriation of Pacific nationals.

We also ensured medicines, food and other vital supplies have continued to move to where they are needed, while minimising risks of COVID-19 spread.

In June, the Ministry prepared advice to the Minister of Foreign Affairs on recalibrating New Zealand's Pacific engagement to respond to the far-reaching and serious impacts of COVID-19 across the region in the short to medium term.

Borders

The COVID-19 response has seen New Zealand impose the most extensive border restrictions our country has ever known. New Zealanders also face widespread restrictions internationally as many countries have put in place restrictions on who is able to enter and transit.

The Ministry engaged with international partners on border issues, allowing New Zealand to plan and prepare for how other countries' restrictions may affect us. We also agreed transit arrangements with countries to allow travellers to get home, including transit arrangements that enabled foreign nationals in the Pacific to return to their home countries.

The Ministry engaged extensively in the formulation of New Zealand's border policies. This ensured the international dimensions, including the potential impact on New Zealanders offshore, were factored in to the Government's decision-making in ways that helped protect the health and wellbeing of New Zealanders. As part of this, we have been able to sustain New Zealand's role as an international gateway to Antarctica.

The Ministry has contributed to advice to the Government on potential opening up of New Zealand's borders once it is safe to do so, and initiated early discussions with our closest neighbours. On 5 May, Australia and New Zealand agreed to commence work on a trans-Tasman safe travel zone that would ease travel restrictions between Australia and New Zealand when it is safe to do so. The Ministry is leading those negotiations. The potential to expand a travel zone to include the Pacific was a clear intention.

Foreign visitors in New Zealand

The pandemic and the sharp reduction in commercial flights leaving New Zealand also caused challenges for foreign visitors in New Zealand. The Ministry supported the AoG system to develop and manage policies and approaches to support the departure of



German Embassy staff receive German citizens at the departures terminal at Auckland International Airport on 4 April, 2020. Credit: Bradley White.

foreign nationals from New Zealand, including seconding staff into the AoG response and leading extensive engagement with foreign governments and their representatives here. 20,782 foreign nationals departed on 80 evacuation flights between April and June 2020.

Up to 30 June, we sent 46 official notices and facilitated seven briefings by officials on New Zealand's COVID-19 situation and response, to the diplomatic and consular corps of foreign representatives accredited to New Zealand. This information helped them to provide advice to and support their own citizens in New Zealand.

Week of 11 May 2020 – the low point in weekly flights since the onset of COVID-19





New Zealand's Permanent Representative to the United Nations, Craig Hawke, voting on the UN Security Council membership, while social distancing. Credit: UN Photo.

International Rules & Institutions

Strengthen, protect and use international rules and institutions to pursue New Zealand values and interests

A challenging combination of geostrategic tensions and a global pandemic created strong headwinds for New Zealand's efforts to strengthen international rules and institutions and use them to pursue New Zealand values and interests. Some progress was however made towards increasing multilateral support and funding for the Pacific, keeping the WTO dispute settlement system functioning and extending adherence to disarmament treaties.

COVID-19 increased New Zealand's involvement in multilateral health diplomacy, while slowing momentum on many other multilateral processes important to us.

OUTCOME 1: International rules and institutions protect and progress New Zealand interests

The results we aim to achieve:

- 1.1 Make progress through our advocacy on the 2030 Agenda for Sustainable Development, conflict prevention and human rights, particularly in the Asia-Pacific
- 1.2 Progress the international rules on disarmament and a strengthened non-proliferation regime
- 1.3 Challenges to New Zealand's international legal rights are defended
- 1.4 Core principles of international law, rights and norms are protected, especially in our region
- 1.5 UN agencies and International Financial Institutions deliver better results for the Pacific
- 1.6 New Zealand's reputation and influence in the UN and key institutions is enhanced

New Zealand's advocacy on the 2030 Agenda for Sustainable Development included the Prime Minister's statement on New Zealand's response to the Sustainable Development Goals (SDGs) to the United Nations (UN) SDG Summit; the Minister of Foreign Affairs' intervention at the SDG plenary session of the G20 Foreign Ministers' Meeting; participation in the Pacific Island Forum's (PIF) Pacific Sustainable Development Steering Committee; and the co-sponsoring of a SDG-focused statement at the East Asia Summit Leaders' Meeting. The Ministry also secured approval of New Zealand's International Cooperation for Effective Sustainable Development Policy Statement.

In line with priorities in the International Human Rights Action Plan adopted in 2019, **the Ministry advocated strongly for the defence of human rights**, including in Hong Kong, Myanmar, Philippines and Xinjiang. New Zealand engaged with the Cook Islands on the decriminalisation of consensual same-sex relationships, and continued to work with like-minded partners, including through a range of UN and Commonwealth fora, on gender equality.

New Zealand raised concerns about the death penalty during bilateral engagements, with a particular focus on the Asia-Pacific region.

New Zealand advocated strongly for full implementation of obligations under the Nuclear Non-Proliferation Treaty (NPT), and co-drafted the Joint Communique commemorating the NPT's 50th anniversary in lieu of the NPT's five-yearly Review Conference, which was postponed due to COVID-19. The Ministry worked closely with Pacific partners on the **Treaty on the Prohibition of Nuclear Weapons (TPNW)**, resulting in Kiribati ratifying and Nauru signing the TPNW. New Zealand led two disarmament resolutions at the UN General Assembly (UNGA) First Committee; chaired the De-Alerting Group; advocated for

attribution of responsibility for chemical weapons use in Syria; became a founding member of Stockholm 16, which advocates for practical steps towards nuclear disarmament; and participated in the US initiative 'Creating an Environment for Nuclear Disarmament'.

The Ministry initiated a new strategic partnership with the UN, which will see New Zealand engage in the governance of the UN's efforts across 14 Pacific countries and territories and will place a New Zealander in the Suva-based Resident Co-ordinator's office when COVID-19 related travel restrictions permit. Intensive New Zealand diplomacy supported an increase in **Asian Development Bank funding to Pacific Small Island Developing States (SIDS)** – see indicator on concessional financing. New Zealand also contributed to the UN Peacebuilding Commission, resulting in an increased influence on peacebuilding in the Pacific, especially Bougainville.

The favourable international view of New Zealand's response to the Christchurch terror attacks continued enhancing New Zealand's reputation and influence in the multilateral system. During UNGA Leaders Week the Prime Minister delivered the opening statement at the Secretary-General's Climate Summit and convened a major event on the Christchurch Call. The Ministry developed a strategic approach to New Zealand seeking elected positions in the multilateral system, and pursued the two current candidatures (see indicator below).

The Minister for Pacific Peoples represented New Zealand at the mid-term review of the SAMOA¹ Pathway, advocating for the international community to give particular attention to the impacts on SIDS of climate change, the health of the oceans, gender inequality, and economic vulnerability.

INDICATOR:



Subscription to global disarmament treaties

PROGRESS:

- Treaty on the Prohibition of Nuclear Weapons – 38 state parties (up from 23 in 2018-19)
- Arms Trade Treaty – 106 state parties (up from 104 in 2018-19)
- Convention on Cluster Munitions – 108 states parties (up from 106 in 2018-19)
- Comprehensive Nuclear-Test-Ban Treaty – four PICs yet to ratify (no change)
- Nuclear Non-Proliferation Treaty – 10 PICs do not have an Additional Protocol in place (no change).

INDICATOR:



Assessment of performance of multilateral agencies that receive core funding from New Zealand

PROGRESS:

18 out of 21 activities (86%) recorded a score of 'Good' or higher (down from 100% last year).

¹ SIDS Accelerated Modalities of Action

INDICATOR:



Maintain or increase volume of concessional financing from Asian Development Bank and World Bank to the Pacific

PROGRESS: Asian Development Bank

- Funding allocation for grant-eligible Pacific SIDS increased by 39%, to US\$482 million, over 2021 to 2024 compared to the preceding four years.

World Bank

- Existing levels of funding maintained.
- This year the rules were changed to allow Fiji to be eligible for World Bank concessional financing.

INDICATOR:



New Zealand candidates elected to key bodies and positions

PROGRESS: New Zealand's campaigns for Sir Robert Martin for the Committee on the Rights of Persons with Disabilities (2021-2024 term) and Dr Penelope Ridings for the International Law Commission (2022-2026 term) are in progress. The elections are scheduled for December 2020 and November 2021 respectively.

OUTCOME 2: International rules are respected and institutions are strengthened

The results we aim to achieve:

- 2.1 The relevance, coherence, effectiveness and efficiency of key institutions is improved through UN reform and sound governance
- 2.2 Respect for the UN Charter and compliance with fundamental principles of international humanitarian law is improved through New Zealand advocacy
- 2.3 International treaty regimes for law of the sea, international environmental and climate law and international criminal law are strengthened
- 2.4 Human Rights Council's mechanisms strengthened and human rights more effectively integrated into the wider UN system
- 2.5 An effective rules-based system for trade centred on the WTO is sustained
- 2.6 Dispute settlement and compliance mechanisms are effective and respected
- 2.7 Sound rules and norms are developed to respond to emerging global challenges (such as cyber, space, and sea-level rise) and the standards and integrity of the system are maintained

New Zealand supported the WHO's role in the global COVID-19 response, was an early co-sponsor of the COVID-19 resolution at the 73rd World Health Assembly and supported an independent review of the WHO's role, in the interest of having **well-functioning global institutions** that act for the collective good.

With key partners, **New Zealand opposed attempts to change or undermine the values at the heart of the UN system**, for example by upholding key tenets of human rights and countries' accountability for implementing universal human rights. Given concerns about the performance of the Commonwealth, New Zealand also focused on securing stronger leadership and greater effectiveness and integrity.

Despite the Syria conflict testing the limits of the UN Charter's prohibition on the use of force, **New Zealand made periodic statements on peace and security in both the Syria context and more broadly, and advocated compliance with international humanitarian law.**

New Zealand facilitated the reform of the process for appointing judges to the International Criminal Court and helped advocate for the establishment of an independent expert group to make recommendations aimed at enhancing the performance, efficiency and effectiveness of the Court and the Rome Statute system. **New Zealand provided feedback on the UN Human Rights Treaty Body review, targeted at further simplifying and improving the system,** and New Zealand's third Universal Periodic Review report was formally adopted at the 41st Session of the Human Rights Council.

Increasing tensions and unilateral action on trade between the United States (US) and China undermined **multilateral trade rules**, at a time when adherence to such rules was already travelling in a concerning direction. The Ministry supported the development of an interim solution to the WTO Appellate Body's inability to hear appeals due to an impasse over the appointment of new members. Read more about this on page 21.

The WTO Appellate Body decision in the tobacco plain packaging dispute, to which New Zealand was a third party, provided welcome confirmation of the WTO consistency of plain packaging measures as well as an important confirmation of the right of Members to regulate for the protection of public health.

The Ministry gained support from a wide range of countries to provide reassurance to coastal states, particularly those in the Pacific, that their resource rights will not be reduced by sea level rise. The PIF Leaders' Communique was agreed in August 2019. Following this, New Zealand worked with Australia on legal options and with PIF partners on holding a regional conference to further understand the issues faced by PIF members and give effect to the PIF leaders' mandate.

In light of **New Zealand's international treaty obligations** related to narcotic drugs, the Ministry hosted a successful visit of the International Narcotics Control Board, engaged effectively in the annual meeting of the Commission on Narcotic Drugs in Vienna, and advised the Minister of Foreign Affairs on managing the international implications of New Zealand's cannabis referendum.



Credit: Joe Gratz.

CASE STUDY

New Zealand a key player in developing an interim appeal solution at the WTO

Since its creation in 1995, the WTO's dispute settlement system has been based on rules, levelling the playing field for small economies. This approach supported unprecedented growth in global economic prosperity. However, it was undermined in December 2019 when the WTO Appellate Body lost the ability to hear appeals due to an impasse over the appointment of new members to sit on it. The Ministry played an important role in developing an interim solution while this impasse continues.

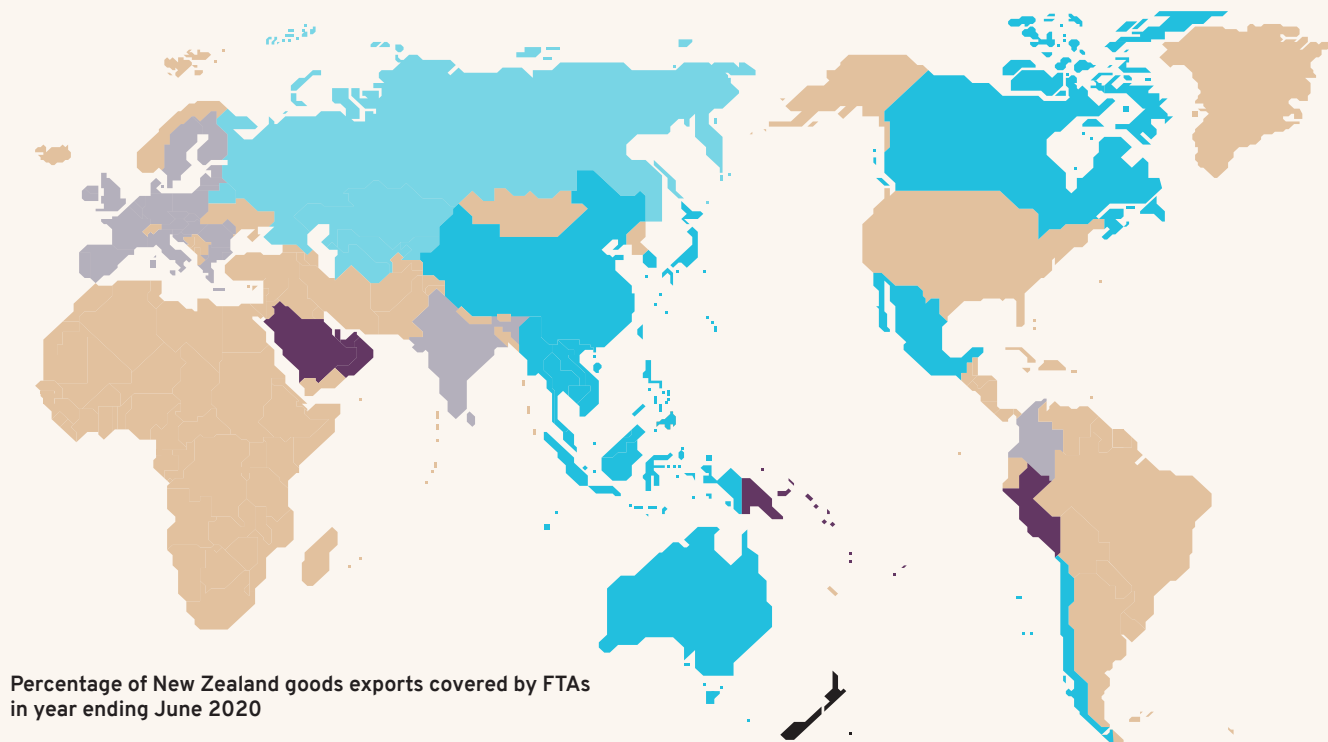
The WTO's inability to conclusively resolve trade disputes amongst its members presents significant risk to small, export-reliant countries like New Zealand. Decisions are legally binding on WTO members, subject to a second tier of review, and can be enforced through approved trade sanctions.

The Ministry supported the Prime Minister and its Ministers in a range of international engagements to press the importance of a functioning WTO dispute settlement system and engage like-minded partners on the issue. In Geneva, our Permanent Representative to the WTO also led an 'informal process' in his personal capacity to try to find a solution to the impasse through intensive consultations that identified ways to improve the system.

New Zealand and a group of other WTO members negotiated and agreed the text of an interim solution called the Multi-Party Interim Appeal Arbitration Arrangement (MPIA). The MPIA is a stop-gap measure that preserves a second-tier of review in trade disputes between participants for the period the Appellate Body is unable to function.

As at 30 June 2020 the MPIA had 22 WTO members, including Australia, China and the European Union (EU), and covers over 50 percent of New Zealand's exports. Consistent with New Zealand's support for 'open plurilateralism', it remains open to any WTO member wishing to join.

New Zealand also successfully nominated Dr Penny Riddings for the group of 10 arbitrators established under the MPIA, engaging the Ministry's offshore posts to garner support for her in recognition of her outstanding credentials and the strong contribution she would make. Reaching agreement on the arbitrators within a deadline set prior to COVID-19 (on 31 July 2020), and primarily through virtual means, was a significant achievement and one that highlights the constructive engagement of all participating WTO members.



Economic Returns & Resilience

Grow sustainable economic returns and resilience from trade, investment and other international connections

The Ministry, working with other NZ Inc agencies, delivered important outcomes for exporters such as concluding the China Free Trade Agreement (FTA) Upgrade negotiations and launching FTA negotiations with the United Kingdom (UK). Concluding the Digital Economy Partnership Agreement (DEPA) with Singapore and Chile put New Zealand at the cutting edge of thinking on emerging digital trade issues.

New Zealand's relative success in coping with the trade and economic consequences of COVID-19 demonstrated the resilience of the trade architecture and wider relationships that New Zealand has built over decades. The Ministry played a key role in supporting exporters during the COVID-19 crisis and started implementing a trade recovery strategy.

OUTCOME 1: Improved and more diverse market access increases export earnings and resilience to shocks

The results we aim to achieve:

- 1.1 Market access for a wider range of higher value New Zealand goods and services exports by market and sector protected and improved
- 1.2 More Non-Tariff Barriers (NTBs) resolved which have high commercial materiality
- 1.3 Opportunities for New Zealand businesses to invest in export markets and use digital trade increased

The conclusion of the China FTA Upgrade negotiations and the Regional Comprehensive Economic Partnership (RCEP) mega-regional FTA were key steps towards achieving **improved and protected market access for a wider range of New Zealand goods and services**. New chapters (including on e-commerce) and new rules in existing chapters in the China FTA will make exporting to China easier (e.g. faster border release of fresh products) and significantly reduce compliance costs for New Zealand exporters. While India has stood aside at least for now, RCEP will better integrate New Zealand in a region of critical economic importance, and help exporters by reducing NTBs and facilitating trade through efficient and streamlined export processes. The formal launch of the UK FTA negotiations and the solid progress made in four rounds of FTA negotiations with the EU, two of which were conducted virtually due to COVID-19, laid the foundations for securing diversified market access for New Zealand.

New Zealand had a leadership role in promoting implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which included chairing the October 2019 CPTPP Commission in Auckland at which the key CPTPP committees were stood up and pressing for improved implementation to minimise quota under fill. Despite delays in ratification by the four remaining signatories, the seven CPTPP parties, including three new FTA partners (Canada, Japan and Mexico), delivered strongly for New Zealand. This is illustrated by this year's 5.8 percent growth in New Zealand's exports to Japan, worth more than \$200 million in additional export receipts.

Exporters have advised that tariff preferences have been instrumental to improved New Zealand performance.

Other diversification efforts were mainly directed towards the US, with the Prime Minister and President Trump agreeing to expand the bilateral trade and economic relationship.

All preparations for Brexit within the Ministry's control were addressed, with regulatory continuity arrangements in place and engagement sustained with businesses on Brexit preparedness.

Notable successes in resolving NTBs included securing a temporary waiver during the level four lockdown to enable clearance of meat consignments to a substantial Gulf export market (see more detail on page 15); the resolution of a packaging issue for dairy exports to Brazil; the provision of a Japanese health and safety training course in English that opens up access for New Zealand workers; and the resolution of access for New Zealand yoghurt and cheese to New Caledonia.

The Ministry focused strongly on digital priorities across the trade policy agenda, including in relevant FTA chapters and the WTO. A highlight was the successful conclusion and then (virtual) signing of the DEPA with Singapore and Chile (see more detail on page 25), placing New Zealand at the heart of cutting edge thinking on emerging digital economy issues. Along with better-than-expected progress on e-commerce negotiations in Geneva, **the DEPA will help to increase opportunities for New Zealand businesses to trade digitally.**

INDICATOR:



FTAs cover 80% of NZ goods exports by 2028

PROGRESS: Goods exports covered by in-force FTAs have grown from 66.6% (2018-19) to 67.1% (2019-20).

INDICATOR:



Successful dispute settlement cases

PROGRESS: No dispute settlement cases taken by New Zealand were concluded this year.

INDICATOR:



Value of commercially material NTBs resolved by NZ Inc grows by 7.5% CAGR² by 2028; KPIs met

PROGRESS: An estimated \$195 million of NTBs were reported as resolved over the July-November 2019 period.³

² Compound Annual Growth Rate.

³ This figure is based on assessments by the Ministry's posts and is illustrative of the potential value of trade that NTB action by the Ministry and other agencies has helped to enable or sustain. Data was not collected for the remainder of 2019-20 due to COVID-19.

OUTCOME 2: Trade and investment grown in a way that is sustainable and benefits all sectors of New Zealand society and enjoys wider public support

The results we aim to achieve:

- 2.1 New Zealand trade policy contributes to New Zealand's transition to a sustainable and low emissions global economy
- 2.2 Agreements and trade initiatives enhance trade participation of the regions, Māori, women, and small and medium-sized enterprises (SMEs)
- 2.3 New Zealand values and sustainability ambition reflected in international trade and investment policy engagement and negotiations

The Ministry supported the Government's Trade for All agenda designed to grow trade sustainably and inclusively. We initiated and led an inter-agency process to respond to the Trade for All Advisory Board's report to the Minister for Trade and Export Growth, which was approved by Cabinet in March. The Government's Trade Recovery Strategy is underpinned by the principles of Trade for All.

The Inclusive Trade Action Group (ITAG) Leaders' meeting was not held in 2019 as the APEC Summit in Chile was cancelled. Despite this, ITAG countries (Canada, Chile and New Zealand) progressed a Trade and Gender Arrangement.

The Ministry published an innovative paper that provides the analytical basis for measuring links between trade and outcomes for New Zealand's regions, Māori, women and SMEs. The Ministry also commissioned baseline research on New Zealanders' understanding of and attitudes to trade and investment.

New Zealand continued to show leadership and ambition in the areas of trade and environment, climate change, and sustainable development initiatives. The Ministry led negotiations on an Agreement on Climate Change, Trade and Sustainability (ACCTS) – a ground breaking trade agreement that will use trade policy measures with a view to addressing climate change and sustainable development objectives. Read more about ACCTS on page 39 and see Indicator boxes below for other progress.

INDICATOR:



More countries take up key 'Trade for All' concepts, including through New Zealand FTAs and Inclusive Trade Action Group initiatives

PROGRESS: A trade and gender arrangement was negotiated with Canada and Chile during the year.

INDICATOR:



Effective provisions on environment and labour standards in New Zealand FTAs

PROGRESS: Progress was made on the EU-NZ FTA chapter on Trade and Sustainable Development, in which New Zealand is seeking enforceable provisions that support among other things trade and climate change, biodiversity and marine fisheries and provisions on fossil fuel subsidy reform and environmentally harmful subsidies. Final outcomes will depend on conclusion of the overall FTA negotiations.

INDICATOR:



New Zealanders' confidence in MFAT's trade and investment work increases

PROGRESS: Among New Zealanders who knew something about MFAT, 49% agreed MFAT was doing a good job on trade policy and trade negotiations, while 9% disagreed or disagreed strongly.⁴

OUTCOME 3: International connections strengthen returns to New Zealand from participation in the global economy

The results we aim to achieve:

- 3.1 New Zealand companies able to compete more effectively overseas as a result of services, connections and insights provided by MFAT including through NZ Inc collaboration
- 3.2 Increased high quality Foreign Direct Investment attracted to New Zealand

The Ministry's Economic Diplomacy programme, designed to strengthen delivery of services to exporters, made significant progress. **'Market insight' reports from our network of posts resulted in 39 reports published on the MFAT website during the year, many addressing COVID-19 issues relevant to exporters.** The response from the New Zealand business audience has been very positive. Requests to the Exporter Helpdesk were up from 274 in 2018-19 to 476, with 90 percent positive feedback.

COVID-19 saw the Ministry significantly increasing its direct assistance to businesses, especially on supply chain issues. The Trade Recovery Strategy approved by Cabinet in June involves a recalibration of effort towards posts' support for businesses as well as reinforcing work on digital trade.

The Ministry provided regular input into policy advice to Ministers on the recent changes to the Overseas Investment Act and, on request from other agencies, supported investment attraction activity offshore by hosting events at posts and providing support for inward investment missions and activities.

⁴ Data from Attitudes towards trade and investment – Quantitative Report, Nielsen.



Minister for Trade and Export Growth, David Parker, with MFAT's Lead Negotiator, Alison Hamilton, at the virtual signing of the Digital Economy Partnership Agreement. Credit: Communications Team, NZTE.

CASE STUDY

Virtual signing of the Digital Economy Partnership Agreement a first for New Zealand

Recognising the potential of the digital economy, New Zealand and two of its partners – Chile and Singapore – worked together to develop the DEPA. This initiative was well-timed given the disruption to international trade and supply chains that COVID-19 has caused.

On 12 June 2020, Chile, New Zealand and Singapore signed the DEPA virtually. It was New Zealand's first agreement focused exclusively on the digital economy and the first time New Zealand signed an international treaty using e-signatures.

New Zealand played a leading role in the creation of the DEPA. The Agreement will help New Zealand exporters and SMEs to take advantage of the growing opportunities from the digital economy.

It will also enable DEPA partners to work together on the issues and impacts of technological advances on economies and trade as they emerge.

The DEPA covers business and trade facilitation measures, such as setting up faster border procedures and supporting e-payments. It promotes online consumer protection and recognises the important role of artificial intelligence and digital identities in our economy. It will help exporters enter global markets, overcome the challenges of scale and distance, and accelerate their growth while fostering consumer trust in the digital environment. The Agreement also promotes digital inclusion and inclusive trade, which aims to ensure all people and businesses benefit from the digital economy.

The DEPA is designed to be a living agreement, which will expand, evolve, and attract new parties over time. It also aims to contribute to the revitalisation of international trade architecture and demonstrate that there continues to be value in looking outward and working together. For example, by bringing some of the novel DEPA provisions into e-commerce and digital discussions in bodies such as the WTO and APEC, the DEPA contributes to global and regional conversations on the digital economy.



New Zealand and Association of Southeast Asian Nations (ASEAN) senior officials celebrating 45 years since the first dialogue meetings. Credit: MFAT.

Asia-Pacific Architecture

Embed New Zealand as an active and integral partner in building Asia-Pacific architecture in support of regional stability and economic integration

The COVID-19 pandemic and increased competition between major powers underlined the importance of the Ministry's approach to supporting broad-based regional stability and economic integration. New Zealand continued to strive for influence, and to work with regional partners to build collective support for initiatives that will benefit New Zealand and the Asia-Pacific region. Key successes included shaping the APEC post-2020 Vision; working to ensure APEC positioned COVID-19 recovery as a priority, cross-cutting theme; strengthening relations with South East Asian partners; further establishing our principles-based Indo-Pacific policy; engaging on counter-terrorism, climate priorities and sustainable development; and investing significantly and strategically in a range of development projects.

OUTCOME 1: The existing Asia-Pacific architecture delivers greater regional prosperity and security outcomes that advance our interests

The results we aim to achieve:

- 1.1 New Zealand's hosting of APEC 2021 enhances New Zealand's reputation and influence as a leader in the region and supports achievement of APEC's post-2020 Vision
- 1.2 New Zealand advocacy and diplomacy in key capitals is effective in encouraging the region's major powers to remain committed to peaceful, open and cooperative regionalism underpinned by the rule of law
- 1.3 The East Asia Summit, centred on ASEAN, is embedded as the leading regional forum for strategic dialogue, valued for its convening authority and delivery of tangible results
- 1.4 New Zealand's contribution and leadership within the Asia-Pacific regional architecture enhances its effectiveness

Preparing for New Zealand's hosting of APEC 2021 remains a key priority for the Ministry. At the point at which COVID-19 became a pandemic, planning was well advanced. The APEC process in 2019 had already been disrupted by the cancellation of the Santiago Leaders' meeting, reducing opportunities for New Zealand to influence the regional agenda as we prepared to host. In 2020, the Ministry provided advice to the Government about the implications of COVID-19 for APEC hosting, leading to the decision to shift from a physically hosted event to a virtual one. We worked to ensure APEC positioned COVID-19 as a priority, cross-cutting theme and that APEC approaches support New Zealand's COVID-19 recovery. New Zealand also played a key role in both governing and shaping the focus of the APEC post 2020 Vision Group, and the Group's recommendations encompass all New Zealand's priorities.

New differences and disputes between major powers in the region intensified the need for New Zealand and other voices to **advocate for peaceful, open and cooperative regionalism**. An active programme of bilateral talks on regional issues took place with key regional partners, including Australia, Canada, Chile, China, Indonesia, Japan, Singapore, the US and Viet Nam, with many dialogues taking place virtually due to COVID-19. Rebuilding constructive major power engagement is all the more important for New Zealand in the lead-up to assuming the APEC Chair role in 2021.

The East Asia Summit (EAS) remains the critical regional forum focused on strategic political risk and opportunity, with leaders setting the agenda based on current issues. Prior to COVID-19, it enabled leader and ministerial focus on regional hotspots, such as the South China Sea and the destabilising actions of the Democratic People's Republic of Korea, and on long term issues such as violent extremism and cyber threats. The Prime Minister's track record on climate change in EAS Leaders' meetings was acknowledged, with the Thai Chair inviting her to shape the sustainable development discussion for the region.

As co-chair, New Zealand enhanced the effectiveness of the ASEAN Regional Forum (ARF) work stream on counter-terrorism and transnational crime, with a new focus on countering terrorism and violent extremism online in accordance with the Christchurch Call.

INDICATOR:



The benefits identified for the hosting of APEC in 2021 are realised

PROGRESS:

The Benefits Management Strategy is being revised following the decision to host APEC2021 virtually.

OUTCOME 2: Emerging Asia-Pacific regional and sub-regional systems include New Zealand, support free and open regional development, and champion the rule of law

The results we aim to achieve:

- 2.1 New Zealand has an opportunity to participate in new Asian political, security or economic governance, architecture, and initiatives
- 2.2 New Zealand is valued for playing a useful and constructive role
- 2.3 New Zealand's interests are addressed in the structure and functions of regional initiatives

New Zealand's principles-based policy on the Indo-Pacific was consistently applied and underpinned **our regional positioning and approaches to initiatives in new and existing regional architecture**. Minister of Foreign Affairs Winston Peters' consultations with Indian Foreign Minister Jaishankar in New Delhi in February 2020 established a stronger platform for New Zealand's engagement with one of the significant Indo-Pacific powers, and the Minister's delivery of the prestigious 32nd Sapru Lecture to the Indian Council for World Affairs outlined publicly New Zealand's approach to the Indo-Pacific and our participation in regional initiatives.

Following agreement of a discussion mandate, officials continued to discuss the shape of a "work plan" under the Belt and Road Initiative.

New Zealand's practical economic and trade initiatives in the Indo-Pacific enhanced national resilience during COVID-19 and buttressed open regional architecture. Agreements and high-level statements with partners on digital services, essential goods supplies, and trade and investment described on pages 15 and 22-25 gave effect to Indo-Pacific commitments to enhance trade and investment and supported regional and international systems.

OUTCOME 3: Levels of integration and engagement with ASEAN deliver significant benefits to New Zealand in economic and security terms

The results we aim to achieve:

- 3.1 Innovative New Zealand cooperation initiatives catalyse ASEAN and broader regional cooperation
- 3.2 New Zealand's targeted development cooperation in South East Asia contributes to regional integration, prosperity and stability, a greater New Zealand profile and stronger connections to New Zealand
- 3.3 New Zealand is widely known for conducting policy dialogue, and delivering practical support, as a reliable and principled partner, responsive and aligned with evolving needs

New Zealand completed delivery of 100 percent of the action lines in the ASEAN/New Zealand 2016-2020 Plan of Action, an achievement that has reinforced New Zealand's place as a valued and trusted partner for ASEAN. The ASEAN/New Zealand Summit and launch of a refreshed 2021-25 Plan of Action were delayed due to COVID-19. **However, negotiations with ASEAN on the Plan of Action's content developed a blueprint that includes New Zealand's priority engagement areas** across four pillars (peace, prosperity, people and planet).

New Zealand directly invested over \$72.5 million in ASEAN prosperity through development projects focused on economic and climate resilience, governance, and knowledge and skills building, including \$9 million in direct support to COVID-19 responses. **A total of 522 ASEAN scholars, including officials, completed skills, English language, or capability training provided by New Zealand, fostering stronger connections.**

The high value and relevance of New Zealand contributions were acknowledged by partner governments, including in high level meetings with ASEAN, Cambodia, Indonesia and Viet Nam. New initiatives were launched to strengthen stability through public service reform and community reconciliation in Myanmar, and a new regional anchor activity focused on climate-smart agriculture was designed and approved.

New Zealand conducted active Track Two dialogues to complement official connections across the region. The less formal nature of Track Two discussions involving organisations such as Fulbright and the Asia New Zealand Foundation (ANZF) contributed to improved academic understanding and connections in the region. The ANZF public virtual dialogue with ASEAN partners attracted particularly good levels of participation in South East Asia and from universities, enhancing understanding of New Zealand's policies and role.



The new office layout in the Myanmar Ministry of Commerce Directorate of Investment and Company Administration following the transition to a computerised system. Credit: Michael Brosnahan/NZCO.

CASE STUDY

Simplifying business registration through the Initiative for ASEAN Integration

The Initiative for ASEAN Integration (IAI) aims to narrow the development gap among ASEAN member countries, with a focus on the least developed countries and newer members. As part of its support for the IAI's Work Plan III (2016-2020), the New Zealand Aid Programme has been funding a project on Simplifying Business Registration in Cambodia, Lao PDR and Myanmar since 2018, further embedding New Zealand as an active partner in building regional economic integration and contributing to the region's prosperity, resilience and stability.

Micro, Small and Medium Enterprises (MSMEs) make up the vast majority of businesses and contribute significantly to employment and gross domestic product in Cambodia, Lao People's Democratic Republic and Myanmar. Despite their importance, the policy environment for MSMEs is weak, particularly in the availability of finance, ease of business registration, and access to entrepreneurship education. In Cambodia and Lao PDR, it takes nearly twice as long as

the ASEAN average to register a business. In Cambodia and Myanmar, the cost to start a business is over 10 times the ASEAN average (as a proportion of average per capita income).

To help MSMEs reduce the time and cost of registering their business, the New Zealand Companies Office undertook reviews of the current legislative settings, staff capability, size and complexity of the registry, and the technology available in the three countries. They identified opportunities to simplify business registration procedures, enhance coordination between relevant authorities, and modernise business registration systems, for example, by implementing an electronic online registry based on good regulatory practices.

At the ASEAN Senior Economic Officials Meeting in April 2019 in Lao PDR, New Zealand's offer of ongoing assistance based on recommendations from the reviews was welcomed. This

involves technical fixes and upgrades for online systems, modernisation of work practices, capacity building and law reform to support the shift to online business registries. As part of this assistance, from October 2019 New Zealand commenced a package of work involving initial technical fixes to Cambodia's online business registry system to improve the business registration process.

The recommendations were in accordance with best practice indicators used by the World Bank and the ASEAN Coordinating Committee on MSMEs, and will support these countries to move up in the World Bank Ease of Doing Business rankings. Myanmar has already seen success on this front. Following enactment of legislation governing online business registration in August 2019, which New Zealand helped operationalise, Myanmar's Ease of Doing Business ranking increased by six places.



Youth sexual health training, in Kiribati.
Credit: Jack Robert-Tissot, International Planned Parenthood Federation (IPPF).

Pacific

Promote a stable, prosperous and resilient Pacific in which New Zealand's interests and influence are safeguarded

The onset of COVID-19 represents a crisis for the region and constrains our ability to promote a stable, prosperous and resilient Pacific where our interests and influence are safeguarded. We have, nonetheless, made progress against our Pacific goal through our partnership-focused approach to engagement in the Pacific, delivery of an expanded aid programme, and strengthened coordination with other countries in the region. Our foreign policy focus on the Pacific reflects the challenging regional outlook, characterised by significant ongoing development needs and a dynamic and increasingly complex geopolitical and security environment. Our investment in mature and robust political relationships resonated with Pacific countries, and the Prime Minister's visits to Fiji and Tokelau in particular were highly successful.

Pacific partners responded positively to New Zealand's early and decisive steps to support them in the face of the pandemic. These included redirection of aid funding, border settings that protected the Pacific, and support for stranded nationals to return home. The Minister of Foreign Affairs agreed to recalibrate New Zealand's Pacific engagement to respond to the impacts of COVID-19 across the region, and to secure New Zealand's interests in the changed environment.

OUTCOME 1: Improved economic and social wellbeing in Pacific Island countries, which reduces risk for New Zealand and promotes shared prosperity

The results we aim to achieve:

- 1.1 Pacific Island countries make meaningful progress towards achieving the SDGs in areas that New Zealand is supporting
- 1.2 Gender equality and women's empowerment is improved in Pacific countries
- 1.3 Unemployment among young people is reduced
- 1.4 Two-way trade between New Zealand and the Pacific is increased
- 1.5 Mutual benefits from labour mobility are increased
- 1.6 The implementation of PACER Plus supports the Pacific's wider regional and global economic integration

While COVID-19 has significantly worsened economic and social wellbeing in the Pacific, the Ministry was able to make a positive difference for the region, achieving valuable results from the \$447 million New Zealand Aid Programme investment in the Pacific. With the MoH, we launched an innovative Health Corridors Programme to strengthen and supplement links between Polynesian and New Zealand health systems. Strong progress was made by Pacific Island countries against the SDGs in areas aligned with New Zealand support including infant and maternal health, access to education, and health and electricity services. Data availability is a major concern; New Zealand invests over \$1.5 million per year to support Pacific countries to collect national statistics and monitor their progress towards the SDGs.

In addition to planned work, the Ministry re-allocated funds to support the Pacific response to COVID-19. \$10 million was provided for immediate health system preparedness and \$40 million for Pacific governments to respond to the broader economic, health, and social implications.

The Ministry continued to support the Pacific to empower women and girls, with \$216.7 million spent on activities which support gender equality. This included helping Fiji's Ministry of Women, Children and Poverty Alleviation to mainstream gender programming and gender responsive budgeting in Fiji government institutions; and hosting the third Pacific Parliamentary Forum, which focused on participation and leadership of women parliamentarians. By April 2020, the number of women in national parliaments had increased marginally to 49 (from 47 in 2019), although at 8.8 percent this is still well below the global average of 25 percent.

2019-2020 support for youth employment included a 6 percent increase in investment in the Scholarships programme. Opportunities for youth employment were also integrated into food security and agricultural initiatives in Papua New Guinea, Samoa and Vanuatu.

Ministry support for private sector development and increased trade opportunities included co-financing of the Pacific Partnership II (with the International Finance Corporation) and the Pacific Horticultural and Agricultural Market Access Plus programme. With both imports from and exports to the Pacific decreasing in 2019 (two-way trade was down 5 percent), these programmes helped **soften the impact of negative global trends on Pacific trade**.

While the cap for the Recognised Seasonal Employer (RSE) scheme increased to 14,400, only about 10,000 workers were able to travel due to COVID-19, reducing **mutual labour mobility benefits**. The Ministry acted alongside other agencies to address COVID-19 impacts on RSE workers. They were classified as essential workers throughout the lockdown; temporary changes to RSE visa settings were applied to increase work opportunities for those stranded in New Zealand; COVID-19 policies were adjusted to ensure remittances continued to flow to the Pacific; and the Ministry provided assistance with the repatriation of RSE workers. Separately, an extensive RSE Impact Study was concluded this year. The findings revealed that the benefits vary across and within Pacific communities and identified ways to improve the RSE scheme and maintain its reputation as a best practice labour mobility scheme.

Ratifications of the Pacific Agreement on Closer Economic Relations (PACER Plus), the trade and development agreement signed in 2017, increased to seven countries, up from three last year. One more country is required to ratify to achieve entry into force. New Zealand's proactive and positive response to requests for Readiness Package assistance influenced Pacific governments' decisions to ratify the agreement.

New Zealand has particular responsibilities towards Cook Islands, Niue and Tokelau, which are part of the New Zealand Realm. A 2019 stocktake of New Zealand agency engagement in the Realm strengthened awareness and highlighted opportunities for enhanced coordination in areas such as health, education and climate change.

INDICATOR:



Measures of SDG progress in Pacific Island countries

PROGRESS: Number of goals with improving trends against the total number of goals with data available: Tonga (9/12), Fiji (10/14), Samoa (10/15), Vanuatu (9/14), Papua New Guinea (3/14), Nauru (2/8), Solomon Islands (4/14), Tuvalu (2/7) and Kiribati (4/9).

Overall 5/9 countries show an improving trend for more than 50% of the goals where data is available. Note that this data does not include the Realm countries and does not take COVID-19 impacts into account.

INDICATOR:



Amount and percentage of official development assistance resources spent on Aid for Trade (SDG: 8.a.1)⁵

PROGRESS: Not met – 18.5% (\$135.4 million) against a target of 20% (down from 21.2% (\$150.04 million) last year).

⁵  Sustainable Development Goal indicator

OUTCOME 2: A more stable, secure, resilient and well-governed Pacific

The results we aim to achieve:

- 2.1 The Pacific has an enhanced ability to address trans-boundary security threats
- 2.2 Robust national security sectors manage internal security challenges
- 2.3 Pacific countries are leading effective humanitarian responses, with support from New Zealand as required
- 2.4 Pacific countries have an increased resilience to natural hazards and the impacts of climate change
- 2.5 The Pacific can sustainably manage natural resources and protect the environment
- 2.6 Pacific states have more effective and accountable institutions and better public services
- 2.7 Regional organisations are effective and well-governed

New Zealand worked with Pacific partners to enhance their ability to address trans-boundary and internal security threats and risks.

The Ministry supported New Zealand agencies to deliver a wide range of security assistance, with a focus on cybersecurity, transnational organised crime, leadership development, aviation security, environmental protection, border control and maritime security. New Zealand supported the development of the Boe Declaration Action Plan for addressing Pacific security challenges with regional approaches, and participated in the inaugural meeting of the Forum Subcommittee on Regional Security to advance discussions on transboundary security challenges. The Ministry partnered with the NZDF to host a successful Women, Peace and Security summit in Apia, and to implement the Pacific Leader Development Programme for security agencies in Fiji, Papua New Guinea, Tonga and Vanuatu. New Zealand's contribution to regional security has been enhanced through an interagency mechanism that has successfully coordinated inputs to regional and bilateral security work and reviewed requirements for supporting post-COVID-19 stability in the region.

The serious Samoa measles outbreak and smaller outbreaks in Fiji and Tonga, Tropical Cyclone (TC) Harold (one of four TCs classified as "severe"), and COVID-19 put the Pacific's humanitarian response mechanisms to the test. **New Zealand's ongoing investment in disaster preparedness systems and robust national and local capabilities paid off, with Pacific countries leading effective humanitarian responses with New Zealand's support when requested.**

Achievements in 2019-20 that will **increase Pacific countries' resilience to the impacts of climate change** included a pilot technology solution to assess water tank levels, and supporting work with Fiji communities to prevent and manage conflicts due to climate change-related internal relocation.

The Pacific's sustainable management of natural resources and protection of the environment was progressed through support for the Secretariat of the Pacific Regional Environment Programme (SPREP). COVID-19 increased the emphasis on our support for coastal fisheries and aquaculture so as to ensure food security. It also highlighted the importance of our offshore fisheries assistance in providing economic diversification for countries.

New Zealand provided support for **more effective and accountable institutions and better public services** with a focus on:

- **enhancing transparency and accountability** through regional audit capability-building, a new Transparency International programme working with civil society, a UN Pacific Regional Anti-Corruption programme, and by facilitating a Pacific regional anti-corruption statement (Teieniwa Vision);
- **more effective institutions**, including through supporting a UN Development Programme initiative to strengthen oversight mechanisms in Pacific parliaments;
- **strengthening public services** with a major new initiative – the **Pacific Public Service Fale** – hosted by the New Zealand Public Service Commission, and deepening support for economic governance including through a suite of Pacific government-led policy reform-related budget support programmes; and
- establishing an **infrastructure investment fund in the Cook Islands** to support it to more effectively manage New Zealand funded infrastructure projects.

The Ministry contributed to significant progress on **ICT connectivity** in the Pacific. Support was provided to Samoa's new digital transformation agency. As part of an e-government and digital economy partnership with the World Bank, the first phase of survey and assessment work in 11 Pacific countries was completed.

The peaceful and successful conduct of the non-binding referendum in Bougainville was a major achievement. As one of the witnesses to the Bougainville Peace Agreement, New Zealand provided technical electoral support, led a contingent from Australia, Fiji, Solomon Islands and Vanuatu for a Police Support Mission, provided diplomatic support to Papua New Guinea and Bougainville, funded key advisers, and contributed to the UN's Bougainville Referendum Support Project.

New Zealand increased its funding to and engagement with Pacific regional organisations to support their effectiveness. Annual consultations were held with all the key regional agencies (some in partnership with Australia to build cooperation and alignment). Core funding for the Pacific Community, the Forum Fisheries Agency and the SPREP was increased.

A key regional achievement this year on which New Zealand worked closely with PIF Members was establishing the “**Pacific Humanitarian Pathway for COVID-19**”. The aim of the pathway was to enable a regional political environment that would support responsive humanitarian access and action, including through the safe deployment of technical personnel. New Zealand supported the development of the Kainaki II Declaration on Climate Change at the PIF Leaders meeting in Tuvalu, and engaged closely in the ongoing development of the PIF’s 2050 Strategy for the Blue Pacific Continent, which aims to provide a high-level sustainable development vision and roadmap for the region based on collective action.

INDICATOR:

New Zealand responses to natural disasters in the Pacific that are launched within mandated timeframes

PROGRESS: Four responses were launched, 100% within mandated timeframes:

1. Tropical Cyclone Sarai
2. Tropical Cyclone Tino
3. Tropical Cyclone Harold
4. Fiji Flooding.

INDICATOR:

Number of Pacific countries that adopt and implement national disaster risk reduction strategies in line with the Sendai Framework for Disaster Risk Reduction 2015-2030 (SDG: 13.1.2)

PROGRESS: 2: Samoa and Kiribati. An increase from one last year. (Note: Samoa’s data, while submitted, has yet to be verified by the UN).

INDICATOR:

Proportion of key tuna fish stocks within biologically sustainable levels, in the Pacific (SDG: 14.4.1)

PROGRESS: 100% (4 out of 4 key tuna stocks).

INDICATOR:

Government Effectiveness Index (percentile ranking) in bilateral partners countries

PROGRESS: Average rank of 33 across 11 bilateral partner countries where data was available (compared to 35 last year). 7/10 countries show an improving trend over the last 10 years where complete data was available (compared to 6 last year) (Source: World Bank).

OUTCOME 3: A Pacific strategic environment conducive to New Zealand’s interests and values, with our influence as a preferred and prominent partner maintained

The results we aim to achieve:

- 3.1** Strong collaborative Pacific relationships enable effective shared responses to regional challenges
- 3.2** External actors engage in the Pacific in a way which promotes the region’s objectives and supports New Zealand’s values
- 3.3** Decisions by Pacific Island countries align with New Zealand interests in regional and international fora

New Zealand continued to build **strong collaborative relationships with Pacific countries**. The Prime Minister’s visit to Fiji marked a new phase of political engagement, matched with new initiatives in the Fiji development programme, including to strengthen democracy and assist private sector reform in Fiji. The Prime Minister’s visit to Tokelau was the first in 15 years and helped to strengthen the relationship. New Zealand also hosted a number of visits from key regional leaders including Papua New Guinea’s Prime Minister Marape and Ministerial delegation. This was the first visit by a Papua New Guinean Prime Minister since 2013. While the Minister of Foreign Affairs’ annual Pacific mission was cancelled due to COVID-19, **New Zealand maintained close diplomatic contact with Pacific partners throughout COVID-19**, with regular virtual engagement between Leaders, Foreign Ministers, and officials.

Government of Vanuatu stakeholders and NZ Inc trialled a new approach to High Level Consultations, which involved grouping people by sector clusters at officials’ level to agree a set of priorities for each side and develop SMART targets. It was highly successful, **enabling more collegial and collaborative conversations between partners** around collective interests.

New Zealand increased its collaboration with third country partners and organisations to strengthen coordination in the region, promote the Pacific region’s objectives and support New Zealand’s values. The Ministry proactively coordinated efforts among partners and took up all opportunities to share its perspectives. New Zealand is increasingly regarded as a valued partner, with others seeking advice on their approaches to Pacific engagement. Over the last year, Australia’s Pacific Step Up, the UK’s Pacific Uplift and the US’ Pacific Pledge have all come with additional resourcing announcements for the Pacific, making coordination among partners more critical.

New Zealand worked effectively with Pacific partners in international fora on climate change, human rights, oceans, status of women, and peacebuilding. New Zealand worked closely with the mission of the PIF Chair to encourage and support actions on different issues, including providing draft statements. New Zealand and Pacific partners worked to secure the Western and Central Pacific Fisheries Commission's adoption of a resolution on climate change and its impact on fisheries.

INDICATOR:

Evidence of partnerships between New Zealand and Pacific bilateral partners strengthened

PROGRESS: 7/12 relationships assessed as “very strong and constructive”, and 5/12 assessed as “somewhat strong and constructive”.

More information on our activity in the Pacific can be found in the Annex on pages 137-153.



Prime Minister Jacinda Ardern meeting residents of Tamavua-i-Wai, an 'informal settlement' where New Zealand is providing sanitation and fresh water, during her visit to Fiji in February 2020. Credit MFAT.



Kiribati MCS officers inspect a lobster holder tank for undersize or female lobsters carrying eggs on Kiritimati Island, Kiribati. Credit SPC.

CASE STUDY

Coastal fisheries and aquaculture programmes support COVID-19 recovery in the Pacific

Coastal fisheries and aquaculture are vital to economic and social wellbeing in the Pacific region, providing livelihoods and food security. Before COVID-19, fisheries were a source of income for up to 50 percent of households, and provided up to 90 percent of animal protein consumed in Pacific Island countries. With COVID-19 causing loss of employment in urban areas, the dependence on coastal fisheries is likely to increase.

The Ministry worked closely with the Pacific Community (SPC), the region's leading science and technical agency, to fund activities that provide direct support to national fisheries agencies. Beginning in 2017, this five-year activity was aimed at strengthening coastal fisheries policies and laws, and building capacity for monitoring, control, surveillance (MCS) and enforcement to support the implementation of these management tools. The tools enable Pacific Island countries to maximise the social and economic benefits from their fisheries.

The Pacific REEFlex data base was launched in 2019, providing a searchable database containing fisheries laws and policies of 22 countries to strengthen legal frameworks in the region.

Forty-three students were trained in Coastal Fisheries and Aquaculture Compliance at the University of the South Pacific, with the aim of improving MSC capabilities and the effective implementation of coastal fisheries policies.

The Ministry also supported SPC to work with governments and small business owners on the development of sustainable aquaculture, recognised as a potential alternative food supply and source of income. This support focused on improving aquatic biosecurity standards, enhancing business acumen of enterprises, and increasing the uptake of improved aquaculture practices. Species of particular importance to the region include both finfish such as tilapia, as well as high-value species for export and sale such as shrimp

and pearls. There was a focus on increasing female participation in fisheries, including participation at capacity development workshops and business development for female-owned enterprises.

A Pacific Regional Framework on Aquatic Biosecurity was produced and launched in 2020 to reduce biosecurity risks, better maintain healthy organisms, and protect aquatic environments.

As COVID-19 travel restrictions have impacted the region, SPC and MFAT worked to continue to support Pacific governments, fisheries agencies and farmers through virtual formats, including remote legal drafting support and online workshops.

To build on achievements so far and support Pacific COVID-19 recovery, the Ministry is currently designing a second phase of five-year support for coastal fisheries and aquaculture in the Pacific to begin in mid-2021.



Participants engaging with the Moana Blue Pacific Pavilion at the 25th Conference of the Parties to the United Nations Framework Convention on Climate Change, Madrid, Spain. The Pavilion was a joint venture between MFAT and SPREP. Credit SPREP.

Environment & Climate Change

Promote sustainable international solutions to global environment and natural resource challenges that impact on New Zealand

The Ministry made progress on our environment and natural resource priorities, though COVID-19 has slowed momentum on important biodiversity and climate change negotiations. While the Paris Agreement rulebook was not completed, New Zealand contributed to global action on climate change through launching negotiations on the Agreement on Climate Change, Trade and Sustainability. New Zealand also established itself as an influential player in the treaty negotiations on marine biodiversity beyond national jurisdiction.

New Zealand's role as an international gateway to Antarctica was sustained during the COVID-19 pandemic, and progress was made in refreshing New Zealand's strategic priorities for science in Antarctica. New Zealand's continued leadership on ocean issues focused on marine litter and pursuing the elimination of harmful fisheries subsidies.

OUTCOME 1: An effective global response to climate change to which New Zealand contributes credibly and through which Pacific climate resilience improves

The results we aim to achieve:

- 1.1 The Paris Agreement and other international mechanisms are effective and fairly accommodate New Zealand's circumstances
- 1.2 Pacific climate resilience is improved through multilateral support and finance
- 1.3 Robust and effective guidelines for environmental integrity in place that support credible options for international carbon trading

A key priority for the Ministry was to finalise the Paris Agreement rules for international carbon markets which had not been concluded at COP24⁶ in 2018. We worked to strengthen global ambition and upskill heads of delegation on the complex issues under negotiation. The Parties failed to reach agreement on these rules at COP25, an outcome New Zealand preferred to one that might undermine the environmental integrity of the Paris Agreement. New Zealand co-hosted the Moana Blue Pacific Pavilion at COP25, providing a vibrant stage for Pacific voices, at which the documentary Vaka was screened. A documentary on the Pavilion has since reinforced Pacific messages.

The UN General Assembly Leaders' Week was used effectively to promote global action on climate change. The Prime Minister launched negotiations for the ACCTS with a group of small, trade-dependent countries which believe trade disciplines can help address the urgent challenge of climate change. Read more about the ACCTS on page 39. The Prime Minister's lead role in the UN Secretary General's Climate Action Summit enhanced New Zealand's profile as a thought leader on climate change. New Zealand also partnered with China in leading the Nature Based Solutions Pillar at the Summit.

The Ministry launched the campaign for a renewed Ministerial Statement on Fossil Fuel Subsidy Reform to be delivered at the twelfth WTO Ministerial Conference (MC12). The majority of existing signatories confirmed ongoing support and there have been some indications of new interest in the statement. Ministerial level engagement amplified our campaign, particularly throughout the Pacific. Due to COVID-19, MC12 was postponed until 2021.

In line with our commitment to promoting Pacific access to multilateral climate finance, New Zealand engaged in Green Climate Fund (GCF) replenishment discussions, securing a shared Alternate Board member seat in a constituency with Spain and Ireland for the period 2020-2023. New Zealand contributed \$15 million to the GCF replenishment and initiated an activity 'Access to Finance', with the aim of improving Pacific countries' ability to access and use finance for their climate change responses. The GCF and the Global Environment Facility approved an increased number of projects to build Pacific resilience, including through improved water security in the Republic of Marshall Islands, restoration of degraded landscapes

and sustainable agricultural production in Papua New Guinea, support of livelihoods of small scale fishers in Fiji, and provision of coral reef insurance in Fiji.

New Zealand made progress towards ensuring the environmental integrity of international carbon trading through detailed exchanges with two well-established and respected emissions trading systems. New Zealand also considered alternatives to Emissions Trading Scheme linking in its engagement with other carbon pricing initiatives, and continued work on the development of a New Zealand rulebook for safeguarding the environmental integrity of any international carbon markets that New Zealand may use.

INDICATOR:



Pacific initiatives delivered with multilateral climate finance

PROGRESS: In 2019-20, one Pacific project gained approval from the GCF, and eight from the GEF (2018-19 result was two from GCF and five from GEF).

INDICATOR:



At least two options for use of international carbon markets identified

PROGRESS: Achieved.

OUTCOME 2: Antarctica and New Zealand's place in it are protected

The results we aim to achieve:

- 2.1 New Zealand sustains a fit for purpose and permanent presence in Antarctica
- 2.2 The Antarctic Treaty System ensures the effective governance and management of Antarctica and its environment
- 2.3 New Zealand's specific interests in the Ross Sea region are promoted including through an enhanced leadership role
- 2.4 Christchurch continues to be an Antarctic gateway of choice for country partners

The redevelopment of Scott Base will help New Zealand maintain a permanent and sustainable presence in Antarctica. The Ministry focused on ensuring Antarctica New Zealand has robust processes in place and that the project is on track to deliver a sound bid for Budget 21.

To ensure the effective governance and management of Antarctica and its environment, the Ministry participated actively in the Antarctic Treaty Consultative Meeting and the meeting of the Commission for the Conservation of Antarctic Marine Living Resources. New Zealand's proposal to improve transparency

⁶ Conference of the Parties to the United Nations Framework Convention on Climate Change.

of transshipment was adopted, its delegation secured access for three New Zealand vessels to conduct research in the Southern Ocean and participate in the 2019-20 toothfish fishery, and it led on lifting compliance with Conservation Measures.

The Ministry continued to lay the groundwork for a Ross Sea cooperation framework, including through discussions with relevant parties during the Antarctic Treaty Consultative Meeting. Due to COVID-19, the anticipated establishment of the framework was postponed from 2022 to 2023. The Ministry-led project to adopt new **whole-of-government Antarctic science priorities** for 2021-2030 began, with stakeholders asked for their reflections on the previous priorities, and the Ministry continued to engage closely with the new Antarctic Science Platform, which manages the \$49 million Antarctic Science fund.

The Ministry continues to support the strategic importance of maintaining Christchurch as a gateway to and from Antarctica. We worked closely with our Antarctic partners to facilitate the operations of National Antarctic Programmes through Christchurch, within the context of New Zealand's COVID-19 border and managed isolation and quarantine setting. This included assisting movement of aircraft, personnel and essential supplies to and from Antarctica at the conclusion of the 2019-20 summer season.

OUTCOME 3: Better international stewardship of oceans, especially Pacific and Southern Oceans

The results we aim to achieve:

- 3.1 Illegal, Unreported and Unregulated (IUU) fishing is maintained at zero in the Southern Ocean and reduced in the Pacific
- 3.2 Marine pollution, in particular marine plastic debris, is reduced through effective regional and international action
- 3.3 Whaling eliminated in the Southern Ocean
- 3.4 Harmful fisheries subsidies are eliminated

New Zealand made progress on reducing IUU fishing in the Pacific and Southern Oceans. There was no indication of unlicensed fishing vessels operating in the Ross Sea region. New Zealand undertook patrols of licensed fishing vessels to help ensure that they maintain high standards. The results of the patrols were conveyed to relevant flag states for any required follow-up. In the Pacific, a number of potential illegal activities were detected and referred to respective flag states for investigation. This was despite COVID-19 reducing the ability to undertake on-board fisheries inspections in the Pacific, and the suspension of the requirement for observers on Pacific fishing vessels. New Zealand continued to support Pacific and South East Asian countries to improve catch monitoring and documentation, and implement port state measures to improve transparent and valid reporting of high value tuna species.

The Ministry helped shape the government response to the Chief Science Adviser's report 'Rethinking Plastics'. The 'international work stream' outlines plans for improving New Zealand's engagement on international plastics issues and for supporting the Pacific's fight against plastic waste through the Aid Programme. The Ministry also chaired and represented New Zealand in the UN Expert Group on Marine Litter and Microplastics, the leading multilateral forum on marine plastic pollution.

New Zealand continues to oppose commercial whaling in all its forms. **We worked with the International Whaling Commission (IWC) on organisational reform.** The reform proposals are due to be considered at the next IWC meeting in 2021.

Although WTO Members did not conclude a fisheries subsidies agreement this year, **New Zealand demonstrated pragmatic leadership and proposed constructive compromise options to support the elimination of harmful fisheries subsidies.** The resignation of the Chair and COVID-19 delayed negotiations, but a renewed commitment was made to meet the SDG target by December 2020. New Zealand worked with Argentina, Australia, Brazil, Canada, Norway and the US to support this.

OUTCOME 4: Better international stewardship of biodiversity to halt its global decline and reflecting New Zealand's national and regional priorities

The results we aim to achieve:

- 4.1 Marine biological diversity of areas beyond national jurisdiction is sustainably conserved and managed, and its benefits are equitably distributed
- 4.2 A post-2020 global framework that encourages the reduction of direct pressures on biodiversity and its sustainable use

New Zealand's preparations for the final scheduled round of negotiations for the UN treaty on marine biological diversity were on track when the round was postponed due to COVID-19. New Zealand is using this window to develop joint proposals to outstanding issues in the text and engage further with Māori.

Good progress was made on the post-2020 global framework that encourages the reduction of direct pressures on biodiversity and its sustainable use. Members of the New Zealand delegation were in influential roles in the negotiating process, and New Zealand's new domestic biodiversity strategy, Te Mana o te Taiao, took into account the international developments. COVID-19 significantly slowed progress and timing for adoption of the new global framework will depend on the ability to have face to face meetings.



Prime Minister of Norway H.E. Erna Solberg, Prime Minister of Fiji Hon. Josaia Voreqe Bainimarama, NZ Prime Minister Rt. Hon. Jacinda Ardern, Prime Minister of Iceland H.E. Katrín Jakobsdóttir, and Vice Minister of Foreign Trade of Costa Rica Mr. Duayner Salas at the launch of the ACCTS in New York.
Credit: Claire Anglin.

CASE STUDY

Negotiation of the Agreement on Climate Change, Trade and Sustainability

There is an urgent need for increased global action if global warming is to be limited to 1.5 degrees Celsius above pre-industrial levels. ACCTS is an innovative trade agreement, led by New Zealand, which provides an opportunity for countries to make a meaningful difference to climate change and other environmental issues.

The ACCTS negotiations were jointly launched by New Zealand, Costa Rica, Fiji, Iceland and Norway in the margins of the UNGA Leaders' Week in September 2019. In December, a joint statement of support was released by the ACCTS Climate Change Ministers in the margins of COP24, which was followed by a joint statement from the ACCTS Trade Ministers in the margins of Davos in January 2020. The Trade Ministers' Statement also announced Switzerland's participation in the negotiations.

ACCTS brings together a number of trade policy actions that will support and advance climate and sustainable development

objectives. It provides an opportunity for a small and ambitious grouping of countries to deliver meaningful outcomes on these issues, with the aim of generating momentum towards multilateral action.

Negotiating this agreement has the potential to help bring together some of the inter-related elements of the climate change, trade and sustainable development agendas and demonstrate how they can be mutually reinforcing. The following key areas will be covered in the agreement:

- The elimination of tariffs on environmental goods.
- The establishment of new and binding commitments for environmental services.
- The establishment of disciplines to eliminate harmful fossil fuel subsidies.
- Guidelines to inform the development and implementation of voluntary eco-labelling programmes and mechanisms.

Discussions were put on hold for three months due to COVID-19, but negotiations have now resumed, with New Zealand and its ACCTS partners reaffirming their commitment to an ambitious and meaningful outcome as swiftly as possible. Officials from the participating countries met over videoconference in June 2020 to discuss the modalities of negotiating virtually for the foreseeable future. The next series of meetings was scheduled for early September.

Once initial negotiations conclude, ACCTS will be open to other countries to accede to if they are able to meet its obligations. ACCTS reflects New Zealand's interests in high global ambition on addressing climate change and support for the rules-based multilateral system. It also complements and builds on other work and processes under way in the area of trade and climate, such as New Zealand's leadership on fossil fuel subsidy reform at the WTO.



MFAT staff at Bangkok airport ready to help New Zealanders get home, ahead of the second special flight from Thailand to New Zealand on 17 June. Credit: MFAT.

Security & Safety

Lead New Zealand's international action to advance and protect New Zealanders' safety and New Zealand's security

We pursued our efforts to enable New Zealanders to live, do business, travel and communicate safely in an environment of increased global and regional geostrategic tension, amplified by the COVID-19 pandemic.

The impact of the pandemic on New Zealanders living and travelling overseas required the Ministry to mount the biggest and most complex consular response in our history. This included supporting the repatriation of more than 5,000 New Zealanders.

Despite the challenging environment and overall negative security trends, we worked closely with our domestic and international partners to deliver some significant contributions including leadership of initiatives to address violent extremist content online and multilateral efforts to stem the proliferation of destabilising missile technology.

OUTCOME 1: Reduce threats to New Zealand from trans-border security issues, including terrorism, cyber activity, irregular migration, transnational crime, foreign interference and weapons proliferation

The results we aim to achieve:

- 1.1 New Zealand's engagement in South East Asia has a meaningful impact on mitigating the risk of the region being either a target or source of terrorism
- 1.2 New Zealand enhances regional capacity to support our approach to averting mass arrivals
- 1.3 New Zealand's contributions to global counter-proliferation efforts, including our own strategic goods regime, help prevent the further spread of weapons of mass destruction and small arms
- 1.4 New Zealand diplomatic efforts mitigate cyber and other emerging security risks

New Zealand, alongside partner France, continued to lead the Christchurch Call, a commitment by tech companies, governments and civil society to eliminate terrorist and violent extremist content online. **Call supporters grew to eight tech companies, 48 countries and three international organisations.** This was spurred by a major UNGA Leaders' Week event which also saw tech companies agree to restructure the Global Internet Forum to Counter Terrorism. Through building deeper, more collaborative relationships with tech companies, governments and civil society, and improving information-sharing, **the Ministry's work had a direct impact on improving online crisis response around the world**, e.g. with the rapid removal of terrorist and violent extremist content in Glendale, Arizona.

New Zealand took on a counter-terrorism leadership role in the ARF, in line with our commitment to mitigating the risk of South East Asia being a target or source of terrorism. While COVID-19 delayed core delivery, New Zealand's leadership period will be extended to enable us to progress planned initiatives next year.

The Ministry contributed to an inter-agency agreement on an increased NZ Inc presence in South East Asia to help reduce risks from irregular migration, although COVID-19 has impacted on the timeframes for implementation. Some useful engagement with regional partners was maintained on people smuggling trends and emerging issues.

The Ministry's efforts on countering non-proliferation centred on reforming our own strategic goods regime and on chairing an important international mechanism. The Ministry undertook public consultation on a proposal to widen the application of Military End-Use controls to cover all countries, but with exemptions for low-risk countries and products. The final design took into account the need to avoid placing undue burden on businesses conducting legitimate exports, and to provide a smooth transition from current regulations

to new rules, particularly for the research sector. COVID-19 delayed the gazetting of the new rules. **New Zealand also hosted a well-received plenary meeting of the Missile Technology Control Regime (MTCR)**, the first such meeting since 2017. (Read more about the MTCR on page 43).

With DPMC, **the Ministry led New Zealand's international engagement on an increasingly complex portfolio of cyber and emerging security risks.** This included participation in the newly-established UN Open Ended Working Group on stability in cyberspace and discussions on the development of a new international convention on cybercrime. We deepened bilateral cyber relationships, including through the establishment of new dialogues (with Japan) and continuation of existing discussions (with Singapore and Five Eyes).

Heightened space security risks and international issues related to New Zealand's space industry required an increased focus on space policy. **The Ministry contributed to the draft New Zealand space strategy** and maintained engagement on space multilaterally, regionally and bilaterally, including by co-sponsoring an event to broaden Asia-Pacific familiarisation with space security issues. **We also provided advice on New Zealand's international engagement on a number of emerging security issues**, such as encryption, disinformation, supply chain security, and emerging technology standards development, and continued to lead on the international dimensions of 5G security policy.

OUTCOME 2: New Zealand's participation in international military and peace support operations mitigates direct security threats, contributes to a more stable global environment, and delivers benefits to our major relationships

The results we aim to achieve:

- 2.1 Targeted contributions of defence, intelligence, development and diplomatic support make a material positive impact on international military and peace support operations
- 2.2 New Zealand's major security partners value our contributions to collective security efforts

The Ministry worked closely with domestic security partners to make important contributions to collective security efforts. A highlight was concluding the successful Building Partner Capacity Mission at Taji, Iraq, which the Ministry supported with diplomatic and development contributions. Alongside Australian counterparts, New Zealand troops trained over 47,000 personnel from the Iraqi Security Forces.

With the Ministry of Defence and NZDF, **the Ministry advised the Government on extending the majority of New Zealand's offshore deployments.** This included extending the mandates to New Zealand's long-standing peacekeeping missions in the Middle East and Africa (the Multinational Force and Observers, UN Mission in South Sudan, and UN Truce Supervision Organization)

and increasing the number of personnel to New Zealand's deployment to the Republic of Korea which helps with administering the terms of the Korean Armistice Agreement; deployments to the Defeat-ISIS Coalition; and contributions in support of sanctions enforcement against North Korea. New Zealand's contributions to such efforts support peace and security in our own region and around the world. The Government decided to extend all deployments, with small adjustments to some of them.

The Ministry successfully operated the new Peace, Security and Stabilisation Fund, agreeing objectives and guidelines and approving \$6.25 million of priority initiatives. These include the Global Community Engagement and Resilience Fund's Philippines programme, explosive ordinance risk education in Palestine, and de-mining operations in Iraq. Of the \$6.25million, \$3.25 million was disbursed over the last year.

The Ministry received positive feedback from close security partners about New Zealand's ongoing contributions to collective security efforts, particularly with respect to our contributions to the Defeat-ISIS Coalition and sanctions enforcement against North Korea.

OUTCOME 3: New Zealand's security partnerships directly contribute to New Zealand's security

The results we aim to achieve:

- 3.1 Our close security partnerships with Five Eyes countries, and particularly our alliance with Australia, make New Zealand more secure
- 3.2 New Zealand deepens its security cooperation with targeted Indo-Pacific partners; and our engagements with those countries advance our own national and regional security interests

The Ministry continued to work closely with our closest security partners, which helped New Zealand to mitigate security threats from terrorism, cyber-attacks, illegal migration, espionage and foreign interference. The Ministry supported New Zealand's participation in coordinated public attribution of malicious Russian state-sponsored cyber activity; Five Eyes cooperation through the Ottawa Five cyber policy group; and the (virtual) hosting of the Five Country Ministerial and MBIE's hosting of the Space Five meeting.

COVID-19 had a significant impact on the Ministry's security cooperation with Indo-Pacific partners, with travel and our usual engagement channels cancelled. However, **prior to COVID-19 the Ministry undertook carefully targeted security engagement in the Indo-Pacific region.** We launched a \$10 million programme of cyber security capacity-building for Pacific Island Countries; worked with Malaysia on a joint cybersecurity Confidence-Building Measure under ARF auspices; and held discussions with China on issues of nuclear disarmament and non-proliferation, which included a

bilateral visit to China by the Ambassador for Disarmament in her capacity as Chair of the MTCR.

Under the Global Security Fund, the Ministry delivered 35 capacity-building projects mostly in South and South East Asia, including conflict prevention and resolution, online disinformation and extremism, cyber security, counter-terrorism, and peacekeeping.

OUTCOME 4: New Zealanders are safer overseas

The results we aim to achieve:

- 4.1 New Zealanders are provided with accurate and timely information that enable them to make informed decisions about travelling overseas
- 4.2 New Zealanders abroad can easily access high-quality consular advice and assistance; and the Government effectively plans for, and responds to, events and emergencies affecting New Zealanders overseas

The Ministry's consular response to COVID-19 was unprecedented in terms of size and complexity. It demanded extraordinary efforts from the Ministry's post network and staff in the Wellington ECC and Consular Call Centre over the first half of 2020. **In 2019-20, consular assistance was provided to over 4,000 New Zealanders, 52,000 general enquiries were managed and more than 5,000 New Zealanders were repatriated through government assisted or facilitated flights. For the first time, the Ministry moved the travel advice level for all destinations to 'do not travel'.** We sent more than 3,400 messages (compared to 550 in 2018-19) providing advice and information to SafeTravel registrants about COVID-19 as well as other emergencies and natural disasters.

The Ministry worked across agencies to ensure the wider government took into account the interests of New Zealanders overseas when making COVID-related policy decisions, and worked with posts to mitigate the impact of these decisions on New Zealanders overseas. (Read more about the Ministry's COVID-19 response on pages 12-17).

INDICATOR:



Percentage of respondents satisfied with the quality of consular services rated at 85% or above

PROGRESS: 75% (down from 84% last year).⁷

⁷ The decrease in satisfaction levels is driven by a decrease in the proportion of respondents giving the top rating of "very satisfied" and shifting towards the middle of the scale. There has not been an increase in dissatisfied respondents.



Minister of Justice, Hon Andrew Little, and New Zealand's Disarmament Ambassador, Dell Higgle, opening the MTCR Plenary meeting in Auckland. Credit: MFAT.

CASE STUDY

New Zealand contributes to regional and global security as Chair of the Missile Technology Control Regime

Missiles can have a destabilising impact on regional and global security, including in their role as the primary means of delivery for weapons of mass destruction. The MTCR aims to stem their proliferation. New Zealand's membership of the MTCR means it contributes directly to this global effort, helping to ensure strong non-proliferation controls on missiles and missile technology.

New Zealand's year as Chair of the MTCR began with the successful hosting of a Plenary Conference in Auckland in October 2019. Dell Higgle, New Zealand's Ambassador for Disarmament, chaired the event, which attracted 230 delegates from 35 countries.

The conference was multilateralism at its best. There was spirited debate, as well as the necessary interplay between technical expertise and higher-level policy

discussions, but in the end agreement was reached. This was thanks to members' unity of purpose and strong commitment to the MTCR's mandate to prevent missile-related proliferation.

A public statement was released, which outlined the key themes and discussions from the Conference. This included the MTCR's activities since the Dublin Plenary in 2017 and ways of advancing the efforts of Partners to prevent the proliferation of unmanned delivery systems capable of delivering nuclear, chemical and biological Weapons of Mass Destruction.

One of New Zealand's key priorities as Chair was to increase outreach and advocacy in the Asia-Pacific and the Middle East. These activities were constrained by the COVID-19 pandemic but before lockdown the Ministry supported a successful outreach mission to Israel, and chaired a 1540 Workshop

in Xiamen, China and at the Asian Export Controls Seminar in Tokyo. Following this, China confirmed that it would re-engage with the MTCR and welcomed an outreach visit when COVID-19 allows.

A second priority was to improve awareness of the Regime through the revitalisation of its public communications. To support this, the Ministry developed a new public newsletter about MTCR's activities and an information pamphlet about the MTCR.

The year as Chair highlighted New Zealand's strong support for disarmament and for the rules-based order more broadly, particularly in relation to major security challenges such as North Korea's missile testing programme and Iran's nuclear and ballistic missile programmes.



Deputy Prime Minister and Minister of Foreign Affairs Winston Peters and Minister of Trade and Export Growth David Parker pay their respects at Rajghat, a memorial to Mahatma Gandhi, in New Delhi, during their four-day visit to India in February 2020. The Ministers co-led a high-level business delegation to New Delhi and Mumbai. Credit: Gurmukh Singh.

International Relationships

Build and leverage targeted international relationships to achieve our goals

The importance of New Zealand's strong relationships with international partners was highlighted during the COVID-19 pandemic. By drawing on past investments in these relationships and adapting its engagement with partners to virtual diplomacy, the Ministry was able to deliver tangible benefits for New Zealanders at various stages of the pandemic, from the initial crisis response through to the economic recovery. The Ministry's agility meant that it also progressed existing foreign and trade policy objectives, such as the launch of FTA negotiations with the UK.

OUTCOME 1: Our diplomacy is aligned to changing global realities

The results we aim to achieve:

- 1.1 Our relationships with Australia, the United Kingdom, the European Union and the United States are sustained, so that our closest partners support us when we need them
- 1.2 Our comprehensive strategic partnership with China remains on a sound basis to realise benefits, work constructively on mutual interests and manage risks
- 1.3 A deliberate programme of investing discretionary effort grows our relationships with Japan, Singapore, Germany, India and Indonesia, delivering tangible benefits for New Zealand

Relationships with our closest partners served New Zealand well over the course of the year. COVID-19 emphasised Australia's status as New Zealand's most important relationship, with the two countries working closely together across a range of areas, including vaccine strategies. New Zealand's Prime Minister participated in Australia's National Cabinet meeting and trans-Tasman Safe Travel Zone negotiations were launched.

The Ministry increased its engagement with the UK, which is itself seeking to spread its influence outside of the EU. The year culminated in the (virtual) launch of FTA negotiations with the UK. The Ministry implemented an engagement plan with the EU to support the EU/NZ FTA negotiations and strengthen partnership on multilateral issues.

The Ministry continued to take up opportunities to advance New Zealand priorities in the US, particularly in the trade and economic context. The Prime Minister's meeting with President Trump was a notable milestone, and the two visits to Washington DC by the Minister of Foreign Affairs resulted in agreement to enhance cooperation across a number of issues.

New Zealand's comprehensive strategic partnership with China supported increased exports and cooperation on key issues such as climate change. On issues where the two countries differ, the Ministry sought to manage these in a professionally respectful way.

New Zealand continued to grow other important relationships. Its long-standing close relationship with Singapore was reinforced, as it was a critical partner for New Zealand in the COVID-19 response (see case study on page 47). New Zealand enhanced other relationships with an historical combined visit to India by the Minister of Foreign Affairs, the Minister for Trade and Export Growth and a business delegation, and highly successful visits to Japan by the Prime Minister and the Minister of Foreign Affairs.

OUTCOME 2: The quality of all our relationships enables us to achieve our objectives

The results we aim to achieve:

- 2.1 Effective leveraging of all the relationships we have invested in delivers tangible results for New Zealand over time
- 2.2 Significant differences with other countries are managed in a way that preserves New Zealand's interests and values
- 2.3 New Zealand is positioned to take advantage of opportunities and manage risks across all our relationships

The COVID-19 crisis demonstrated the value for New Zealand of its wider set of relationships. Examples of this included New Zealand's diplomatic connections and engagement with the United Arab Emirates and Qatar, which helped ensure key flight connections were maintained during the crisis; and the decision of the European Council post lock-down to identify New Zealand as one of 15 countries with which the EU should initially lift travel restrictions.

The Ministry used the opportunity of the Trade and Investment talks with Indonesia in Wellington in February 2020 to **continue to press for full compliance by Indonesia to its trade obligations after the 2017 WTO Appellate Body ruling, succeeding in maintaining access for New Zealand onions and meat and bone meal exports.**

A long-standing New Zealand priority was progressed this year with the announcement of a joint study towards developing a **security Information Sharing Agreement with Japan** to make the exchange of classified information simpler. New Zealand and Japan also adopted a Joint Declaration for Pacific Cooperation, providing a framework for coordination of development cooperation in the Pacific and annual bilateral consultations, in line with New Zealand's objective of deepening cooperation with important partners in the Pacific region.

OUTCOME 3: We adapt to ensure we continue to create impactful connections and leverage benefits

The results we aim to achieve:

- 3.1 Investment in new tools and practices enhances our ability to build relationships
- 3.2 We identify and support impactful links (political, business, social, cultural and people-to-people) between individuals, influences, institutions and agencies.
- 3.3 The coalitions we build and participate in with other countries and organisations deliver results for New Zealand
- 3.4 New Zealanders' skills and comfort in operating in Asian cultures increases

The Ministry adapted its method of diplomatic engagement to the new operating environment necessitated by COVID-19.

A key feature of this was the rapid uptake of virtual diplomacy tools. This allowed New Zealand to maintain the tempo of international engagement by Ministers and officials despite the restrictions on international travel. While some international events were cancelled, many activities successfully transitioned from physical gatherings to remote or digital platforms. This flexible and innovative approach enabled the Ministry to continue advancing New Zealand's international interests, for example, through the virtual signing of the DEPA with Chile and Singapore and the launch of FTA negotiations with the UK.

The Ministry developed an approach to support **evolution in our development partnerships** as partner countries reach higher income levels and have less need for Official Development Assistance.

The Ministry's posts in Australia used a range of people-to-people, business, and political links to support the response to COVID-19.

This included connecting relevant people on both sides of the Tasman regarding the supply of personal protective equipment; using contacts with Australian Border Force and relevant Australian state authorities to facilitate transit exemptions for New Zealanders; and using established relationships with the University of Queensland to include New Zealand in Australian efforts to find a COVID-19 vaccine.

During the period when COVID-19 was disrupting international trade, new links were established between New Zealand food exporters and the Singapore market, and between the agencies responsible for facilitating trade. Work began on mechanisms to further these business links and promote trade opportunities in Singapore for New Zealand's exporters.

As well as sustaining our leadership and participation in a range of coalitions on climate change, trade, disarmament and other important areas, New Zealand was an active participant in helping shape and launch the COVAX Facility – an international mechanism through which demand and resources are pooled to support the availability of COVID-19 vaccines and equitable access to them. New Zealand was an early and vocal supporter of the COVAX Facility (for self-financing countries) and a donor to the COVAX Advance Market Commitment (for developing countries). With Australia, New Zealand led work in the informal "Friends of the Facility" group to contribute ideas on effective governance arrangements to ensure the ongoing effective operation of the Facility.

The Ministry works to support New Zealanders build skills and confidence when working in Asia as they are then more likely to succeed in this region of critical importance to New Zealand. The Ministry continued to support the work of the Asia New Zealand Foundation (including as a Trustee), which has a mandate to 'equip New Zealanders to thrive in Asia.'

The China Capable Public Sector programme (CCPS) the Ministry leads continued its activities to improve China awareness in the public sector. In close partnership with the New Zealand Contemporary China Research Centre, CCPS continued to deliver a substantial programme of events and a knowledge portal website. The number of active participants in the programme has risen to over 1,600 from across the New Zealand public sector.

INDICATOR:



New Zealanders' confidence in engaging with Asian cultures increases

PROGRESS: According to the Asia New Zealand Foundation's New Zealanders' Perception of Asia and Asian Peoples – 2019 Annual Survey, 51% of New Zealanders feel they know at least a fair amount about Asia. This is an increase of 15 percentage points since 2014 and 3% since 2018.



An Air NZ cargo flight delivering essential food and medical supplies being unloaded in Singapore. Credit: Singapore Ministry of Trade and Industry.

CASE STUDY

How New Zealand and Singapore worked together to ensure supply chain connectivity

As a small island nation, New Zealand understands the value of strong relationships and the importance of a friend in tough times. During COVID-19 some WTO members began to impose export restrictions. New Zealand and Singapore joined forces to advocate for global cooperation and, in particular, a clear and unequivocal commitment to continued trade flows.

Following the outbreak of COVID-19 New Zealand sought to find collective solutions to combat the impacts of the virus. This included working to ensure trade lines remained open, including via air and sea freight, to facilitate the flow of essential supplies and other goods.

New Zealand and Singapore worked together to maintain open and connected supply chains, and on 21 March released a Joint Ministerial Statement on the continued flow of goods and services, and essential movement of people.

In the following months, New Zealand and Singapore used their close relationship to conclude a Declaration on Trade in Essential Goods for Combating the COVID-19 Pandemic. Likeminded countries subsequently expressed their support.

The Declaration was a unilateral undertaking aimed at eliminating tariffs on essential medical supplies, refraining from applying export prohibitions or restrictions on the essential medical supplies and food items,

facilitating the flow and transit of these goods through ports, and providing an avenue for consultations on NTBs.

New Zealand will continue to work with like-minded countries around the world to address trade disruptions with ramifications for the flow of essential goods and services.



The pōwhiri at the opening of the annual MFAT-NGO Hui, held in Wellington during October 2019. Credit: MFAT.

NZ Connections

Foster mutually beneficial relationships with NZ Inc partners, Māori, domestic stakeholders and New Zealanders

The events of the year strengthened the Ministry's New Zealand connections, particularly with Māori, exporter and business groups, and NZ Inc agencies. Previous investment in these relationships provided a strong foundation for the multi-faceted response to COVID-19, which in turn has provided a platform for future cooperation.

The fruition of the Taumata initiative, after two years of engagement, was a ground-breaking development. This dedicated platform, independent and accountable to Māori, for deeper discussion on trade policy issues was established in September 2019 and has started delivering strong mutual benefits.

OUTCOMES 1-3

INDICATOR:



Stakeholder satisfaction with MFAT's effectiveness representing New Zealand interests

TARGET: 80% of stakeholders are positive.

PROGRESS: Not met – 79% in 2019 (75% in 2017).⁸

OUTCOME 1: Effective leadership and partnership enhances NZ Inc delivery of the Government's international objectives

The results we aim to achieve:

- 1.1 MFAT's leadership enables a high-functioning New Zealand government team
- 1.2 MFAT works as a team player with NZ Inc agencies on shared objectives
- 1.3 Domestic policy is informed by the international context and takes into account New Zealand's international objectives

The Pacific and APEC were key areas of focus for Ministry leadership of coordinated cross-agency work. In the Pacific this strengthened our approach to regional security and support for Realm countries. The Ministry led the all-of-government process to prepare for the hosting of APEC in 2021, with effective relationships developed with operational and policy agencies. The Ministry was a committed team player in the **AoG COVID-19 response** (see page 13).

The Ministry actively contributed international perspectives to support domestic policy development and decisions. The Ministry contributed to Cabinet's recognition of the importance of Pacific considerations alongside domestic COVID-19 response priorities. The result was direct assistance with the repatriation and managed isolation of Pacific nationals; inclusion of money transfer operators in the list of 'essential services'; and the maintenance of Pacific supply chains through New Zealand. Our offshore network provided insights on economic recovery from COVID-19, regulatory frameworks for medicinal cannabis, the impacts of travel on the climate, and housing.

INDICATOR:



Evidence of MFAT advice informing domestic decision making, particularly in relation to a) Pacific impacts and b) policy areas targeted for post reporting

PROGRESS: Achieved – see narrative above.

INDICATOR:



Ratings for leadership and collaboration from NZ Inc agencies

- TARGET:**
- A. 70% of NZ Inc agencies agree MFAT provides strategic direction for New Zealand's international engagement.
 - B. 45% agree MFAT leadership enables agencies to function as one team.
 - C. 65% of NZ Inc respondents agree MFAT collaborates as a team player with NZ Inc agencies on shared objectives.

PROGRESS:

- A. Not met – 69% in 2019 (64% in 2017)
- B. Not met – 44% in 2019 (39% in 2017)
- C. Not met – 60% in 2019 (61% in 2017).

OUTCOME 2: Māori interests and New Zealand's Māori identity are understood and embedded in our work

The results we aim to achieve:

- 2.1 The Ministry is delivering on its duties as a Treaty partner with authenticity and integrity
- 2.2 Māori interests are being advanced in our international work

Among the actions taken by the Ministry to deliver on its duties as a Treaty partner with authenticity and integrity, a highlight was the establishment of the Taumata. Read more about this on page 51. **The first Taumata trade engagement hui in Rotorua attracted over 80 participants and the second hui in Gisborne an in-person audience of 120.** The Ministry also participated in a whole-of-government approach to addressing issues raised by the Wai 262 claim.

Progress was made on the implementation of other aspects of the Ministry's Māori Engagement Strategy. This included foundational work to lift the Ministry's capability to apply the Treaty of Waitangi and Mātauranga Māori in our work.

The Ministry continued building our understanding of Māori interests and building the trust and confidence of our Māori partners. Relationships with Iwi and Tāmaki Makaurau mana whenua were extended through preparations for APEC 21, which aims to generate economic value for Māori. To inform New Zealand's approach to negotiating a new UN agreement on high seas biodiversity, the Ministry established a dedicated working group to obtain input on Māori interests.

INDICATOR:



Confidence of Māori in their partnership with the Ministry

PROGRESS: Good progress – see narrative above.

INDICATOR:



MFAT Staff who are able to apply Mātauranga Māori in their mahi

PROGRESS: 18-20% of MFAT staff have completed an introductory Te Reo Māori programme, an increase of 1-2%.

⁸ All stakeholder data in this section is from the two-yearly surveys of MFAT's New Zealand stakeholders commissioned from Colmar Brunton in 2017 and May/June 2019. No new data was available in 2019-20.

OUTCOME 3: Mature and sustainable relationships with New Zealand domestic stakeholders enhances the Ministry's policy development and international engagement and reputation

The results we aim to achieve:

- 3.1 The Ministry has professional and co-ordinated processes for engaging with domestic stakeholders
- 3.2 The Ministry is attuned to the values and issues that matter to domestic stakeholders
- 3.3 The Ministry works in partnership with domestic stakeholders to deliver mutually beneficial results

The Ministry continued to develop its processes for engaging with domestic stakeholders, including by training 40 staff in stakeholder engagement, aligning the training with the Ministry's values and developing a capability maturity model.

In line with our commitment to **understanding the values and issues that matter to domestic stakeholders**, and to generate a deeper conversation with New Zealanders about current global trade and economic policy challenges, the Ministry provided extensive support to the inaugural Auckland Trade and Economic Policy School at the University of Auckland.

'Partnering for Impact' – the Ministry's new approach to engaging with New Zealand NGOs – exemplifies how **the Ministry partners with domestic stakeholders to deliver mutually beneficial results**. The first negotiated co-investment partnerships were signed in June 2020 with World Vision New Zealand, Save the Children New Zealand and ChildFund New Zealand. They aim to deliver improved outcomes for children and youth in the Pacific and South East Asia.

Our APEC 2021 stakeholder engagement programme forged a strong partnership with Auckland Council.

INDICATOR:  Domestic stakeholders satisfaction with engagement with MFAT

TARGET: 90% of domestic stakeholders confirm 'high' or 'very high' levels of satisfaction with engagement with MFAT.

PROGRESS: Met – 91% in 2019 (84% in 2017).

OUTCOME 4: MFAT has raised understanding and support among the New Zealand public for New Zealand's international objectives and the work we do

The results we aim to achieve:

- 4.1 The Ministry's reputation with New Zealanders has improved and social licence to operate on behalf of the government is enhanced
- 4.2 The Ministry's value to New Zealanders is better demonstrated and understood

- 4.3 New Zealand publics are satisfied with their participation in MFAT-led consultations, initiatives and hui and with how the Ministry responds to inquiries
- 4.4 Public has easy access to accurate and relevant information about New Zealand's international relations, development and trade policies and activities

The Ministry increased its overall reputation score in the 2020 Colmar Brunton Public Sector Reputation Index. However, the Index indicated room for improvement in the Ministry's value to New Zealanders being demonstrated and understood.

We received positive feedback on participation in MFAT-led events and how the Ministry responds to enquiries. Members complimented the sense of inclusiveness, timeliness of engagement and detail on FTA opportunities in the Taumata initiative. 75 percent of participants in the annual MFAT-NGO Hui described the event as "excellent". The Ministry's Exporter Helpdesk received 476 requests (274 in 2018-19). 90 percent of those who provided feedback were satisfied.

It is important that the public has easy access to accurate and relevant information about New Zealand's international relations, development and trade policies and activities. A process for publishing global market reports from our post network was created (see page 14). The Ministry also focused on proactive release of official information and online publishing of trade, development and climate change information and policy advice.

INDICATOR:



Ministry reputation measures (leadership, trust, fairness, social responsibility)

TARGET:

Continue to improve the awareness of the Ministry in the Colmar Brunton 2020 Public Sector Reputation Index.

PROGRESS:

91% (up from 89%).

INDICATOR:



Understanding of Ministry's role and what it delivers for New Zealanders

TARGET:

50% of stakeholders claim to know 'a lot' about MFAT.

PROGRESS:

91% (up from 89%).

INDICATOR:



Timeliness of response to OIA requests and Ministerials

PROGRESS:

OIA requests – 96.4% (down from 98%)
Ministerials – 98% (up from 80.3%).

INDICATOR:



Visit numbers and user satisfaction with MFAT's websites and social media platforms

PROGRESS:

- 1,029,409 website sessions (973,214 in 2018-19)
- 14,000 Twitter followers (9,564 in 2018-19)
- 28,694 Facebook followers (21,112 in 2018-19)
- 36% of stakeholders rated the Ministry's website as very good/good in 2019 (33% in 2017).



Deputy Secretary Trade and Economic Vangelis Vitalis with Te Taumata members, at the signing of the consultation and engagement MOU. Credit: MFAT

CASE STUDY

The Ministry signs milestone trade MOU with Māori

Twelve months of work with Māori leaders has led to the establishment of Te Taumata – a unique engagement model – involving a group of recognised leaders in Māori socio-economic and cultural development chosen by Māori to engage with the Ministry on trade policy and related matters.

The Ministry signed a consultation and engagement Memorandum of Understanding (MoU) with Te Taumata members in September 2019. The MOU recognises the unique value Māori bring to trade conversations with the Ministry. It was agreed upon a foundation of trusted relationships and acknowledges that disagreements will be likely at times. It is independent and accountable to Māori.

Te Taumata provides a dedicated platform for deeper discussion on trade policy issues. The group is assisting the Ministry to better understand and connect with Māori/Iwi trade-related interest groups.

The need for a Taumata was driven by a growing concern by many Māori about increasing volatility and uncertainty for agricultural traders in the global market place; the fast moving nature and pace of change; and the number of negotiations under way that are of interest to Māori.

The Ministry deliberately played no part in the selection of the representatives or in the Terms of Reference. The Ministry approached the engagement using Māori and Ministry values of kotahitanga and manaakitanga, ensuring the process was one of 'enabling' rather than driving.

Taumata activities supported by the Ministry included commissioning research to improve understanding of complex FTA issues where there is a strong Māori interest; providing a Māori lens and analysis on key FTA developments through social media; and facilitating opportunities for *kanohi ki-te-kanohi* engagement hui in the regions.

The Ministry sees the Taumata model as working alongside its engagement with other Māori interest groups, including the Federation of Māori Authorities and the Pou Tahua of the National Iwi Chairs Forum. The level of interest being generated by the proactive work of Te Taumata to engage Māori, not only on the details of interest to Māori in trade agreements but also on the opportunities these create, is unprecedented.



Staff at our Beijing post enjoying a hāngi cooked on Embassy grounds to celebrate Matariki. Credit: MEAT.

Our People

Build and sustain a happy, healthy and high-performing community, for all

The unprecedented events last year challenged our people across the Ministry's global network. The Ministry redeployed staff quickly to COVID-19-related responsibilities and re-oriented its health, safety and wellbeing approach to support staff in challenging circumstances, especially in the offshore network.

The ability of staff to adapt and continue supporting New Zealanders was testament to their resilience and to the Ministry's earlier investment in leadership and career development, workplace improvement, health, safety and wellbeing, and organisational culture change. Sustaining our offshore network and supporting staff through COVID-19 remain key works-in-progress.

OUTCOME 1: We have the right people in the right place at the right time

The results we aim to achieve:

- 1.1 Workforce planning enables the Ministry to meet future capability and capacity requirements
- 1.2 We achieve clearer alignment of people resources with organisational priorities and are more flexible and agile in accommodating emerging issues and short-term operational needs
- 1.3 Flexible and innovative ways of working are standard practice of how we resource roles

While COVID-19 meant we made less progress on long term workforce planning than hoped, **the Ministry made improvements in reporting, which enabled more informed decision-making and forecasting of recruitment needs.**

Demands on the Ministry to be flexible and agile in re-aligning people resources reached unprecedented levels due to COVID-19 and other crises (e.g. the measles outbreak in the Pacific, the Whakaari / White Island eruption and TC Harold) which in some cases occurred concurrently. The effective responses demonstrated the ability of our people not only to cope, but also to adapt and overcome challenges as they present.

COVID-19 required the Ministry's largest ever redeployment of staff at short notice. This was initially managed through the Ministry's ECC, then through a larger COVID response structure and, as the crisis response wound down, through a formal restructuring with two new divisions to support a 'COVID steady state'. While the Ministry was ultimately able to redeploy staff effectively, doing so was resource-intensive and placed stress on staff.

Formalisation of the Ministry's flexible work policy was delayed due to COVID-19, but **senior leaders clearly stated their expectation that flexible working should be the default position.** COVID-19 put this to the test to ensure we could continue supporting New Zealanders during the crisis. While having staff around the globe working in different ways brought challenges, it also introduced new opportunities which informed the development of our flexible work policy.

INDICATOR:



Workforce planning maturity increases to an advanced level by 2028

PROGRESS: A new baseline is to be established. Significant refocusing is required owing to the COVID environment.

OUTCOME 2: We develop our people for the future

The results we aim to achieve:

- 2.1 Improved access to development opportunities aligned with talent management gives our staff the skills and expertise to be successful in their current and future roles
- 2.2 Investment in building great managers and authentic leaders translates into higher levels of capability in leading staff and managing resources
- 2.3 Leaders consistently provide staff with regular, honest and constructive feedback on their performance and appropriately deal with poor performance

The Foreign Policy Career Development and Progression

Framework was implemented to simplify and improve transparency of the promotions, postings and rotations processes. It also enables greater focus on professional development and capability building to meet the Ministry's strategic objectives.

While development of a new leadership strategy was put on hold, **the Ministry continued to invest in leadership and management capability**, with almost 100 leaders taking part in a number of leadership development opportunities within and outside of the Ministry.

The Ministry supported leaders to provide feedback to staff on their performance, through a pilot workshop on how to deliver effective feedback; providing resources to panels for resourcing rounds and making these available on the careers team website; and individual coaching on specific ways to give feedback to staff.

OUTCOME 3: We care for and value our people

The results we aim to achieve:

- 3.1 Investment in our offshore facilities ensures that, as far as practicable, all our working environments are safe and healthy
- 3.2 Changes in our organisational culture increase work-life balance and staff wellbeing
- 3.3 Staff are recognised and rewarded for their good performance and positive behaviours
- 3.4 The Ministry's internal communications are supporting high levels of staff engagement

The Ministry continued remediation work on its owned and leased offshore properties to ensure they are safe and healthy, as far as practicable. However, COVID-19 delayed planned assessments of South American and remaining South East Asian posts.

Key milestones in the Ministry's health, safety and wellbeing (HSW) programme were achieved. There was a continued focus on the HSW of women at posts, with 85 percent of recommendations now implemented; a new approach to monitoring and assessment of air pollution was approved; and nine critical risk areas were identified with work starting on two of these – travel and communicable diseases. The programme was put on hold in order to focus on the health, safety and wellbeing of our seconded staff and families during the COVID-19 response.

COVID-19 required a significant intensified work programme to support staff offshore, including developing and implementing frameworks to assist decision-making on staff remaining or going offshore; revised and new policies to support wellbeing offshore; support to offshore leaders in making decisions for the day-to-day health and wellbeing of their teams; and supporting onshore staff to operate safely and effectively at each of the New Zealand COVID-19 alert levels. The Ministry prioritised remote working arrangements, ergonomic support, work-life balance and the provision of wellbeing resources.

The Speak Up Safely programme continued to support staff and leaders to prevent and respond to unacceptable behaviour. Individual and team resilience resources and sessions were also delivered to staff during COVID-19.

COVID-19 necessitated an intensified and more deliberate approach to internal communication, at team and organisation-wide levels, especially as entire teams moved to remote working arrangements and the pace and breadth of the Ministry's COVID-19 response expanded rapidly. Action included a reliance on Zoom meetings among teams, daily communication from leaders, additional communication tools and devices, and adapting the Ministry's weekly staff newsletter to a COVID-19 bulletin that was distributed twice-weekly to all staff, including offshore partners and families.

INDICATOR:



90% of our offshore buildings have had a health and safety assessment and have an agreed management plan in place for those risks that have not been eliminated

PROGRESS: The 90% target is set to be achieved by 2023, with progress tracking well. 51% of all owned and leased properties have been assessed and have agreed management plans in place.

OUTCOME 4: We are diverse and inclusive

The results we aim to achieve:

- 4.1 Valuing and utilising diverse and inclusive thinking, people and behaviours enables the achievement of the Ministry's goals
- 4.2 Our staff reflect the diversity of New Zealand and the countries we work in

The Ministry continued to make progress on diversity and inclusion, despite aspects of the work programme being delayed due to COVID-19. Key successes included appointing Senior Leadership Team (SLT) members as champions for the Ministry's staff networks; facilitating a structured mentoring programme for 44 new starters and diverse staff; and completing the self-assessment phase of becoming Rainbow Tick certified. We continue to focus on reducing our gender pay gap, and have updated our Gender Action Plan for 2020-21. We saw a bigger reduction to our gender pay gap this year than in any prior year.

The Ministry made progress towards its staff reflecting the diversity of New Zealand, as indicated in the table. Particular efforts were made to drive diversity in the Foreign Policy job family through the annual graduate intake and internships. The Ministry's summer internship programme grew from 9 to 19 interns with tailored internships for Māori and Pasifika students. Adjustments to the recruitment approach and raising awareness by improved marketing and outreach are delivering positive results, particularly with Māori graduates.

MFAT's Staff Diversity by Ethnicity⁹

	June 2020	June 2019
European	71.0%	62.0%
Māori	11.3%	9.3%
Asian	8.7%	6.5%
Pacific People	5.7%	4.1%
Middle Eastern / Latin American / African	1.0%	0.8%
Other	13.1%	11.0%
Not Disclosed	30.5%	19.1%

INDICATOR:



Meet the 40 diversity and inclusion strategy goals and targets by 2028

PROGRESS: COVID-19 delayed the delivery of some initiatives in the Diversity and Inclusion Strategy. The Ministry does not expect this to have a long-term impact on the work programme and or its ability to meet the 40 goals and targets by 2028.

INDICATOR:



Gender pay gap reduced to zero by 2028

PROGRESS: Our gender pay gap fell to 11.5% (down from 14% in 2018-19).

⁹ Our ethnicity data counts staff who have identified with one or more ethnicity.

OUTCOME 5: We live our values, every day, everywhere

The results we aim to achieve:

- 5.1 Our staff embrace our values and this positively influences behaviours
- 5.2 We recruit, develop and reward our staff in line with the values

Ministry staff further embraced our values and aligned their behaviours with them. Our values – kotahitanga, courage, manaakitanga and impact – informed the flexible work policy, mentoring resources, the gender action plan, career development and progression frameworks, and leaders' communication. External stakeholders and NZ Inc partners noted the efforts of Ministry staff to reflect the values in their engagements. **A measure for how successful we have been in recruiting, developing and rewarding our staff in line with the values** will be developed as part of the new employee engagement survey.



MFAT's waiata group led by Shirley Munro-Holmes (Ngāti Raukawa) performing a Pātere at Te Kōhohete 2019, the annual public service kapahaka concert. Credit: MFAT.



The new purpose-built Chancery for the New Zealand High Commission in Honiara opened in October 2019. Credit: MFAT.

Operational Excellence

Enable effective and efficient delivery of Ministry business through fit for purpose and resilient global network and systems/services

COVID-19 was a major test of the Ministry's operational ability to deliver its business during a global crisis. The Ministry adapted rapidly to remote working onshore and offshore and to virtual diplomatic engagement thanks to quick adjustments in system capacity, tools and policies and previous investments in our business continuity capabilities. This enabled the Ministry to sustain its global network and the delivery of valuable services to the Government and New Zealanders.

Long-term investment in maintaining a fit for purpose network that supports New Zealand's strategic interests was boosted with commitment to a ten year programme of investment in Pacific property and infrastructure. A capital injection of \$48 million was secured in Budget 2020 to progress this.

OUTCOME 1: Our networks, systems and services are adapted to respond to future opportunities and challenges for the Ministry's business

The results we aim to achieve:

- 1.1 Evolution in our virtual and physical work environments enables staff to work more flexibly and productively as well as securely
- 1.2 The Ministry takes full advantage of innovation in digital technology within appropriate security risk parameters
- 1.3 Our post network model sustains fit for purpose representation and operations across the range of locations and circumstances we work in
- 1.4 Initiatives to improve infrastructure, systems, processes and services deliver clear and measurable benefits including for staff and their delivery of the Ministry's strategic goals
- 1.5 Our systems and processes are kept resilient to cope with unexpected events

INDICATOR:



ICR Five – Increase Organisational Change Management Maturity to 3.1 (out of 4.0)

PROGRESS: 1.9 out of 4.0 with a revised target of 2.8, with five recommendations for improvement.

INDICATOR:



Organisational resilience assessment

PROGRESS: A Business Impact Assessment is planned for 2021, which is designed to test the Business Continuity Plans.

The resilience of the Ministry's systems and processes and our flexible working capability were demonstrated by the Ministry's ability to sustain our global network and delivery of services throughout the COVID-19 crisis. While a small number of posts were temporarily closed (see page 64), the Ministry's global network continued delivering highly valued services to the Government and New Zealanders. The introduction of Zoom for unclassified videoconferencing the previous year enabled a quick switch to virtual meetings and Webex was added to extend connectivity.

To respond to COVID-19 requirements for Ministry staff to work more flexibly, the Ministry increased access to digital services and tools to ensure business continuity while maintaining security of information.

A key service improvement to better equip staff to deliver on the Ministry's goals was extending the hours for the Ministry's IT Service Centre. This provided better support to posts that operate outside of New Zealand business hours and proved especially valuable with the increase in remote working as a result of COVID-19.

OUTCOME 2: Property/IT networks and systems, and operational business services form an effective backbone for 24/7 frontline functions

The results we aim to achieve:

- 2.1 The Ministry's offshore property portfolio is effectively managed and kept fit for purpose, enabling optimal results to be delivered for New Zealand
- 2.2 Fit for purpose, reliable information technology and information management systems/services enable staff in all locations to do their jobs and collaborate with ease
- 2.3 Staff and the information and assets for which we are responsible are kept secure
- 2.4 The Ministry's finances are effectively managed and spent efficiently
- 2.5 All operational services and systems meet targeted quality standards and are aligned with customer needs
- 2.6 Simple operational policy and processes enable staff to work effectively and efficiently
- 2.7 Our NZ Inc partners operate and collaborate easily with the Ministry onshore and offshore

A programme of investment in the Pacific was approved, to ensure the quality, capacity and appropriate delivery of property and infrastructure over the next ten years. This will involve capital projects to raise the overall standard of the property portfolio and new asset management arrangements including contracting a pan-Pacific facilities management service provider.

A capital injection of approximately \$48 million was secured in Budget 2020 to progress this. COVID-19 impacted the delivery of property projects in Riyadh and Moscow due to constrained access, but the New Zealand House project in London progressed, as did planning for Washington DC and Suva. New chanceries completed in Addis Ababa, Bogotá and Honiara opened in September 2019, October 2019 and January 2020 respectively.

When reviewing our 2019 asset plans, fit for purpose targets were achieved as follow:

	Target	Result
Chanceries	80%	80%
Official Residences	85%	90%

The Ministry provided staff across the network with fit for purpose, reliable information technology and information management systems/services so that they could continue to do their jobs and collaborate during the COVID-19 crisis. In the early stages of COVID and within a short timeframe, more than 250 laptops were issued to staff in New Zealand and offshore. Significant logistical efforts were however required to keep the Ministry's network online during the New Zealand COVID-19 lockdown. With the majority of New Zealand-based staff working from home, there were initial issues with ICT capacity, but these

were resolved within the first few days of the lockdown, with VPN bandwidth increased tenfold. **At peak usage during the lockdown almost 800 concurrent users were accessing our systems remotely in a day.** The prioritisation required to respond to COVID-19 related demands resulted in some initiatives being delayed, including updates to the Human Resources Information System.

The Ministry continued to build staff awareness and capabilities to help keep its people, information and assets secure. Good progress was made on the Protective Security Programme but aspects of the programme were paused due to COVID-19. The Ministry met all the minimum maturity requirements of Protective Security except for business continuity, which has since become a key area of focus.

COVID-19 had a significant impact on the Ministry's financial management. While the Ministry performed well considering the impact of COVID-19 on appropriation optimisation, with all but 7.5 percent of total appropriations used, the provision of consular loans to help New Zealanders in need of repatriation led to unappropriated expenditure being incurred. The Ministry identified the issue and obtained the necessary Ministerial approvals to provide loans going forward. The Ministry deferred the Financial Management Information Systems project to free up resources and minimise change given pressures on the organisation.

Overall, information and technology services were delivered to targeted levels of service, helped by changes such as extending the IT Service Centre hours to 24/5, then 24/7 support for the duration of remote working and the ECC operating. One initiative to enable staff to work effectively and efficiently was upgrading the user-interface of the Ministry's Business Process Portal making it more user-friendly, a move which received positive feedback from staff.

The Ministry continued to provide a key integration and coordination point for New Zealand Inc agencies' offshore footprint and operations. Examples include coordinating with Immigration New Zealand on the implementation of the New Zealand Electronic Travel Authority and liaison with NZ Inc agencies regarding the management of COVID-19 impacts on staff offshore.

INDICATOR:

ICR One – Increase Asset Management Maturity to 83%

PROGRESS: 71% with a revised target of 79%, with twelve recommendations for improvement.

INDICATOR:

ICR Two – Increase NZP3M portfolio and project level maturity to 3.0 (out of 5.0)

PROGRESS: 2.36 out of 5.0, with four recommendations for improvement.

INDICATOR:

ICR Four – Increase Procurement Capability Index maturity to 3.4 (out of 4.0)

PROGRESS: 2.89 out of 4, with a recommendation to continue the work started to embed good procurement practice across the organisation and build the profile of the Commercial Division as a strategic adviser.

INDICATOR:

ICR Seven – Maintain Project Delivery Performance at 10 (out of 10)

PROGRESS: 6/10 with a 10% verification quality adjustment down from 8/10 and four recommendations for improvement.

INDICATOR:

ICR Eight – Maintain Asset Performance at 10 (out of 10)

PROGRESS: 10/10, with three recommendations for improvement.

INDICATOR:

Agency Services Survey satisfaction scores maintained at 3.5 or above

PROGRESS: The 2019 score was 4.3 out of 5.

OUTCOME 3: The Ministry's operations are legally compliant and meet standard All of Government best practice

The Ministry remained effective in its financial and service performance across its environment, systems and controls as measured by Audit New Zealand. It improved capabilities across a number of protective security dimensions, and achieved all of its targets as measured against the Government's Protective Security Capability Maturity Model. The Ministry has made good progress on privacy in the last 12 months, and came through the privacy challenges of its response to COVID-19 well. Given this experience working with a wider range and volume of private information during COVID-19, and the new requirements of the Privacy Act 2020, the Ministry has judged that it should reset all maturity factors down to better reflect its baseline. The Ministry has a comprehensive plan to implement the Privacy Act 2020 and anticipates material upwards adjustments to the maturity ratings for the 2020-21 assessment year.

INDICATOR:



ICR Nine – Increase System Performance (compliance) to 4 (out of 5)

PROGRESS:

4 out of 5 with four recommendations for improvement.

INDICATOR:



Audit Management rating maintained at 'Good' or above

PROGRESS:

The Ministry was rated as 'Good' in 2019.

INDICATOR:



Year-on-year improvements towards Protective Security Requirements (PSR) self-assessment targets

PROGRESS:

Our compliance against the 20 PSR mandatory requirements has improved from 17/20 (85%) to 18/20 (90%) in accordance with the prediction made in our PSR Assurance Mid-Year Update in October 2019. Our capability maturity (CMM) also has improved achieving the 7 targets for 2020 which means 100% of our CMM were achieved. For Personnel Security we exceeded our 2020 target to achieve our Optimal target.

INDICATOR:



Privacy self-assessment ratings

PROGRESS:

There was a decrease across all ratings from 2018-19 to 2019-20.



People leaders from the newly formed People and Operations Group on their initial planning day. Credit: MFAT.

Enterprise Performance

Ensure the Ministry delivers the best achievable outcomes for New Zealand from the resources invested in it

The Ministry's enterprise performance capability was tested strongly during the COVID-19 crisis. The Ministry adapted rapidly to the changes brought about by COVID-19 and delivered recognised value to the AoG response and to New Zealanders overseas. Its success was based on the redeployment of resources on a large scale to meet emerging priorities; provision of early and regular advice to the Government; adapted governance, leadership and delivery structures; and changes to policies to enable the Ministry to operate effectively.

Beyond COVID-19, the Ministry made progress on its enterprise performance initiatives, including the completion of a three-yearly strategic assessment to inform a refreshed Strategic Framework; the introduction of annual assessments against the Strategic Framework and enhanced aid activity assessments; and a more strategic and evidence-based footing for investment of resources. A People and Operations Group was established, bringing together the Ministry's enabling functions to strengthen enterprise performance.

OUTCOME 1: Strong strategic performance means MFAT delivers demonstrable results in changing international and domestic contexts

The results we aim to achieve:

- 1.1 Strategic planning, performance and risk management are aligned
- 1.2 Our Strategic Framework is founded on a programme of strategic assessment
- 1.3 We compellingly demonstrate the impact of the Ministry's work
- 1.4 Systematic approaches to monitoring and evaluating our performance improve our decision-making, learning, accountability and communication

The Ministry continued to work on aligning strategic planning, performance and risk management. This was well demonstrated in the aid programme's annual evidence-based reflection process and refresh of its thematic and geographic programmes.

The Ministry completed its first formal three yearly strategic assessment in order to provide strategic direction for foreign policy. COVID-19 radically altered our immediate operating environment and amplified existing disruptive trends. Advice was provided to the Government on the foreign policy response to the pandemic in April/May. The refresh of the Ministry's ten year Strategic Framework reflected both the Strategic Assessment and COVID-19 driven priorities.

The COVID-19 response provided a particularly compelling demonstration of the Ministry's impact (see pages 12-17). In addition, the positive impact the New Zealand Aid Programme makes in the Pacific was highlighted through a Foreign Affairs, Defence and Trade Committee inquiry. The Ministry's four value propositions link to the capitals in the Living Standards Framework and we report on what we have done each year to contribute to New Zealanders' wellbeing (see pages 6-7).

Systematic approaches to monitor and evaluate performance were developed. For example a candid Board-level assessment of progress against the Strategic Framework and a study to consider options for expanding the use of evaluation in the wider Ministry were initiated. COVID-19 has started driving more agile and 'real time' approaches to evaluating aid investments.

OUTCOME 2: MFAT's investment of resources is grounded in our Strategic Framework and a strong evidence base

The results we aim to achieve:

- 2.1 Our Long Term Investment Plan supports delivery of our strategic outcomes now and in the future
- 2.2 Decisions on strategic prioritisation and resource allocation are underpinned by assessments of benefits and impact, and consistent evidence-based frameworks
- 2.3 Benefits of investments are systematically identified, monitored and evaluated

The Ministry completed a new Long Term Investment Plan (LTIP) that was used for capital planning, and to support the 2020 capital budget bid. The Ministry also completed a three yearly Investor Confidence Rating (ICR) assessment of the Ministry's investment management performance and capabilities, achieved its overall B target with room to spare, and received a higher quality score for the LTIP component than targeted. Treasury acknowledged the improvements made by the Ministry since 2016-17, noting that the slight drop in the overall score was due to the new quality scoring applied to the performance assessment components of the ICR. Work continues with building an end-to-end investment management approach that will ensure the capital investment portfolio is integrated, responsive and fit-for-purpose.

Assessments of benefits and impact, and consistent evidence-based frameworks increasingly informed the Ministry's decisions on strategic prioritisation and resource allocation. The Relationship Prioritisation Framework, based on the Strategic Framework, was completed and was used to inform prioritisation of Ministerial engagement. COVID-19 demanded substantial reprioritisation of resourcing, which the Ministry managed well in the crisis phase. Subsequent to the ICR assessment, the Ministry made good progress on the design and implementation of a fit-for-purpose benefits framework for ICT maintenance projects.

INDICATOR:



ICR three increases in the quality of the LTIP to 6.0 (out of 10)

PROGRESS:

2019-20 result of 8/10, with four recommendations for improvement.

INDICATOR:



Investor Confidence Rating (ICR) of at least a 'B'

PROGRESS:

ICR 'B' rating achieved. MFAT's 2019-20 score of 77% decreased slightly from the 81% achieved in 2016-17.

INDICATOR:



ICR Six – Maintain Benefits Delivery Performance at 16 (out of 20)

PROGRESS:

2019-20 ICR result 12/20 with a 10% verification quality adjustment down from 16/20 and four recommendations for improvement.

OUTCOME 3: MFAT's excellence in governance, leadership and management ensures we achieve our strategic outcomes and meet all legal obligations and public sector requirements

The results we aim to achieve:

- 3.1 Well-considered, quality decisions are taken in a timely fashion by the appropriate person or body
- 3.2 Risk is identified, mitigated and managed in ways that are proportionate to its potential impact and that support innovation
- 3.3 A culture of sustained organisational improvement and adaptive change lifts our enterprise performance
- 3.4 Our organisational strategies and frameworks drive performance and allow the Ministry to operate as a modern organisation

To ensure well-considered, quality decisions are taken in a timely fashion by the appropriate person or body, the Ministry increased the sitting term for governance committee members. The Ministry's response to COVID-19 demonstrated its ability to set up an agile response and implement a governance structure allowing for quick and accurate decision-making. It included appointing a member of the SLT to lead the Ministry's response, and organising daily SLT stand-up meetings (including virtually during lockdown).

The Ministry took a number of actions to ensure that risk was identified, mitigated and managed in ways proportionate to the potential impact and that supported innovation. An example is the establishment of a Risk and Compliance Forum, to ensure the Ministry complies with its legal obligations and public sector requirements. The Ministry also maintained its risk framework, which includes a risk management policy, guidelines and tools available to staff. A dedicated APEC21 risk and assurance team provided support and advice to assess the risks associated with hosting APEC, including pivoting to consider the risks of hosting a virtual event.

The Ministry's leaders continued to lead organisational improvement through driving progress on highlighted organisational priorities – Values, Diversity and Inclusion, and Mātauranga Māori (See the Our People Goal Results 4 and 5 and NZ Connections Goal Result 2 for more detail). A People and Operations Group was established, bringing together the Ministry's enabling functions to strengthen enterprise performance.

Updates made to many of the Ministry's corporate policies in light of COVID-19 resulted in increased flexibility for staff and enabled them to operate in a modern organisation. Good progress was also made on the International Policy Framework *Poutama Here Ki Te Ao*, with two phases of intensive training for 32 staff.

INDICATOR:



Internal Control Assessment of Departments (ICAT) overall ratings

TARGET:

Maintain equal or better scores when compared to previous year results.

PROGRESS:

2020 average score over the 9 control statements is 3.28 out of 4 (last year's score was 3.33).

INDICATOR:



Environment, Systems and Controls (ESCO) audit rating of good

TARGET:

Maintain equal or better scores when compared to previous year results.

PROGRESS:

The 2019 result was rated as 'Good' (equal to the 2018 result).

INDICATOR:



Risk maturity rating

TARGET:

Maturity rating to increase to Level 4 by end of June 2019.

PROGRESS:

Target rating of 4 out of 5 achieved.



A view of Lambton Quay outside MFAT's Wellington office during the lockdown on 3 April, 2020. Credit: Mike Clare/Anadolu Agency via Getty Images.

CASE STUDY

COVID-19: Testing our organisational resilience

The Ministry's organisational resilience has been tested by COVID-19. As an organisation, it required us to swiftly shift focus, adjust our ways of working, and adopt new approaches. It also required dedication by individuals working in challenging circumstances. These factors all played a part in the Ministry maintaining our network and providing valuable services to New Zealand.

Reprioritising and reallocating

The Ministry recognised early that we needed to reprioritise and shift resources to respond to COVID-19.

On 29 January the Ministry ECC was stood up for what was, at the time, a virus outbreak in China. A pandemic had not been declared, but it was a complex and fast evolving situation. The ECC continued operating until 11 June – the longest emergency response the Ministry has been engaged in. This spanned the Alert Level Four lockdown period, during which some

ECC functions were carried out by staff working from home.

More than 400 staff from across the Ministry had their work reprioritised and were rostered into ECC roles. For significant periods, the centre was operating 24/7, over three shifts.

The ECC coordinated action across the Ministry, provided regular reporting and advice to Ministers and the AoG system, and was the coordination point with other government agencies and key partners such as Air New Zealand. Dedicated teams were established to deliver large repatriation efforts of New Zealanders from locations across the world.

In March, as COVID-19 became a global pandemic and a New Zealand domestic emergency as well, the Ministry moved to a four-pillar approach to our COVID-19 response (of which the ECC was a core component), to ensure that we could

effectively service the full range of our growing responsibilities. These included our contribution to policy and operational responses in the AoG system (a number of our staff were deployed into liaison roles in other government agencies, and seconded into AoG response teams) and responsibilities to our staff. At the same time, the Ministry benefited from clear senior level responsibility for managing our multi-faceted COVID-19 response and impacts on our staff and operations by establishing a COVID-19 Deputy Secretary role.

The final task of this role, in June 2020, was to secure agreement to a 'COVID steady state' structure made up of two new divisions, and the re-allocation of resources to enable the Ministry to deliver on the additional COVID-related workload anticipated for the next 18 months.

How we worked

Like many other organisations, the Ministry was forced to quickly adapt its ways of working as the pandemic progressed.

Significant numbers of staff were working remotely to comply with the Alert Level Three and Four restrictions in New Zealand, and local requirements at our posts. The Ministry used its existing business continuity systems but also quickly developed and adapted policies and processes to support the unprecedented demands of the situation. Significant advances in technology, tools and systems were rolled out to ensure staff could work effectively away from the office.

With global travel restricted and many international fora shifting to digital platforms, we quickly moved to virtual diplomatic engagement. Ministers and Ministry staff progressed important New Zealand objectives through virtual APEC meetings, FTA negotiations, meetings on vaccine and health cooperation, and bilateral engagement with partner countries.

Maintaining our offshore network

Our post network has been maintained throughout the pandemic, with the vast majority of our 59 posts remaining operational. They provided consular support to New Zealanders in serious need overseas, and gathered, analysed and reported information about the global situation that has directly informed New Zealand's response.

For many posts, the greatest demands on them coincided with the disruption and uncertainty of significant COVID-19 outbreaks and lockdowns. The ongoing delivery of vital functions in this context is a testament to the staff working at our posts.

At any time about 260 Ministry staff are deployed overseas. From late January, approximately 65 overseas-based Ministry staff in non-essential roles or with health considerations returned to New Zealand temporarily in line with the Ministry's COVID-19 health risk mitigation strategy. These staff continued to work remotely to the post, or in other Wellington-based roles, including in the ECC.

By the end of June 2020, six posts had been temporarily closed due to the COVID-19 pandemic: Addis Ababa, Bridgetown, Chengdu, Tehran, Warsaw, and Yangon. A number of factors were considered in making these closures, including the relatively small number of staff deployed from New Zealand at these posts. The Ministry follows a robust risk assessment process to inform decisions on when it is safe for posts to be open, and when it might be safe for individual staff to return.

All of our offshore posts also employ staff locally. In situations where other staff had returned to New Zealand, our staff employed at post provided vital continuity across our network.


Indicator data gaps

Where Indicators could not be reported on, the data was not available for the following reasons:

- In the 'Pacific' Goal, there was insufficient 2019-20 data for some Indicators and for others the latest data is for previous financial years.
- No Employee Engagement Survey was undertaken in 2019-20 as the Ministry's survey provider withdrew from the market. The Ministry has engaged a new provider to conduct the survey but this has been delayed due to COVID-19.
- The MFAT Internal Client Satisfaction Survey was last undertaken in June 2019. The survey will be amended to reflect the new People and Operations structure. With COVID-19 disruptions, this will be deferred to end of 2020.
- International Policy Framework training was disrupted due to COVID-19 and progress towards the policy maturity target will be measured after the next round of training is completed.
- The Ministry has not had a further Performance Improvement Framework (PIF) Review.

The Indicators not reported on are listed below:

Pacific

- ↓ Proportion of youth (aged 15-24 years) not in education, employment or training (SDG: 8.6.1) 
- ↑ Measures of gender progress in Pacific Leaders Gender Equality Declaration

Our People

- ↑ People leaders engagement index increases
- ↑ Staff engagement index increases
- ↑ Staff wellbeing index increases to 85% by 2028
- ↑ Inclusion index score of 90% by 2028
- ↑ Values index increases to 90% by 2028

Operational Excellence

- ✓ Score in the MFAT Internal Client Satisfaction Survey maintained at 4 or above

Enterprise Performance

- ↑ Progress towards policy maturity target
- ↑ Performance Improvement Framework (PIF) ratings for Results (government priorities and core business); Review; and Purpose, Vision and Strategy

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 2020 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 2021 and its operations for the year ending on that date.



CHRIS SEED
CHIEF EXECUTIVE

27 November 2020

Statement of performance

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

Vote Foreign Affairs and Trade

- Administration of diplomatic privileges and immunities
- Consular services
- Hosting of APEC 2021 (MYA)
- 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 diplomatic and consular privileges and immunities under the Diplomatic Privileges and Immunities Act 1968 and the Consular Privileges and Immunities Act 1971.

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 consular privileges and immunities in New Zealand.

PERFORMANCE MEASURES	2019-20		2018-19
	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	170
Number of foreign diplomatic and consular staff (and their dependents) resident in New Zealand	1,350-1,450	1,318	1,414
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%	96.4%	89.6%

Financial performance (figures are GST exclusive)

30/06/19 Actual \$000		30/06/20 Actual \$000	30/06/20 Appropriation \$000	30/06/20 Variance \$000
957	Annual appropriations	1,019	1,044	25

Explanation of significant variances

Nil.

Consular services

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

PERFORMANCE MEASURES	2019-20		2018-19
	Budgeted Standard	Actual Standard	Actual Standard
Number of overseas locations where consular services are provided	69	71 ¹⁰	71
Distressed New Zealanders overseas who received consular services (demand driven)	3,000-3,500	3,644	2,716
General consular advice enquiries responded to (demand driven)	47,000-52,000	52,914 ¹¹	26,551
Notarial services provided (demand driven)	11,000-14,000	10,432	11,913
Consular emergencies responded to	6-8	44 ¹²	37
Percentage of respondents satisfied with quality of consular services	85%	75% ¹³	84%

Financial performance (figures are GST exclusive)

30/06/19 Actual \$000		30/06/20 Actual \$000	30/06/20 Appropriation \$000	30/06/20 Variance \$000
27,412	Annual appropriations	30,321	33,552	3,231

Explanation of significant variances

The appropriation was increased by \$9.45 million in anticipation of increased consular activity during COVID-19. The expected increase in activity was over estimated by \$3.231 million.

¹⁰ This include NZTE posts.

¹¹ The 100% increase in general enquiries is reflective of the COVID-19 pandemic, which has required the Ministry and its network to mount the largest and most complex consular response to date.

¹² Kyushu, Shikoku and Kinki Evacuation orders - floods and landslides; California 6.6 magnitude earthquake; Stromboli Volcanic eruption; California 7.1 magnitude earthquake, Bali 6.1 magnitude earthquake; California Shooting attack at the Gilroy Garlic Festival; Bangkok Bomb blasts; Cairo Bomb blasts; Taiwan/China Typhoon Lekima; Florida Hurricane Dorian; Lyon Stabbing incident; Texas Shooting incident; United States Hurricane Dorian; North and South Cyclone Lingling; Japan Typhoon Faxai; Bermuda Hurricane Humberto; Baghdad Violent civil unrest; Japan Typhoon Hagibis; Chile Violent civil unrest; Australia Bushfires; Catalonia + Barcelona Violent civil unrest; Davao del Sur 6.9 magnitude earthquake; Hong Kong Violent civil unrest; India Violent civil unrest; Lejanias 6.0 magnitude earthquake; Fiji Tropical Cyclone Serai; Tonga Tropical Cyclone Serai; Lake Taal Volcanic activity; Fiji Tropical Cyclone Tino; Tonga Tropical Cyclone Tino; Wuhan COVID-19; Elazig 6.8 magnitude earthquake; Korat Shooting attack at Terminal 21 Mall; Pathum Wan Shooting attack near Chulalongkorn University; Niue Tropical Cyclone Vicky; Manila Shooting attack at V-Mall; Suluwesi 5.8 magnitude earthquake; Vanuatu Tropical Cyclone Harold; Fiji Tropical Cyclone Harold; Philippines Typhoon Ambo; India and Bangladesh Tropical Cyclone Amphan; United States Violent civil unrest; India Tropical Cyclone Nisarga; Southern coast 7.4 magnitude earthquake. (After Wuhan the Ministry's COVID-19 response was made into a dedicated work stream, and is not counted in the number of emergencies).

¹³ The decrease in satisfaction levels is driven by a decrease in the proportion of respondents giving the top rating of "very satisfied" and shifting towards the middle of the scale. There has not been an increase in dissatisfied respondents.

Hosting of APEC 2021 (Multi-Year Appropriation)

This appropriation is intended to achieve the planning and delivery of the operations and hosting elements of the year-long Asia-Pacific Economic Cooperation (APEC) 2021 mega-event.

	2019-20		2018-19
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Confirmed calendar of meetings, locations and venues for all meetings during host year	Met	Met	Met
Secured sufficient accommodation in Auckland for Leaders Week	Met	Met	Met
Provided advice to Government on legislative changes necessary to support hosting	Met	Met	Met
Entered into contract to procure transport provisions	Met	APEC 2021 hosting revised ¹⁴	New measure
Achieved integrated model with host cities (Auckland, Wellington, Christchurch)	Met	APEC 2021 hosting revised	New measure
Workforce planning completed and confidence in sourcing	Met	APEC 2021 hosting revised	New measure

Financial performance (figures are GST exclusive)

30/06/19 Actual \$000		30/06/20 Actual \$000	30/06/20 Appropriation \$000	30/06/20 Variance \$000
6,650	Annual appropriations	12,394	17,422	5,028

Explanation of significant variances

This variance is due to the impact of COVID-19 on programme delivery.

¹⁴ Prior to the advent of the COVID-19 pandemic the Ministry was on track to achieve these performance measures. As a consequence of COVID-19 the New Zealand Government has taken the decision that New Zealand's hosting of APEC in 2021 will be virtual. As a result the programme of work to plan and deliver the operations and hosting elements of APEC in 2021 is being revised and these measures (in the previous context) are no longer relevant.

Pacific Security Fund

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

PERFORMANCE MEASURES	2019-20		2018-19
	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	Met
Funds are accessed, disbursed and monitored in accordance with the management process established by the Pacific Security Coordinating Committee	Met	Met	Met
Independent assessments of at least one project over \$100,000 finds that they were successful in achieving the majority of their objectives	Met	Met	Met

Financial performance (figures are GST exclusive)

30/06/19 Actual \$000		30/06/20 Actual \$000	30/06/20 Appropriation \$000	30/06/20 Variance \$000
2,109	Annual appropriations	1,067	5,061	3,994

Explanation of significant variances

The variance is mostly related to reduced activity through the impact of COVID-19. \$1.3 million of the variance has been approved for transfer to 2020-21 to complete activity started in 2019-20.

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	2019-20		2018-19
	Budgeted Standard	Actual Standard	Actual Standard
Binding international treaties concluded by the Ministry under this output expense class ¹⁵	9-11	18	15
MFAT is effective at influencing key relationships and safeguarding New Zealand's interests	Met	Result not available for this year ¹⁶	Substantially met – 79% of stakeholders satisfied
Policy Advice			
Policy submissions produced for Ministers under this output expense class	250-350	172	255
Assessment of Performance of the quality of the agency's policy advice papers ¹⁷	3.5	4.03	7.3
Satisfaction of the portfolio Minister with the policy advice service ¹⁸	4 or above on a 5 point scale	4.47 ¹⁹	4

¹⁵ 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.

¹⁶ Reporting against this measure is based on a Stakeholder Engagement Survey which the Ministry undertakes every two years. The last survey was held in 2018-19.

¹⁷ This year the standard is on a new scale of 1 to 5, based on DPMC's refreshed Policy Quality Framework. The average score from the assessment of 40 policy papers is reported. A standard on the distribution of scores will be identified in 2020-21. Last year's result was assessed against a different standard on a 1 to 10 scale.

¹⁸ The Standard is on a scale of 1 to 5 and is based on DPMC's revised Ministerial Satisfaction Survey to assess ministerial satisfaction with the policy service.

¹⁹ The Ministerial satisfaction survey was completed on behalf of the Minister of Foreign Affairs by staff in the Minister's Office on the Minister's authority.

	2019-20		2018-19
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Ministerial Services			
Number of Ministerial letters prepared	100-150	208	271
Number of Parliamentary Question responses provided	20-50	66	78
Number of Ministry Official Information Act request (OIA) responses provided	50-70	74	77
Percentage of Ministerial correspondence completed within 15 working days	90%	98% ²⁰	79.7%
Percentage of Ministry OIA requests responded to within statutory timeframes ²¹	90%	97.3%	97.4%
Percentage of Ministerial OIA request replies completed five days prior to the statutory time limit, unless otherwise agreed ²²	90%	78.9% ²³	81.25%
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%	89.5%	100%
Average number of days to send final OIA request response to a requestor (for Ministry OIAs)	25 days	21.9 days	19.1 days

Financial performance (figures are GST exclusive)

30/06/19 Actual \$000		30/06/20 Actual \$000	30/06/20 Appropriation \$000	30/06/20 Variance \$000
46,546	Annual appropriations	43,117	44,878	1,761

Explanation of significant variances

Nil.

²⁰ During the period 24 March to 4 June 2020, the State Services Commission (SSC) extended the Ministerial response timeframe from 15 to 30 days, to recognise agencies' workloads during the COVID-19 response. This reporting is based on performance within permitted timeframes.

²¹ Ministerial OIAs are requests of the Minister responsible for the Foreign Affairs and Trade and Export Growth portfolios. Ministry OIAs are requests of the Chief Executive of the Ministry of Foreign Affairs and Trade.

²² As above.

²³ OIA timeliness in the latter part of the year was impacted by the Ministry's COVID-19 response, which resulted in subject matter experts and information resources not always being available between February-May to allow for timely responses to OIA requests.

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.

	2019-20		2018-19
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Non-binding arrangements concluded by the Ministry under this output expense class ²⁴	35-45	32	47
Inwards Guest of Government visits supported by the Ministry under this output expense class	30-40	23 ²⁵	59
Outwards visits by New Zealand Ministers supported by the Ministry under this output expense class	45-50	87 ²⁶	133
Total number of days of outward visits by New Zealand Ministers supported by the Ministry under this output expense class	290-320	410 ²⁷	610
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%	Result not available this year ²⁸	71.4%
MFAT is effective at influencing key relationships and safeguarding New Zealand's interests	Met	Result not available this year ²⁹	Substantially met – 79% of stakeholders satisfied
Policy Advice			
Policy submissions produced for Ministers under this output expense class	250-350	761 ³⁰	255
Assessment of Performance of the quality of the agency's policy advice papers ³¹	3.5	4.03	7.3
Satisfaction of the portfolio Minister with the policy advice service ³²	4 or above on a 5 point scale	4.47 ³³	4

²⁴ Concluded means signed or, if signature is not provided in the arrangement, acceded to, adopted, accepted or ratified.

²⁵ Includes facilitated and partial GOGs and full GOGs that were delivered. The variation in number of visits can be attributed to the disruption of international travel due to the COVID-19 global pandemic.

²⁶ The significant variation in the number of total outwards visits and number of days of outwards visits, can be attributed to the disruption of international travel due to the COVID-19 global pandemic. This meant International travel was only able to be undertaken between July 2019 and March 2020.

²⁷ As above

²⁸ It was decided that due to the continued disruption of International travel brought about by the COVID-19 global pandemic, the utility of doing this review was minimal, and would unnecessarily put extra strain on the business during an already busy time.

²⁹ Reporting against this measure is based on a Stakeholder Engagement Survey which the Ministry undertakes every two years. The last survey was held in 2018-19.

³⁰ The significant increase in policy submissions produced for Ministers was due to briefing provided to Ministers on COVID-19 related issues.

³¹ This year the standard is on a new scale of 1 to 5, based on DPMC's refreshed Policy Quality Framework. The average score from the assessment of 40 policy papers is reported. A standard on the distribution of scores will be identified in 2020-21. Last year's result was assessed against a different standard on a 1 to 10 scale.

³² The Standard is on a scale of 1 to 5 and is based on DPMC's revised Ministerial Satisfaction Survey to assess ministerial satisfaction with the policy service.

³³ The Ministerial satisfaction survey was completed on behalf of the Minister of Foreign Affairs by staff in the Minister's Office on the Minister's authority.

	2019-20		2018-19
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Ministerial Services			
Number of Ministerial letters prepared	900-1,000	1,046	744
Number of Parliamentary Question responses provided	150-200	158	419
Number of Ministry Official Information Act request (OIA) responses provided	200-250	206	195
Percentage of Ministerial correspondence completed within 15 working days	90%	97% ³⁴	84.8%
Percentage of Ministry OIA requests responded to within statutory timeframes ³⁵	90%	96.1%	98.97%
Percentage of Ministerial OIA request replies completed five days prior to the statutory time limit, unless otherwise agreed ³⁶	90%	93.2%	84.2%
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%	97.3%	98.97%
Average number of days to send final OIA request response to a requestor (for Ministry OIAs)	25 days	26.8 days ³⁷	24 days

Financial performance (figures are GST exclusive)

30/06/19 Actual \$000		30/06/20 Actual \$000	30/06/20 Appropriation \$000	30/06/20 Variance \$000
275,714	Annual appropriations	282,184	289,562	7,377

Explanation of significant variances

This variance is the result of COVID-19 reducing input costs due to inability to travel and reducing offshore activity.

³⁴ During the period 24 March to 4 June 2020, the State Services Commission (SSC) extended the Ministerial response timeframe from 15 to 30 days, to recognise agencies' workloads during the COVID-19 response. This reporting is based on performance within permitted timeframes.

³⁵ Ministerial OIAs are requests of the Minister responsible for the Foreign Affairs and Trade and Export Growth portfolios. Ministry OIAs are requests of the Chief Executive of the Ministry of Foreign Affairs and Trade.

³⁶ As above.

³⁷ OIA timeliness in the latter part of the year was impacted by the Ministry's COVID-19 response, which resulted in subject matter experts and information resources not always being available between February-May to allow for timely responses to OIA requests.

Policy advice and representation - other countries PLA

This output expense is limited to the costs set out in the Foreign Affairs Act 1988 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.

	2019-20		2018-19
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)

30/06/19 Actual \$000		30/06/20 Actual \$000	30/06/20 Appropriation \$000	30/06/20 Variance \$000
20	Permanent appropriations	20	20	-

Explanation of significant variances

Nil.

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	2019-20		2018-19
	Budgeted Standard	Actual Standard	Actual Standard
Annual review of fund finds that projects met agreed objectives outlined in their application ³⁸	100%	100%	100%

Financial performance (figures are GST exclusive)

30/06/19 Actual \$000		30/06/20 Actual \$000	30/06/20 Appropriation \$000	30/06/20 Variance \$000
8	Annual appropriations	24	70	46

Explanation of significant variances

This Variance is due to fewer suitable activities meeting criteria over the period.

³⁸ This is the Investment Promotion Fund. 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 2019-20, 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 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 processing on behalf of Immigration New Zealand).

PERFORMANCE MEASURES	2019-20		2018-19
	Budgeted Standard	Actual Standard	Actual Standard
Average satisfaction score on the Ministry’s service provision on a five point scale	3.5	Result not available this year ³⁹	4.3

Financial performance (figures are GST exclusive)

30/06/19 Actual \$000		30/06/20 Actual \$000	30/06/20 Appropriation \$000	30/06/20 Variance \$000
8,350	Revenue			
	Other	8,435	8,650	(215)
8,350	Total revenue	8,435	8,650	(215)
	Expenditure			
8,350	Other	8,435	8,650	215
8,350	Total expenses	8,435	8,650	215
-	Net surplus/(deficit)	-	-	-

Explanation of significant variances

Nil.

³⁹ Reporting against this measure is based on a Stakeholder Engagement Survey which the Ministry undertakes every two years. The last survey was held in 2018-19.

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.

	2019-20		2018-19
ASSESSMENT OF PERFORMANCE	Budgeted Standard	Actual Standard	Actual Standard
Percentage of chanceries with a Fit-for-Purpose performance gap of $\leq 2^{40}$	80%	80%	82%
Percentage of official residences with a Fit-for-Purpose performance gap of $\leq 2^{41}$	85%	90%	89%
Percentage of time our networks are available	99.7%	99.4% ⁴²	99.8%
Percentage of time our critical services are available	99.7%	100%	99.9%

Financial performance (figures are GST exclusive)

30/06/19 Actual \$000		30/06/20 Actual \$000	30/06/20 Appropriation \$000	30/06/20 Variance \$000
-	Land	-	-	-
42,575	Property, plant and equipment	33,631	48,500	14,869
7,785	Intangibles	3,366	9,500	6,134
50,360	Total	36,997	58,000	21,003

Explanation of significant variances

The variance of \$14.869 million in Property, Plant and Equipment was due to time delays as a result of COVID-19 for chancery projects in offshore posts and the APEC Auckland Office.

The variance of \$6.134 million in Intangible Assets is primarily due to timing delays with various software upgrades and business systems projects.

⁴⁰ The Ministry uses a Fit for Purpose framework that rates every Chancery (office) and Official Residence property against five asset management criteria of location, building and infrastructure quality, brand, functionality, and flexibility. Weighted sub-criteria are used to reflect the criticality of each asset management criteria relative to specific locations. The current performance of each property asset in the above mentioned class is scored against pre-determined business defined target scores. The target scores reflect the relative importance of each of the five asset criteria as an enabler supporting the specific objectives and business model in each location.

⁴¹ As above.

⁴² Network availabilities were impacted by some posts not being occupied during COVID-19 lockdown periods.

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.

	2019-20		2018-19
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Financial Management			
Percentage of development cooperation funding for the partner government sector disbursed in year for which it was scheduled (Bilateral programmes only)	90%	\$134.6m, or 91.2% ⁴³	\$104.951m, or 99.9%
Proportion of Pacific country partner governments provided with an indicative Total Country Aid Programme Budget for the current year plus projections for two or more years in the future	100%	67% (8 out of 12 Pacific bilateral countries) ⁴⁴	92% (11 out of 12 Pacific Bilateral countries)
Amount and percentage of Crown ODA resources spent on the Pacific	60% for the triennium (+/- 5% for any given year)	\$446.9m (61%)	\$423.02m (60%) for 2018-19
Amount and percentage of Crown ODA resources spent on Activities where climate change is a principle objective	Increasing trend	\$51.1m (6.9%)	\$43.1m or 6.1%
Amount and percentage of Crown ODA resources spent on Activities where gender equality and women's empowerment is a principle objective	Increasing trend	\$19.5m (2.7%)	\$17.5m or 2.5%
Amount and percentage of Crown ODA resources spent on Aid for Trade	At least 20% of ODA	\$135.4m (18.4%) ⁴⁵	\$150.04m or 21.2%
Amount and percentage of Crown ODA resources spent on core contributions to multilateral agencies	15% of annual spend (+/- 5% for any given year)	\$97.4m (13.2%)	\$110.8m or 15.7%
Amount and percentage of Crown ODA resources spent on scholarships	10-12% of annual spend	\$85.1m (11.6%)	\$80.3m or 11.4%
Amount and percentage of Crown ODA resources spent on strengthening Pacific statistics	Increasing trend	\$4.5m (0.6%)	\$4.8m or 0.7%
Amount and percentage of Crown ODA resources allocated to humanitarian activities	Increasing trend	\$65.5m (8.9%) ⁴⁶	\$77.7m or 11.0%

⁴³ While spend increased to the partner government sector, less was disbursed in the year planned with the remainder being spent early in 2020-21.

⁴⁴ Fewer countries were able to be provided with budgets for the full three years as the next triennium budget was not confirmed.

⁴⁵ This result fluctuates year on year as it includes spending on large activities such as infrastructure, and the conclusion or initiation of such projects can cause variations. This year COVID-19 and the outbreak of measles in the Pacific caused a number of activities to be discontinued/deferred, contributing to the decline.

⁴⁶ This measure targets an increasing trend over the triennium. However spending fluctuates year on year, depending on demand.

	2019-20		2018-19
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Quality/Performance			
Percentage of Activity Monitoring Assessments (AMAs) and Activity Completion Assessments (ACAs) rated as robust (as assessed annually by the independent Annual Assessment of Results) ⁴⁷	Increasing trend	Result not available this year ⁴⁸	AMAs: 75%; ACAs: 77% (2017/18)
Percentage of evaluations (or summaries) that are published to MFAT website within 3 months of completion	100%	67% ⁴⁹	86%
Percentage of Programmes rated 4 or higher on a scale of 1-5 by review against the Ministry's quality standard for programme management ⁵⁰	>90%	100%	100%
Percentage of Activities rated 4 or higher on a scale of 1-5 by review against the Ministry's quality standard for activity management	>90%	100%	88%
NZ score in Aid Transparency Index	Increasing trend	2020 score of "Good" or 77.6/100 ⁵¹	2018 score of "poor" or 31.0
Policy Advice			
Policy submissions produced for Ministers under this output expense class	150-200	255	198
Assessment of Performance of the quality of the agency's policy advice papers ⁵²	3.5	4.03	7.3
Satisfaction of the portfolio Minister with the policy advice service ⁵³	4 or above on a 5 point scale	4.47 ⁵⁴	4
Ministerial Services			
Number of Ministerial letters prepared	60-90	144	159
Number of Parliamentary Question responses provided	20-50	32	33
Number of Ministry Official Information Act request (OIA) responses provided ⁵⁵	20-50	51	76
Percentage of Ministerial correspondence completed within 15 working days	90%	95% ⁵⁶	71.1%

⁴⁷ AMAs are annual internal assessments completed by the Ministry of Foreign Affairs and Trade to monitor the performance of Activities in implementation, while ACAs are internal Ministry of Foreign Affairs and Trade assessments of performance undertaken after the completion of the Activity.

⁴⁸ Annual Assessment of Results not completed this year, due to an update in the AMA/ACA process.

⁴⁹ Resourcing and communication issues as a result of COVID-19 led to delays in publishing evaluations (or summaries) in a timely manner.

⁵⁰ Four year plans have replaced programmes to manage delivery of ODA.

⁵¹ An explanation of this result can be found on page 138.

⁵² This year the standard is on a new scale of 1 to 5, based on DPMC's refreshed Policy Quality Framework. The average score from the assessment of 40 policy papers is reported. A standard on the distribution of scores will be identified in 2020-21. Last year's result was assessed against a different standard on a 1 to 10 scale.

⁵³ The Standard is on a scale of 1 to 5 and is based on DPMC's revised Ministerial Satisfaction Survey to assess ministerial satisfaction with the policy service.

⁵⁴ The Ministerial satisfaction survey was completed on behalf of the Minister of Foreign Affairs by staff in the Minister's Office on the Minister's authority.

⁵⁵ Ministry OIAs are requests of the Chief Executive of the Ministry of Foreign Affairs and Trade. Ministerial OIAs are requests of the Minister responsible for the Foreign Affairs, and Trade and Export Growth portfolios.

⁵⁶ During the period 24 March to 4 June 2020, the State Services Commission (SSC) extended the Ministerial response timeframe from 15 to 30 days, to recognise agencies' workloads during the COVID-19 response. This reporting is based on performance within permitted timeframes.

	2019-20		2018-19
PERFORMANCE MEASURES	Budgeted Standard	Actual Standard	Actual Standard
Ministerial Services - continued			
Percentage of Ministry OIA requests responded to within statutory timeframes	90%	98%	97.4%
Percentage of Ministerial OIA request replies completed five days prior to the statutory time limit, unless otherwise agreed ⁵⁷	90%	80% ⁵⁸	91.7%
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%	100%	100%
Average number of days to send final OIA request response to a requestor (for Ministry OIAs)	25 days	25.8 days ⁵⁹	25 days

Financial performance (figures are GST exclusive)

30/06/19 Actual \$000		30/06/20 Actual \$000	30/06/20 Appropriation \$000	30/06/20 Variance \$000
72,347	Annual appropriations	78,321	80,415	2,094

Explanation of significant variances

Nil.

⁵⁷ Ministerial OIAs are requests of the Minister responsible for the Foreign Affairs, and Trade and Export Growth portfolios. Ministry OIAs are requests of the Chief Executive of the Ministry of Foreign Affairs and Trade.

⁵⁸ OIA timeliness in the latter part of the year was impacted by the Ministry's COVID-19 response, which resulted in subject matter experts and information resources not always being available between February-May to allow for timely responses to OIA requests.

⁵⁹ As above.

Financial statements

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2020

Actual 2019 \$000	Notes	Actual 2020 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
	Revenue			
432,827	Revenue Crown 2	465,515	483,633	547,677
9,702	Other Revenue 2	9,797	9,310	9,531
11	Interest	9	20	20
438	Gain on sale of assets	237	-	-
442,978	Total revenue	475,558	492,963	557,228
	Expenses			
201,183	Personnel 3	213,741	209,748	230,620
174,411	Operating 4	173,835	213,543	247,824
21,935	Depreciation 8	24,881	22,628	32,080
5,431	Amortisation on intangible assets 9	5,831	8,082	6,909
37,153	Capital charge 5	38,614	38,942	39,775
440,113	Total expenses	456,902	492,943	557,208
2,865	Surplus/(deficit) before re-measurement	18,656	20	20
	Re-measurement			
5,472	Gain/(loss) on derivative financial Instruments 17	(363)	-	-
659	Movement in discount rate for Long Service Leave and Retirement Leave 13	237	-	-
6,131	Total re-measurement	(126)	-	-
446,244	TOTAL EXPENSES	456,776	492,943	557,208
(3,266)	Net surplus/(deficit)	18,782	20	20
	Other comprehensive revenue and expense			
-	Gain on property revaluations	-	-	-
(3,266)	Total comprehensive revenue and expense	18,782	20	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 2020

Actual 2019 \$000	Notes	Actual 2020 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
619,219	Balance at 1 July	643,562	649,034	661,253
(3,266)	Total comprehensive revenue and expense	18,782	20	20
(2,206)	Return of operating surplus to the Crown 11	(18,419)	(20)	(20)
29,815	Capital injections	17,691	17,691	12,700
643,562	Balance at 30 June 14	661,616	666,725	673,953

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 2020

Actual 2019 \$000		Notes	Actual 2020 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
	ASSETS				
	Current assets				
28,388	Cash and cash equivalents		32,058	20,582	21,763
113,731	Debtor Crown		132,225	88,858	102,140
2,068	Debtors and other receivables	6	2,335	7,139	2,068
10,592	Prepayments	7	10,803	8,270	10,592
431	Derivative financial instruments	17	46	3,253	430
155,210	Total current assets		177,467	128,102	136,993
	Non-current assets				
5,051	Debtors and receivables	6	5,254	4,929	5,051
3,329	Prepayments - leased land	7	3,181	3,329	3,329
517,253	Property, plant and equipment	8	525,803	554,550	559,909
30,431	Intangible assets	9	27,966	28,953	34,196
556,064	Total non-current assets		562,204	591,761	602,485
711,274	Total assets		739,671	719,863	739,478
	LIABILITIES				
	Current liabilities				
21,184	Creditors and other payables	10	14,230	20,873	21,184
2,206	Return of operating surplus	11	18,419	20	20
5,395	Provisions	12	3,036	1,011	963
21,644	Employee entitlements	13	24,719	19,317	27,939
2,815	Derivative financial instruments	17	2,066	165	2,814
53,244	Total current liabilities		62,470	41,386	52,920
	Non-current liabilities				
12,406	Employee entitlements	13	12,000	8,953	9,806
2,062	Provisions	12	3,585	2,799	2,799
14,468	Total non-current liabilities		15,585	11,752	12,605
67,712	Total liabilities		78,055	53,138	65,525
643,562	Net assets		661,616	666,725	673,953
	EQUITY				
465,489	General funds	14	483,543	488,653	495,881
178,073	Property revaluation reserve	14	178,073	178,072	178,072
643,562	Total equity		661,616	666,725	673,953

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 2020

Actual 2019 \$000		Notes	Actual 2020 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
	Cash flows from operating activities				
434,047	Receipts from Revenue Crown		447,021	504,069	558,832
14,651	Receipts from other revenue		9,327	9,310	9,531
11	Interest		9	20	20
(92)	Goods and services tax (net)		959	-	-
(187,274)	Payments to employees		(209,500)	(209,748)	(233,733)
(181,461)	Payments to suppliers		(184,381)	(213,543)	(244,711)
(37,153)	Payments for capital charge		(38,614)	(38,942)	(39,775)
42,729	Net cash flow from operating activities	18	24,821	51,166	50,164
	Cash flows from investing activities				
568	Sale of property, plant, equipment		361	300	300
(42,575)	Purchase of property, plant, equipment		(33,631)	(57,033)	(53,519)
(7,785)	Purchase of intangible assets		(3,366)	(7,188)	(9,200)
(49,792)	Net cash flow from investing activities		(36,636)	(63,921)	(62,419)
	Cash flows from financing activities				
29,815	Capital injections		17,691	17,691	12,700
(9,401)	Return of operating surplus		(2,206)	(6,063)	(20)
20,414	Net cash flow from financing activities		15,485	11,628	12,680
13,351	Net increase/(decrease) in cash		3,670	(1,127)	425
15,037	Add cash at the beginning of the year		28,388	21,709	21,338
-	Effect of exchange translation adjustments		-	-	-
28,388	Closing cash at the end of the year		32,058	20,582	21,763

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 2020**

Actual 2019 \$000		Actual 2020 \$000
	CAPITAL COMMITMENTS	
	Land and buildings	
3,495	Less than one year	20,603
-	One to five years	-
3,495	Total capital commitments	20,603
	Non-cancellable operating leases	
	Accommodation	
38,051	Less than one year	40,526
60,374	One to five years	72,394
19,023	More than five years	18,123
117,448	Total non-cancellable operating lease commitments	131,043
120,943	Total commitments	151,646

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 2020.

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 2020**

MFAT has a contingent liability in the form of an indemnity as at 30 June 2020 to HSBC for \$0.969 million as part of the Chancery lease conditions in New York (30 June 2019: \$0.930 million). MFAT also has two contingent liabilities in the form of indemnities authorised by the Minister of Finance of up to \$12 million to indemnify airlines involved in repatriation flights into New Zealand during COVID-19 from March 2020.

We have other contingent liabilities relating to employment and property disputes as at 30 June 2020 for \$0.875 million (30 June 2019: \$0.666 million). Disclosure of the individual disputes may prejudice the Ministry's position.

MFAT has contingent assets of \$0.027 million which relate to employment and property issues as at 30 June 2020 (30 June 2019: \$0.028 million).

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

Notes to the financial statements

For the year ended 30 June 2020

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 these 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 2020 and were approved for issue by the Chief Executive on 27 November 2020.

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

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. The Ministry is still to determine how application of PBE FRS 48 will affect its statement of service performance.

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Ministry does not intend to early adopt the amendment.

PBE IPSAS 41 Financial Instruments replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and PBE IFRS 9 Financial Instruments and is effective for financial years beginning on or after 1 January 2022, with earlier adoption permitted. The Ministry is still to assess in detail the impact of the new standard.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Foreign currency transactions

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

Goods and services tax (GST)

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Statement of cost accounting policies

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

Our policy is to directly charge costs to outputs wherever possible. Other costs are allocated to outputs. 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 2020 budget figures are for the year ended 30 June 2020 and were published in the 2018-19 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 2019-20.

The 2021 forecast figures for the year ending 30 June 2021 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 2020.

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 2021 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 2020-21 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 2019-20 was used as the opening position for the 2020-21 forecasts.

The actual financial results for 30 June 2021 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 Budget Estimates Fiscal Update (BEFU) forecast. Factors that could lead to material differences between the forecast financial statements and the 2020-21 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 2021 included in BEFU 2020. These were authorised for issue on 9 April 2020 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 2019 \$000		Actual 2020 \$000
432,827	Revenue crown	465,515
	Other revenue	
8,348	Revenue department - Services for other New Zealand agencies	8,435
591	Revenue other - Consular services	505
763	Revenue other - Miscellaneous	857
442,529	Total Crown and other revenue	475,312

Note 3: Personnel costs

Actual 2019 \$000		Actual 2020 \$000
173,622	Salaries and wages	190,002
5,093	Vacancy backfill	4,185
8,654	Employer contributions to defined contribution plans	9,503
337	ACC levy	368
6,960	Increase/(decrease) in employee entitlements	2,981
6,517	FBT	6,702
201,183	Total personnel costs	213,741

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 2019 \$000		Actual 2020 \$000	Unaudited Budget 2020 \$000	Unaudited Forecast 2021 \$000
484	Fees to auditors:	398	555	475
-	- fees to Audit NZ for audit of financial statements	24	-	-
41,902	- fees to Audit NZ for other services	48,217	44,776	53,265
25,043	Rentals and operating leases	18,534	27,439	18,191
14,245	Travel	9,870	14,111	16,371
14,847	Contractors	10,302	22,311	19,998
(2,312)	Dedicated and special funding	(1,042)	-	-
8,197	Net foreign exchange loss/(gain), excluding derivatives	8,925	8,012	8,455
8,658	Maintenance	14,258	11,754	29,231
6,753	Contracted services	7,533	6,670	7,556
4,808	Wide area network costs	4,508	5,972	5,320
5,512	Consultants fees	6,942	6,369	8,028
3,786	Software maintenance	4,601	4,120	4,462
3,955	Rates, taxes and communal charges	4,595	4,985	5,376
3,655	Utilities	2,507	3,841	4,117
3,563	Representation	3,236	3,233	3,217
3,606	Freight	2,432	4,879	5,167
2,157	Staff training	2,043	2,103	2,170
25,552	Telecommunication Charges	25,952	42,413	56,425
174,411	Total operating costs	173,835	213,543	247,824

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 2020 was 6.0 percent (2019: 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 2019 \$000		Actual 2020 \$000
	Current	
1,543	Trade debtors	1,572
525	Other Receivables	763
2,068	Total current	2,335
	Non-Current	
449	Deposit bonds	376
4,602	Lease deposits	4,878
5,051	Total non-current	5,254
7,119	Total debtors and receivables	7,589
	Total receivables comprise:	
7,119	Receivables from the sale of goods & services (exchange transactions)	7,589
-	Receivables from non-exchange transactions	-

As at 30 June 2020 and 2019, all receivables have been assessed for impairment and no provision was required as majority are due from other Government entities.

Actual 2019 \$000		Actual 2020 \$000
675	Not past due	838
743	Past due 1-30 days	510
82	Past due 31-60 days	210
34	Past due 61-90 days	-
9	Past due >91 days	14
1,543	Total	1,572

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%

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 – Overseas Properties

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.

All of the Ministry's owned land and buildings are located overseas. For the year ended 30 June 2020, as there was no definitive reliable overseas market information available to perform a robust assessment across a global portfolio of properties, an assessment was unable to be carried out on the overseas land and buildings to determine whether the carrying value differs materially from the fair value. The valuers note that the ongoing impact of COVID-19 means there is significant material uncertainty around the movement in values in each overseas market.

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% of the value of the entire portfolio was individually inspected. A market indexation approach has been adopted for the remaining uninspected portfolio. The next valuation will be performed in 2020-21 based on our policy.

	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 2018	281,436	161,670	94,154	27,081	9,111	44,026	617,478
Additions	-	14,746	16,063	4,716	2,073	4,977	42,575
Revaluation	-	(6,917)	968	5,969	-	(21)	(1)
Disposals	-	(71)	(1,636)	(1,017)	(1,117)	(309)	(4,150)
Balance at 30 June 2019	281,436	169,428	109,549	36,749	10,067	48,673	655,902
Balance at 1 July 2019	281,436	169,428	109,549	36,749	10,067	48,673	655,902
Additions	-	6,540	17,039	800	1,571	7,681	33,631
Revaluations	-	-	(25)	25	-	-	-
Disposals	-	-	(1,050)	(2,702)	(1,096)	(3,767)	(8,615)
Balance at 30 June 2020	281,436	175,968	125,513	34,872	10,542	52,587	680,918
Accumulated depreciation & Impairment losses							
Balance at 1 July 2018	-	3,386	61,721	19,535	4,686	31,396	120,724
Depreciation expense	-	9,196	5,645	2,477	1,127	3,490	21,935
Eliminate on disposal	-	(71)	(1,627)	(1,017)	(985)	(308)	(4,008)
Revaluation	-	-	-	(1)	(1)	-	(2)
Balance at 30 June 2019	-	12,511	65,739	20,994	4,827	34,578	138,649
Balance at 1 July 2019	-	12,511	65,739	20,994	4,827	34,578	138,649
Depreciation expense	-	9,545	6,597	2,912	1,158	4,669	24,881
Eliminate on disposal	-	-	(1,038)	(2,627)	(983)	(3,767)	(8,415)
Asset class adjustment – reclassification	-	-	-	-	-	-	-
Balance at 30 June 2020	-	22,056	71,298	21,279	5,002	35,480	155,115
Carrying amounts							
At 1 July 2018	281,436	158,284	32,433	7,546	4,425	12,630	496,754
At 30 June and 1 July 2019	281,436	156,917	43,810	15,755	5,240	14,095	517,253
At 30 June 2020	281,436	153,912	54,215	13,593	5,540	17,107	525,803

Work in progress

The total amount of property, plant and equipment in the course of construction is \$20.280 million (2019: \$24.116 million).

Actual 2019 \$000		Actual 2020 \$000
	Property, plant and equipment under construction	
10,230	Freehold buildings	3,450
9,097	Furniture and fittings	13,922
304	Plant and equipment	142
4,485	Computer equipment	2,766
24,116	Balance at 30 June 2020	20,280

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 \$203.379 million (2019: \$206.619 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 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 2018	50,242
Additions	7,785
Disposals	(2,015)
Balance at 30 June 2019	56,012
Balance at 1 July 2019	56,012
Additions	3,366
Disposals	-
Balance at 30 June 2020	59,378
Accumulated Amortisation and Impairment Losses	
Balance at 1 July 2018	22,165
Amortisation expense	5,431
Eliminate on disposal	(2,015)
Balance at 30 June 2019	25,581
Balance at 1 July 2019	25,581
Amortisation expense	5,831
Disposals	-
Balance at 30 June 2020	31,412
Carrying Amounts	
At 1 July 2018	28,077
At 30 June and 1 July 2019	30,431
At 30 June 2020	27,966

The total amount of intangible assets in the course of development is \$3.690 million (2019: \$3.979 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 2019 \$000		Actual 2020 \$000
	Payables under exchange transactions	
10,676	Trade creditors	8,414
8,133	Accrued expenses	3,072
18,809	Total payables under exchange transactions	11,486
	Payables under non-exchange transactions	
2,303	FBT payable	1,713
72	GST payable	1,031
2,375	Total payables under non-exchange transactions	2,744
21,184	Total payables	14,230

Note 11: Return of operating surplus

Actual 2019 \$000		Actual 2020 \$000
(3,266)	Net surplus/(Deficit)	18,782
	Plus/(Less)	
5,472	Net loss/(gain) on derivative financial instruments	(363)
2,206	Total return of operating surplus payable to Crown	18,419

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 2019 \$000		Actual 2020 \$000
	Current portion	
4,263	Holidays Act 2003	2,014
913	Lease make-good	891
219	Restructuring	131
5,395	Total Current	3,036
	Non-current portion	
2,062	Lease make-good	3,585
-	Restructuring	-
2,062	Total Non-Current	3,585
7,457	Total	6,621

	Holiday Act 2003 \$000	Make-good \$000	Restructuring \$000	Total \$000
Balance as 1 July 2018	1,000	3,024	324	4,348
Additional provisions made	5,000	-	-	5,000
Amounts used	(1,737)	(49)	(105)	(1,891)
Unused amounts reverse	-	-	-	-
Balance as at 30 June 2019	4,263	2,975	219	7,457
Balance as 1 July 2019	4,263	2,975	219	7,457
Additional provisions made	-	1,501	-	1,501
Amounts used	(2,249)	-	(88)	(2,337)
Unused amounts reversed	-	-	-	-
Balance as at 30 June 2020	2,014	4,476	131	6,621

Holidays Act 2003

As part of on-going work on the Holidays Act 2003 remediation, the Ministry reduced the provision after detailed assessment of the leave balance due was completed. The provision is substantially reflective of the remediation value and annual leave balance adjustments the Ministry will incur. Whilst on-going, the Ministry has made remediation payments from the provision within this fiscal year.

Restructuring

The remaining restructuring provision arises from MFAT's organisational change decisions and relates to the cost of

expected redundancies (\$0.131 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 2020 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 1.43%
- a salary inflation rate of 2.51%

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 \$0.567 million lower or \$0.633 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 \$0.616 million higher or \$0.563 million lower respectively.

Actual 2019 \$000		Actual 2020 \$000
	Current Liabilities	
16,031	Annual leave	17,353
675	Long service leave	663
1,060	Retirement leave	1,311
1,378	Retirement gratuities	1,663
214	End of posting leave	251
1,674	Salaries and allowances	2,551
210	Sick leave liability	308
402	ACC levy	619
21,644	Total Current	24,719
	Non-Current Liabilities	
2,873	Long service leave	3,071
7,561	Retirement leave	6,925
1,544	Retirement gratuities	1,503
428	End of posting leave	501
12,406	Total Non-Current	12,000
34,050	Total Provision for Employee Entitlements	36,719

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 2019 \$000		Actual 2020 \$000
	Taxpayers' funds	
441,146	Balance at 1 July	465,489
(3,266)	Surplus/(deficit)	18,782
29,815	Transfer from revaluation reserve on disposal of property	17,691
(2,206)	Return of operating surplus to the Crown	(18,419)
465,489	Balance at 30 June	483,543
	Property revaluation reserves	
178,073	Balance at 1 July	178,073
-	Transfer to taxpayers' funds on disposal	-
-	Property revaluation	-
178,073	Balance at 30 June	178,073
643,562	Total Equity	661,616
	Property revaluation reserve consists of:	
143,463	Land revaluation reserve	143,463
34,610	Buildings revaluation reserve	34,610
178,073	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 2019-20 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 2019 \$000		Actual 2020 \$000
	Leadership Team, including the Chief Executive	
5,022	Total Remuneration, including long-term benefits	4,896
13.0	Total full time equivalent personnel	10.3

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 2019 \$000		Note	Actual 2020 \$000
	Loans and Receivables		
28,388	Cash and cash equivalents		32,058
7,119	Debtors and other receivables	6	7,589
113,731	Debtor Crown		132,225
149,238	Total Loans and Receivables		171,872
	Fair Value through Surplus and Deficit - Held for Trading		
431	Derivative financial instrument assets		46
(2,815)	Derivative financial instrument liabilities		(2,066)
(2,384)	Total Fair Value through Surplus and Deficit - Held for Trading		(2,020)
	Financial Liabilities measured at Amortised Cost		
21,184	Creditors and other payables	10	14,230

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 2019 \$000	Note	Actual 2020 \$000
	Financial assets	
0	Quoted market price	0
431	Observable market inputs	46
0	Significant non-observable inputs	0
431	Total financial assets at fair value	46
	Financial liabilities	
0	Quoted market price	0
2,815	Observable market inputs	2,066
0	Significant non-observable inputs	0
2,815	Total financial liabilities at fair value	2,066

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 2020 was:

2019 \$000	Foreign Exchange Contracts	2020 \$000
14,426	USD	16,945
3,212	JPY	4,305
17,863	EUR	19,918
45,849	Other	60,106
81,350	Total	101,274

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 2019 \$000		Impact on surplus/deficit 2020 \$000
9,563	Increase in foreign exchange rates of 10%	11,043
6,390	Decrease in foreign exchange rates of 10%	9,008

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, at 30 June 2020, the NZD had weakened/strengthened by 5 percent, with all other variables held constant.

Impact on surplus/deficit 2019 \$000	5% movement in NZD on creditors	Impact on surplus/deficit 2020 \$000
2,769	United States Dollar	1,372
5	Japanese Yen	-
3,981	European Union Euro	656
17	Pound Sterling	4,540

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
2019						
Gross settled foreign exchange contracts:	2,815	431				
- outflow	-	-	81,351	33,856	47,495	-
- inflow	-	-	78,967	32,884	46,083	-
2020						
Gross settled foreign exchange contracts:	2,066	46				
- outflow	-	-	101,274	42,964	58,310	-
- inflow	-	-	99,254	42,044	57,210	-

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

Actual 2019 \$000		Actual 2020 \$000
(3,267)	Net surplus/(deficit)	18,782
	Add/(less) non-cash items	
27,366	Depreciation and amortisation expense	30,712
5,472	Net (gains)/loss on derivative financial instruments	(363)
11	Other non-cash movement	76
659	Movement in discount rate for long service leave and retirement leave	237
33,508	Total non-cash items	30,662
	Add/(less) items classified as investing or financing activities	
(438)	(Gains)/losses on disposal of property, plant and equipment	(237)
	Add/(less) movements in statement of financial position items	
6,168	(Increase)/Decrease in receivables	(18,964)
(2,323)	(Increase)/Decrease in prepayments	(62)
(347)	Increase/(Decrease) in payables	(7,192)
3,110	Increase/(Decrease) in provisions	(837)
6,317	Increase/(Decrease) in employee entitlements	2,669
12,925	Total net movement in working capital items	(24,386)
42,728	Net cash flow from operating activities	24,821

Note 19: Major budget variations

Explanations for major variances from MFAT's original 2019-20 budget are as follows:

Statement of comprehensive revenue and expense

Total expenses are \$36 million less than originally budgeted and revenue is \$12 million less than the original budget. Changes in revenue and budgeted expenditure have been effected through the October 2019 and March 2020 Baseline Updates and reflected in the 2019-20 Supplementary Estimates with late changes due to COVID-19 reflected in the 2019-20 Additional Supplementary Estimates.

There were a number of funding changes in 2019-20. The most significant was the rephrasing of funding for APEC 2021 resulting in a reduction of \$21.500 million in 2019-20.

Other adjustments included:

- In principle expense transfers from 2018-19 (\$0.556 million) to 2019-20. These relate to:
 - o three activities not completed in 2018-19 related to:
 - advancing New Zealand's trade, economic and diplomatic interest through enabling enterprises and regions;
 - free trade agreement cooperation activities; and
 - protective security compliance with new legislative and Cabinet requirements.
- Expense transfer from 2019-20 (\$0.700 million) to 2020-21 with a deferral to progress the Health and Safety programme in 2020-21 due to pressure on the programme late in 2019-20.

The re-phasing of APEC 2021 expenditure and transfers above resulted in a net decrease in 2019-20 of \$21.644 million.

The above funding reduction is offset by revenue increases for a transfer of funding from Vote Finance for operating costs of the London temporary Chancery (\$3.575 million), and transfer from Vote Official Development Assistance non-departmental appropriation (\$2.389 million) to fund the Pacific Leaders development programme.

There were also forecasting changes for foreign exchange movements (\$1.090 million), and funding increases from third parties (\$0.390 million).

The increase in Capital Charge is primarily due to the capital injection received in 2018-19.

Statement of financial position

Debtor Crown recognises funding due to the Ministry that has not being drawn down as cash. The \$48.396 million increase over the budget is a reflection of no requirement to draw down cash receivable from accumulated depreciation, and a slow capital programme through the COVID-19 period not requiring cash with this offset by the draw down in cash of the capital injection of \$17.691 million.

Cash balances are \$11.476 million higher than budget mainly due to drawing down the capital injection of \$17.691 million in cash.

Intangibles are \$0.987 million lower than budget and reflects timely completion and capitalisation of projects.

Total provisions are higher than budget due to an increase of \$1.5 million for make good on the London Chancery and the Holiday Pay provision not reducing as quickly as expected.

Employee entitlements (current and non-current) have increased by \$6.699 million compared to budget mainly as the result of the 30 June 2019 valuation using a lower weighted average discount rate and a slightly higher salary inflation rate; and revaluing annual leave entitlements to comply with the Holidays Act 2003.

Statement of cash flows

Receipts from Revenue Crown are lower than budgeted. This reflects funding adjustments through the baseline updates, and lower cash drawdowns due to decreases to output expenditure from the COVID-19 impact.

Payments to employees compared to budget were \$2.865 million (1.3%) higher mostly due to Holiday Pay remediation payments.

Cash outflows related to the purchase of property, plant and equipment are \$23.402 million below budget. This was due to reduced capital expenditure arising mostly in the last half of the year as most projects paused during the COVID-19 period, and affected all overseas building projects.

Note 20: Financial effects of COVID-19

The main impacts on the Ministry's financial operations were:

- A significant reduction in travel is due to COVID-19 shutting down most international travel, resulting in expenditure being \$8.9 million below budget.
- Significantly reduced capital expenditure is mainly the result of COVID-19, with building projects shut down and work ceasing on these projects.
- COVID-19 ramped up the Ministry's consular activity assisting distressed New Zealanders overseas which included arranging repatriation flights and providing financial assistance where needed. The increased consular activity resulted in reprioritising funding to the Consular Services output with a funding transfer of \$9.45 million from across other outputs.
- There was limited opportunity for staff to take leave during the lockdown period due to travel restrictions and staff workload, resulting in the annual leave provisions increasing by \$1.3 million over the year.
- COVID-19 has likely impacted the values of the Ministry's overseas land and buildings and there is uncertainty whether the carrying costs reflect fair value. Refer Note 8.

Note 21: 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
- 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 2019-2023* and the *2019-20 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 2019 \$000		Actual 2020 \$000	Appropriation 2020 \$000	Variance 2020 \$000
53,271	Annual appropriations	56,516	60,729	4,213

Explanation of significant variances

Subscriptions to International Organisations are \$4.213 million (6.9%) underspent as increases to UN subscriptions, Peace Keeping Operations and foreign exchange movements were lower than expected.

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.

	2019-20		2018-19
ASSESSMENT OF PERFORMANCE	Budgeted Standard	Actual Standard	Actual Standard
Number of rate reimbursements processed	65-80	94	64

Financial performance (figures are GST exclusive)

Actual 2019 \$000		Actual 2020 \$000	Appropriation 2020 \$000	Variance 2020 \$000
1,575	Annual appropriations	1,837	2,400	563

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 contingency for unexpected prior year claims.

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.

	2019-20		2018-19
ASSESSMENT OF PERFORMANCE	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	N/A ⁶⁰	Achieved

Financial performance (figures are GST exclusive)

Actual 2019 \$000		Actual 2020 \$000	Appropriation 2020 \$000	Variance 2020 \$000
3,760	Annual appropriations	-	-	-

Explanation of significant variances

This appropriation ceased to exist on 30 June 2019.

⁶⁰ This appropriation ceased to exist on 30 June 2019.

Non-departmental statements and schedules

For the year ended 30 June 2020

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 2020

Actual 2019 \$000		Actual 2020 \$000
	Non-departmental revenue	
870	Other operational revenue	229
-	Net gain on foreign exchange	618
870	Total revenue	847

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

SCHEDULE OF NON-DEPARTMENTAL EXPENDITURE

For the year ended 30 June 2020

Actual 2019 \$000		Actual 2020 \$000
	Output Funding	
21,049	New Zealand Antarctic Institute	20,870
5,000	Asia New Zealand Foundation	5,000
1,400	Pacific Cooperation Foundation	1,400
941	Pacific Broadcasting Services	941
10,457	Expo 2020 Dubai	14,605
38,847	Total outputs	42,816
	Other expenses	
53,271	Subscriptions to International Organisations	56,516
3,760	Asia Pacific Economic Cooperation 2018 Support to Papua New Guinea	-
1,575	Diplomatic exemptions	1,837
707,877	Official Development Assistance	736,309
57	Loss on derivatives	-
64	Net loss on foreign exchange	424
766,604	Total other expenses	795,086
805,451	Total operating expenses	837,902

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 2019-20.

SCHEDULE OF NON-DEPARTMENTAL ASSETS**As at 30 June 2020**

Actual 2019 \$000		Actual 2020 \$000
	CURRENT ASSETS	
45,087	Cash	67,312
449	Debtors and receivables	1,615
3,397	Prepayments	3,844
6	Derivatives in gain	561
48,939	Total current assets	73,332
	NON-CURRENT ASSETS	
5,781	Shares in foreign organisations	5,781
5,781	Total non-current assets	5,781
54,720	Total assets	79,113

Current assets

Debtors and receivables includes Consular Loans (\$1.573 million) being the provision of temporary financial assistance to New Zealanders in distress overseas. Prior to 2019-20 such financial assistance was minimal but need increased significantly with the repatriation of New Zealanders during COVID-19. Consular Loans are generally repayable within 30 days with some repayable over longer periods.

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

The accompanying accounting policies and notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2019-20.

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES**As at 30 June 2020**

Actual 2019 \$000		Actual 2020 \$000
	CURRENT LIABILITIES	
80,308	Creditors and payables	61,069
64	Derivatives in loss	-
80,372	Total current liabilities	61,069
	NON-CURRENT LIABILITIES	
44,061	Creditors and payables	47,692
44,061	Total non-current liabilities	47,692
124,433	Total liabilities	108,761

Current liabilities

Creditors and payables, includes \$39.357 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 \$21.712 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 2020.

Non-current liabilities

Creditors and payables of \$47.692 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 2021-22 and out-years.

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

SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS**As at 30 June 2020**

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

The accompanying accounting policies and notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2019-20.

STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2020

	Foreign currency 2019 '000	NZD \$000	Note	Currency type	Foreign currency 2020 '000	NZD 2020 \$000
			Guarantees – Asian Development			
			Bank for loans to the Cook Islands Government			
SDR*	1,759	3,642	Telecommunications loan	SDR	1,606	3,438
SDR	78	162	Multiple small-project loan	SDR	25	54
SDR	680	1,409	Multi-project loan	SDR	600	1,285
SDR	116	240	Development bank loan	SDR	77	165
SDR	453	937	Development bank loan	SDR	417	892
SDR	157	325	Telecommunications loan	SDR	145	310
SDR	3,243	6,715		SDR	2,870	6,144
			OECD			
EUR	16,883	28,659	Pensions & Healthcare	EUR	25,133	43,991
			European Bank for Reconstruction and Development			
EUR	7,000	11,883	Uncalled share capital	EUR	7,000	12,252
			Other			
NZD	-	2,000	Indemnity – other	NZD	-	2,000
FJD	369	265	Contingent liability - other		-	-
		49,522	Total non-departmental contingent liabilities			64,387

* 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 (2019: 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 (2019: unquantifiable).

Contingent assets

The Crown has no contingent assets (30 June 2019: 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 2019-20.

STATEMENT OF TRUST MONIES**For the year ended 30 June 2020**

As at 2019 \$000	Trust Account	Contribution \$000	Distribution \$000	Revenue \$000	Expense \$000	As at 2020 \$000
3	Afghanistan New Zealand Aid Programme Trust	-	-	-	-	3
327	Cook Islands Trust Fund	2,013	(2,237)	15	(118)	-
6,347	Enga Electrification Project, PNG Trust	3,207	-	55	-	9,609
34	Niue Admin Building Trust Fund	-	-	1	-	35
5,348	Niue Development Assistance Trust	1,298	(2,000)	43	-	4,689
52	NZ/France Friendship Trust Fund	73	(121)	-	(1)	3
12,111	Total	6,591	(4,358)	114	(119)	14,339

PURPOSE OF TRUST ACCOUNTS**Afghanistan New Zealand Aid Programme Trust**

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

Cook Islands Trust Fund

The Cook Islands Trust account was opened to hold funds provided by AusAID. The Trust was established following the decision by AusAID and New Zealand Development Assistance Programme to harmonise the development assistance programmes for the Cook Islands under the New Zealand Aid Programme's management. This trust account closed June 2020.

Enga Electrification Project, Papua New Guinea Trust

The Enga Electrification Project, Papua New Guinea Trust account was set up to enter into a Delegated Cooperation Arrangement with the Australian Government to deliver power line construction and connections in the Enga Province of Papua New Guinea.

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.

Niue Development Assistance Trust

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

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 event. Funds are used for projects promoting relations between France and New Zealand.

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

Notes to the non-departmental statements and schedules

For the year ended 30 June 2020

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 2020. 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 2019-20 main estimates for the year ended 30 June 2020.

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

2019 At cost NZD \$'000	At net current value NZD \$'000	Type	Number	2020 Share value EUR '000	Paid in value EUR '000	At net current value NZD \$'000	At cost NZD \$'000
5,781	3,225	Ordinary	1,050	10,500	3,500	3,671	5,781
5,781	3,225	Total				3,671	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 3.5 million. A contingent liability exists for EUR 7 million for uncalled share capital. The shares have been valued at cost.

Note 4: Financial instruments – non-departmental

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 non-departmental cash and cash equivalents within the scope and limits of the 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 schedules of non-departmental revenue and expenses.

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.

4A FINANCIAL INSTRUMENT CATEGORIES

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

Actual 2019 \$000		Note	Actual 2020 \$000
	Loans and Receivables		
45,087	Cash and cash equivalents		67,312
449	Debtors and other receivables		1,615
45,536	Total Loans and Receivables		68,927
	Fair Value through Surplus and Deficit - Held for Trading		
6	Derivative financial instrument assets		561
63	Derivative financial instrument liabilities		-
58	Total Fair Value through Surplus and Deficit - Held for Trading		561
	Financial Liabilities measured at Amortised Cost		
124,433	Creditors and other payables		108,761

4B FAIR VALUE HIERARCHY

For those instruments recognised at fair value in the schedule of non-departmental assets and liabilities, 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 schedule of non-departmental assets and liabilities.

Actual 2019 \$000		Note	Actual 2020 \$000
	Financial assets		
-	Quoted market price		-
6	Observable market inputs		561
-	Significant non-observable inputs		-
6	Total financial assets at fair value		561
	Financial liabilities		
-	Quoted market price		-
63	Observable market inputs		-
-	Significant non-observable inputs		-
63	Total financial liabilities at fair value		-

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

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

4C 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 2020 was:

2019 \$000	Foreign Exchange Contracts	2020 \$000
21,533	AED	14,500
21,533	Total	14,500

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 non-departmental foreign exchange contracts.

Impact on surplus / deficit 2019 \$000		Impact on surplus/ deficit 2020 \$000
2,010	Increase in foreign exchange rates of 10%	808
2,329	Decrease in foreign exchange rates of 10%	2,234

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.

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

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 non-departmental 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
2019						
Gross settled foreign exchange contracts:	63	6				
• outflow			21,533	17,990	3,543	-
• inflow			21,475	17,926	3,549	-
2020						
Gross settled foreign exchange contracts:	-	561				
• outflow			14,500	10,957	3,543	-
• inflow			15,061	11,365	3,696	-

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

Appropriation statements

STATEMENT OF DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS For the year ended 30 June 2020

Actual 2019 \$000		Actual 2020 \$000	Appropriation Voted* 2020 \$000	Location of end-of-year performance information **
	VOTE: FOREIGN AFFAIRS AND TRADE			
	Appropriations for Output Expenses			
957	Administration of Diplomatic Privileges and Immunities	1,019	1,044	1
27,412	Consular Services	30,321	33,552	1
6,650	Hosting APEC 2021 (MYA)	12,394	17,422	1
2,109	Pacific Security Fund	1,067	5,061	1
46,547	Policy Advice and Representation: International Institutions	43,117	44,878	1
275,714	Policy Advice and Representation: Other Countries	282,184	289,562	1
20	Policy Advice and Representation: Other Countries (Permanent Legislative Authority)	20	20	1
8	Promotional Activities: Other Countries	24	70	1
8,350	Services for Other New Zealand Agencies Overseas	8,435	8,650	1
367,767	Sub-total	378,581	400,259	
	VOTE: OFFICIAL DEVELOPMENT ASSISTANCE			
	Appropriations for Output Expenses			
72,346	Management of New Zealand Official Development Assistance	78,321	80,415	1
72,346	Sub-total	78,321	80,415	
440,113	Total departmental output expenditure	456,902	480,674	
	Re-measurements			
5,472	Unrealised (gain)/loss on the re-measurement of foreign exchange contracts	(363)	-	
659	Movement in discount rate for Long Service Leave and Retirement Leave	237	-	
6,131	Total re-measurements	(126)	-	
446,244	Total departmental expenditure including re-measurements	456,776	480,674	
	Appropriations for Departmental Capital Expenditure			
50,360	Ministry of Foreign Affairs and Trade - Capital expenditure (Permanent Legislative Authority)	36,997	58,000	1
50,360	Total Capital Expenditure	36,997	58,000	

* 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.

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 2020

During the year ended 30 June 2020, MFAT had one output expenses multi-year appropriation in Hosting APEC 2021.

This appropriation is limited to enabling the planning and delivery of the year-long Asia-Pacific Economic Cooperation 2021 and was commenced on 1 July 2018 and will expire on 30 June 2022.

Appropriation	Hosting APEC 2021 \$000
Original appropriation	99,560
Adjustments 2018-19	84,580
Adjustments 2019-20	-
Adjustments 2020-21	-
Adjustments 2021-22	-
Adjusted appropriation	184,140
Actual to 2018-19 year end	(6,650)
Actual to 2019-20 year end	(12,394)
Actual to 2020-21 year end	-
Actual to 2021-22 year end	-
Appropriation Remaining	165,096

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

STATEMENT OF DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE INCURRED WITHOUT, OR IN EXCESS OF, APPROPRIATION OR OTHER AUTHORITY

For the year ended 30 June 2020

Nil.

STATEMENT OF DEPARTMENTAL CAPITAL INJECTIONS

For the year ended 30 June 2020

Actual capital injections 2019 \$000		Actual capital injections 2020 \$000	Approved appropriation 2020 \$000
29,815	VOTE: FOREIGN AFFAIRS AND TRADE Ministry of Foreign Affairs and Trade - Capital injection	17,691	17,691

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 2020

Actual 2019 \$000		Actual 2020 \$000	Appropriation Voted 2020 \$000	Location of end-of-year performance information*
	VOTE: FOREIGN AFFAIRS AND TRADE			
	Non-departmental output expenses			
	Annual			
21,049	Antarctic Research and Support	20,870	20,870	2
5,000	Promotion of Asian Skills and Relationships	5,000	5,000	3
1,400	Pacific Cooperation Foundation	1,400	1,400	4
941	Pacific Broadcasting Services	941	941	4
	Non-Annual			
10,457	Expo 2020 Dubai*	14,605	26,412	6
38,847	Total non-departmental output expenses	42,816	54,623	
	Non-departmental other expenses			
	Annual			
53,271	Subscriptions to International Organisations	56,516	60,729	5
3,760	Asia Pacific Economic Cooperation 2018 Support to Papua New Guinea	-	-	5
	Non-Annual			
1,575	Disbursements made, and exemptions from taxation - permanent legislative authority	1,837	2,400	5
-	Indemnity cover for ACC - permanent legislative authority	-	135	5
58,606	Total non-departmental other expenses	58,353	63,264	
97,453	Total	101,169	117,887	
	Non-departmental capital expenditure			
2,800	New Zealand Antarctic Institute	8,200	8,200	2
2,800	Total	8,200	8,200	
	VOTE: OFFICIAL DEVELOPMENT ASSISTANCE			
	Other expenses incurred by the crown			
-	International Agency Funding	-	-	1
-	International Development Assistance	-	-	1
707,877	International Development Cooperation *	736,309	784,208	1
707,877	Total	736,309	784,208	

* Multi-Year Appropriation

** 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. NZTE'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 2019-20.

STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

For the year ended 30 June 2020

During the year ended 30 June 2020, MFAT had one multi-year appropriations in Vote Official Development Assistance: International Development Cooperation.

This appropriation 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.

This appropriation commenced on 1 July 2018 and will expire on 30 June 2021.

Appropriation	International Development Cooperation \$000
Original appropriation	2,186,718
Adjustments 2018-19	33,817
Adjustments 2019-20	48,360
Adjustments 2020-21	-
Adjusted appropriation	2,268,895
Actual to 2018-19 year end	(707,877)
Actual to 2019-20 year end	(736,309)
Actual to 2020-21 year end	-
Appropriation Remaining	824,709

STATEMENT OF NON-DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE INCURRED WITHOUT, OR IN EXCESS OF, APPROPRIATION OR OTHER AUTHORITY

For the year ended 30 June 2020

The Ministry had \$2.179 million unappropriated for the year ending 30 June 2020 (2015:\$13,617, 2016:\$3,739, 2017:\$11,768, 2018:\$1,303, 2019:\$11,647) through the provision of Consular Loans. Consular advances over the previous five years totalled \$42,073.

The unappropriated expenditure resulted from the provision of temporary financial assistance to distressed/repatriating New Zealanders overseas. These consular advances were later determined to be Loans for which there was no capital expenditure appropriation or authority to issue.

The Minister of Foreign Affairs and the Minister of Finance have approved the establishment of two appropriations from 1 July 2020 within Vote Foreign Affairs to enable the future provision of recoverable financial consular assistance.

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 2019-20.

Our legal responsibilities

For the year ended 30 June 2020

Crown entities

MFAT's relationship to Crown entities and 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, and maintain and enhance the quality of New Zealand Antarctic scientific research while cooperating with other institutions and organisations who have similar objectives.

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 activities 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. The Foundation's Board of Trustees includes one MFAT representative. 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 agreements 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 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 (NZTE) 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 for Trade and Export Growth and the Minister for Economic Development, although NZTE is not funded from Vote Foreign Affairs and Trade. We work with MBIE to provide 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.

PRIMARY 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

- Comprehensive and Progressive Agreement for Trans-Pacific Partnership Amendment Act 2018.

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 2019 and 30 June 2020.

Multilateral treaties:

1. Acceded 4/10/2019, entered into force 4/01/2020: Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled
2. Ratified 3/10/2019, entered into force 1/01/2020: Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer, Kigali 15 October 2016
3. Ratified 13/12/2019 (not yet entered into force): Protocol of 2014 to the Forced Labour Convention 1930.

Bilateral treaties:

1. Signed 11/06/2020: Digital Economy Partnership Agreement
2. Signed 5/03/2020: Agreement between the Government of New Zealand and the Government of the State of Israel on Cooperation in Technological Innovation, Research and Development
3. Entered into force 6/02/2020: Exchange of Letters between the Government of New Zealand and the Government of France constituting an Agreement to terminate the Agreement between the Government of New Zealand and the Government of the French Republic on the establishment of a fund to promote friendly relations between the citizens of the two countries signed on 29 April 1991
4. Entered into force 1/01/2020: Protocol to Amend the Agreement between New Zealand and Singapore on a Closer Economic Partnership
5. Entered into force 1/01/2020: Mutual Recognition Agreement on Conformity Assessment between The Government of New Zealand and The Government of the Republic of Singapore
6. Entered into force 27/12/2019: Agreement between the Government of the People's Republic of China and the Government of New Zealand for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income
7. Signed 16/12/2019: Agreement relating to the Protection of Classified Information with Spain
8. Entered into force 5/12/2019: Exchange of Letters Constituting an Agreement to Amend the Agreement between New Zealand and the Argentine Republic for Air Services

9. Entered into force 20/11/2019: Air Services Agreement between the Government of New Zealand and the Government of the Republic of Zambia
10. Entered into force 25/09/2019: Air Services Agreement between the Government of New Zealand and the Government of Myanmar
11. Signed 1/08/2019: Agreement between The Government of New Zealand and The Government of the United Kingdom of Great Britain and Northern Ireland on Cooperation and Mutual Administrative Assistance in Customs Matters
12. Entered into force 25/07/2019: Protocol to Amend the Text of the Air Services Agreement between New Zealand and the Kingdom of Denmark
13. Signed 8/08/2019: Protocol Amending the Convention between New Zealand and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income
14. Signed 16/09/2019: Protocol Amending the Agreement between the Government of New Zealand and the States of Guernsey for the Exchange of Information with Respect to Taxes and the Allocation of Taxing Rights with Respect to Certain Income of Individuals done at London on 21 July 2009
15. Signed 29/10/2019: Agreement on Social Security between the Government of New Zealand and The Government of the Republic of Korea.

Independent Auditor's Reports

To the readers of the Ministry of Foreign Affairs and Trade's annual report for the year ended 30 June 2020

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 83 to 108, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2020, 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 2020 on pages 9 to 51, 63 to 65, 67 to 82 and 109 to 112;
- the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2020 on pages 123 to 127; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 113 to 122 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2020;
 - the schedules of expenses; and revenue for the year ended 30 June 2020;
 - the statement of trust monies for the year ended 30 June 2020; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

Qualified opinion on the financial statements – Our work was limited in relation to the carrying value of land and buildings

In our opinion, except for the possible effects of the matter described in the *Basis for our qualified opinion* section of our report, the financial statements of the Ministry on pages 83 to 108:

- present fairly, in all material respects:
 - its financial position as at 30 June 2020; 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 Reporting Standards.

Unmodified opinion on the performance information, statements of expenses and capital expenditure, and schedules of non-departmental activities

In our opinion:

- the performance information of the Ministry on pages 9 to 51, 63 to 65, 67 to 82 and 109 to 112:
 - presents fairly, in all material respects, for the year ended 30 June 2020:
 - 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 123 to 127 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 113 to 122 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 2020; and
 - expenses; and revenue for the year ended 30 June 2020; and
 - the statement of trust monies for the year ended 30 June 2020.

Our audit was completed on 27 November 2020. This is the date at which our opinion is expressed.

The basis for our qualified opinion is explained below, and we draw attention to the impact of COVID-19 on the Ministry. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our qualified opinion

As disclosed in Note 8 to the financial statements, the Ministry measures its land and buildings at fair value. The last revaluation to fair value was performed at 31 January 2018. PBE IPSAS 17, *Property, Plant and Equipment* requires entities that measure asset classes at fair value to carry out revaluations with sufficient regularity to ensure that revalued asset classes are not included in the financial statements at a value that is materially different to fair value.

All of the Ministry's owned land and buildings are located overseas. As discussed in Note 8, the Ministry has been unable to complete a fair value assessment of its overseas land and buildings because there was no reliable overseas market information available. Therefore, the Ministry is unable to assess whether the carrying value of its land and buildings materially differs from their fair value. Consequently, the scope of our audit was limited in respect of the Ministry's land and buildings and we were unable to determine whether any adjustment to the carrying value was necessary.

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 qualified opinion.

Emphasis of matter – Impact of COVID-19

Without further modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Ministry as set out in note 20 to the financial statements and pages 12 to 17 and 63 to 64 of the performance information.

Responsibilities of the Chief Executive for the information to be audited

The Chief Executive 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 Chief Executive 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 Chief Executive is responsible on behalf of the Ministry for assessing the Ministry's ability to continue as a going concern. The Chief Executive 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 Chief Executive'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 Statement of Strategic Intentions, the Estimates, Supplementary Estimates and Addition to the Supplementary Estimates of Appropriations 2019/20 and the 2019/20 forecast financial figures included in the Ministry's 2018/19 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 Chief Executive.
- 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 Chief Executive 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 Chief Executive 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 Chief Executive is responsible for the other information. The other information comprises the information included on pages 2 to 8, 52 to 62, 66, 128 to 130, and 135 to 136, 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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 30 June 2020 and subsequently, the independent Chair of the Ministry's Audit and Risk Committee is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it provides independent advice to the Auditor-General and does not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee has no involvement in, or influence over, the audit of the Ministry.

In addition to the audit we have carried out a probity assurance engagement over a procurement, which is compatible with those independence requirements. Other than the audit, this engagement and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with or interests in the Ministry.



S B Lucy

AUDIT NEW ZEALAND

On behalf of the Auditor-General

Wellington, New Zealand

Diplomatic immunity cases summary

In the interests of transparency, the Ministry of Foreign Affairs and Trade 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). We therefore use a rolling five year reporting period.

The table below outlines the number 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.

Offence Reporting Period: July 2015-June 2020	
Number of alleged serious offences ⁶¹	5
Number of alleged serious offences considered to warrant prosecution ⁶²	2
Waivers of immunity sought ⁶³	7
Waivers of immunity granted	1
Percentage of cases warranting prosecution where waiver sought	100%
Percentage of waivers granted to waivers sought	14%

⁶¹ A serious offence is defined as one which carries a penalty of imprisonment for 12 months or more.

⁶² Police do not prosecute in every serious case for a variety of reasons, e.g. strength of evidence, alleged offender no longer in New Zealand.

⁶³ A waiver can be requested for any matter that involves the New Zealand judicial or administrative system.

Asset performance

The Ministry is a tier-two investment-intensive agency. It has a \$708 million asset base that comprises property (83 percent), information and communications technology assets (15 percent) and motor vehicles (less than 2 percent). The Ministry actively manages a portfolio of 330 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%	90%
Property	Head Office occupancy rate	Utilisation	Less than 16m2	15m2
Property	Assessed Chancery buildings with an overall Building Quality gap of <=2	Condition ⁶⁴	More than 80%	81%
Property	Assessed Official Residences with an overall Building Quality gap of <=2	Condition	More than 80%	82%
ICT	Proportion of time networks are available	Functionality (Fitness for Purpose)	More than 99.7%	99.4% ⁶⁵
ICT	Proportion of time critical applications are available	Functionality (Fitness for Purpose)	More than 99.7%	100%
ICT	Proportion of available data storage capacity being used: SAN MGMT pools	Utilisation	Less than 70%	69%
ICT	Proportion of available data storage capacity being used: SAN IC pools	Utilisation	Less than 60%	58%
ICT	Proportion of available data storage capacity being used: SAN Restricted pools	Utilisation	Less than 60%	53%
ICT	Proportion of available data storage capacity being used: Data Domain	Utilisation	Less than 70%	33%
ICT	Proportion of server machines patched each month	Condition	More than 95%	94% ⁶⁶
ICT	Proportion of desktop machines patched each month	Condition	More than 90%	68% ⁶⁷

⁶⁴ Note a change in methodology for measuring condition to include other elements of building quality, impact of that on staff and business activity, health and safety risks and management of critical assets as well as condition.

⁶⁵ Network availabilities were impacted by some posts not being occupied during COVID-19 lockdown periods.

⁶⁶ Proportion of server machines patched was impacted by COVID-19 lockdown periods.

⁶⁷ Proportion of desktop and laptop machines patched was impacted by staff working remotely during COVID-19 lockdown periods.

ANNEX: Minister of Foreign Affairs’ report on Vote Official Development Assistance non-departmental appropriation

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

The New Zealand Aid Programme is funded by a non-departmental appropriation within Vote Official Development Assistance (ODA). The Pacific and Development Group of the Ministry of Foreign Affairs and Trade manages the New Zealand Aid Programme, disbursing the funding provided under this appropriation to a range of delivery partners (including New Zealand government agencies, partner governments, non-government organisations, companies and regional and multilateral organisations).

The non-departmental appropriation for the current triennium (2018-2021) is \$2.269 billion. Three-year appropriations allow expenditure on projects to be managed across years, which enables the Ministry to focus on longer term results and quality. A separate departmental appropriation is provided under Vote ODA to fund the Ministry’s management of the Aid Programme.

Overview

The New Zealand Aid Programme contributes to a safe, stable, resilient and prosperous region and world in which New Zealand's national interests are promoted and protected. New Zealand delivers ODA⁶⁸, knowledge and skills to help improve sustainable development and reduce poverty in developing countries with a strong focus on the Pacific. Our humanitarian action saves lives and relieves suffering in natural disasters and protracted crises.

New Zealand seeks coherence across our diplomatic, trade and economic, climate change, environment, security and development objectives to ensure we deliver sustainable progress in developing countries, and advance New Zealand's interests and values.

New Zealand's development contribution (both policy and financial) is an integral pillar of our foreign policy. It reflects our network of international relationships and commitments, and is an expression of our values.

New Zealand's International Cooperation for Effective Sustainable Development Policy Statement was approved by Cabinet in November 2019. It identifies the overall purpose of New Zealand's international development cooperation as being to contribute to a more peaceful world, in which all people live in dignity and safety, all countries can prosper, and our shared environment is protected.

New Zealand's ODA priorities are supportive of individual country needs to promote sustainable development, and are aligned to the Sustainable Development Goal (SDG) pillars of: People, Planet, Prosperity and Peace. New Zealand seeks effective, inclusive, resilient, and sustained outcomes, and works in line with international development effectiveness principles.

New Zealand's aid in the Pacific was the focus of a 2019-2020 Inquiry by the Foreign Affairs, Trade and Defence Committee. The transparency of New Zealand's aid was a key theme. The Inquiry demanded that New Zealand significantly improve the quantity,

quality and timeliness of aid information provided externally. In 2019, following system improvements, the Ministry began externally publishing data on individual investments more regularly and to a greater level of detail. As a result of this, New Zealand achieved a score of 75 out of 100 on the International Aid Transparency Initiative's index, more than doubling the previous score.

Impact

Under the International Cooperation for Effective Sustainable Development Policy Statement, New Zealand will pursue impact through development outcomes that are:

Effective – that are driven, partnership focused, dynamic, and evidence-based;

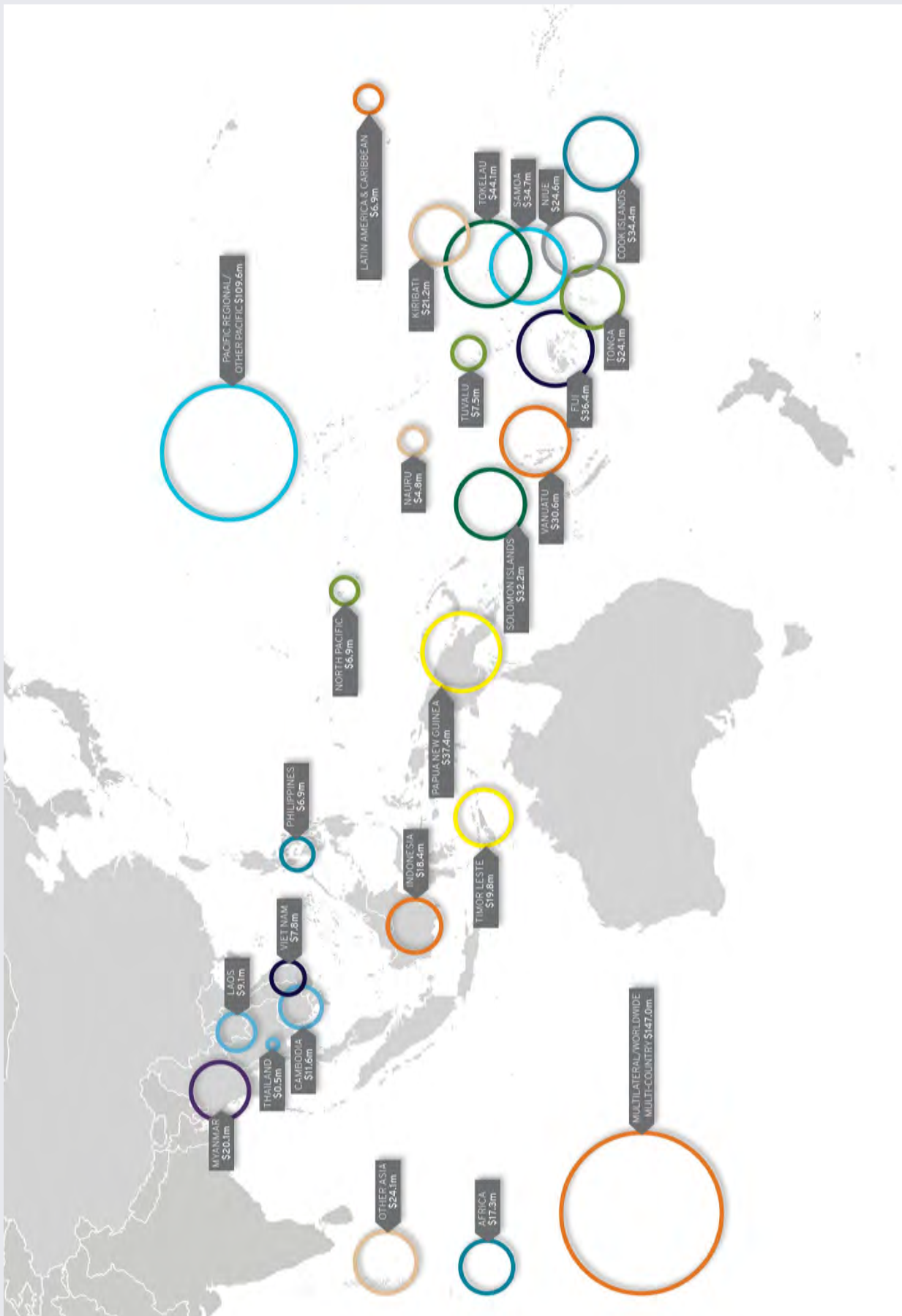
Inclusive – that address exclusions and inequality created across all dimensions of social identity while promoting human rights, and equitable participation in the benefits of development;

Resilient – that promote resilience, including to the impacts of climate change, natural disasters and external shocks; and

Sustained – that respond to context and are locally owned.

⁶⁸ **ODA definition:** New Zealand is a member of the OECD Development Assistance Committee (OECD DAC) which determines at a high level what can be counted and reported internationally as Official Development Assistance (ODA). Only support which has as its primary purpose the economic development and welfare of developing countries and which is provided on concessional terms can be counted.

ODA spend for 2019–2020

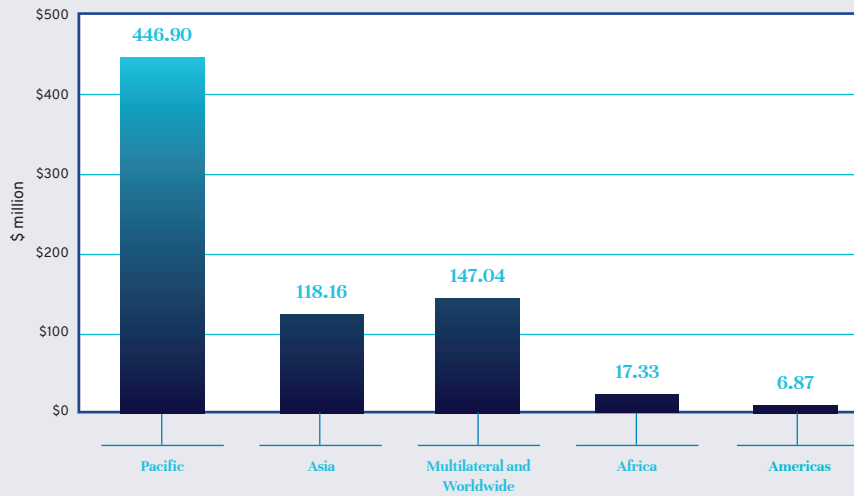


EXPENDITURE BY REGION, AND PACIFIC BILATERAL COUNTRY AND SUB-REGION

REGION, SUB REGION & COUNTRY	\$ 2019-20	% of total ODA
PACIFIC	446,900,563	61%
PACIFIC POLYNESIA	169,899,512	23%
Cook Islands	34,367,926	5%
Niue	24,585,706	3%
Samoa	34,656,896	5%
Tokelau	44,095,579	6%
Tonga	24,119,288	3%
Tuvalu	7,547,786	1%
Other Polynesia	526,332	0%
PACIFIC MELANESIA	141,658,721	19%
Papua New Guinea	37,448,279	5%
Solomon Islands	32,163,953	4%
Vanuatu	30,591,125	4%
Fiji	36,358,606	5%
Other Melanesia	5,096,757	1%
PACIFIC REGIONAL	103,940,806	14%
Pacific Regional/multi-country	103,940,806	14%
PACIFIC MICRONESIA	31,401,524	4%
Kiribati	21,217,947	3%
Nauru	4,780,770	1%
Other Micronesia	5,402,808	1%
ASIA	118,160,637	16%
OTHER - MULTILATERAL & WORLDWIDE	147,043,607	20%
AFRICA	17,330,361	2%
AMERICAS	6,874,323	1%
Grand Total	736,309,492	100%

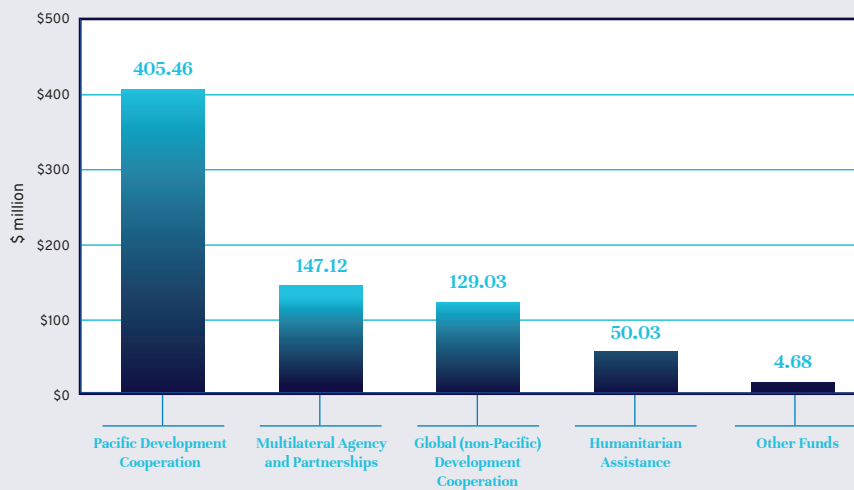
Expenditure 2019-20

BY REGION



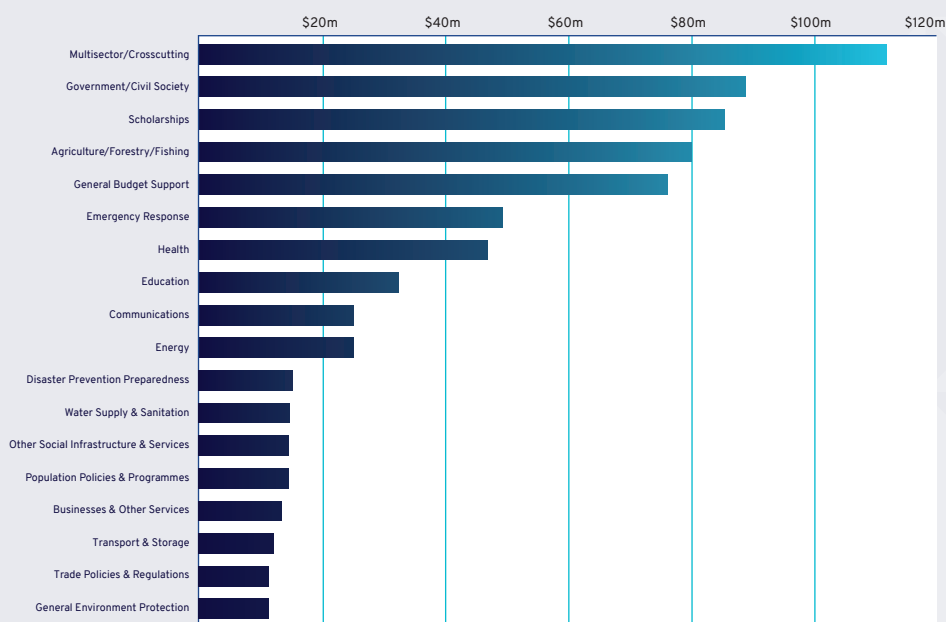
61% of our expenditure went to the Pacific during the 2019-20 financial year.

BY ALLOCATION



The majority of our aid went to Pacific Development Cooperation.

18 LARGEST SECTORS



Many of our activities deliver benefits across multiple sectors.

New Zealand's development and humanitarian programmes in 2019-20

In the second half of 2019-20, the COVID-19 pandemic created unprecedented humanitarian, public health and broader development need on a global scale. The Pacific is New Zealand's first priority and received the weight of COVID-19 assistance, but targeted assistance also went to the worst affected countries in South East Asia and to mechanisms for multilateral response.

As an immediate response to the crisis, New Zealand re-directed funds from Aid Programme baselines: \$10 million for immediate health system preparedness; and \$40 million in budget support for Pacific governments to respond to the broader economic, health, and social implications of COVID-19. For example, in the Cook Islands New Zealand provided \$22 million of additional economic support to help minimise economic distress; while in Niue and Samoa, New Zealand delivered direct budget support of \$7 million and \$5.5 million respectively to help mitigate the effects of the crisis. During a time of global shortage, large amounts of Personal Protective Equipment (PPE) and essential medical supplies were delivered throughout the Pacific, and in particular to Polynesia (for example, New Zealand distributed \$800,000 of PPE to Samoa). This helped ensure partners had enough equipment should COVID-19 reach their shores.

The following sections describe the approach to delivering the New Zealand Aid Programme as well as results achieved in 2019-20 from the four major funding allocations within the aid budget, as set out in the graph *By Allocation* on page 141.

Key Results

In 2019-20, as a result of New Zealand support:

- 24,558 people received essential medicines or services at primary health facilities in the Pacific
- 144,547 people were provided with access to electricity in the Pacific and South East Asia
- 2,596 people in the Pacific and Timor-Leste were provided with fisheries training or support
- 1,211 people in the Pacific and South East Asia were trained to strengthen resilience (disaster risk reduction and climate change adaptation).



Pacific Development Cooperation

\$405.46
MILLION

New Zealand is a Pacific country connected to the region by culture, history, politics, and shared interests. Now, more than ever, the wellbeing of New Zealand's people, economy, and environment is closely linked to the wellbeing of the Pacific region in which we live. COVID-19 has caused severe economic disruption and significantly set back development gains in the Pacific. The effects will be felt for many years.

The Pacific region receives at least 60 percent of New Zealand's Official Development Assistance, support which is targeted at addressing development and humanitarian challenges in the region. This commitment is confirmed in New Zealand's 2019 International Cooperation for Effective Sustainable Development Policy Statement.

Shared principles of understanding, friendship, mutual benefit, collective ambition, and sustainability guide New Zealand's integrated approach to working in the region. New Zealand also works to ensure all investments and strategies are inclusive, so they benefit the most vulnerable people and groups. Whilst support for our Pacific partners is driven by individual country needs to promote sustainable development, COVID-19 has refocused New Zealand's efforts to help bolster countries' economic resilience, strengthening their health systems, ensuring food security and building resilience to the impacts of climate change. New Zealand's \$150 million Climate Change Programme has now entered full implementation in 14 Pacific countries; this significant investment will help support Pacific countries adapt to the devastating impacts of climate change.

New Zealand is committed to Pacific regionalism and continues to support key regional institutions as essential delivery partners for New Zealand investment in the region.

New Zealand has increased its engagement with and support for the five key agencies: Pacific Islands Forum (PIF) Secretariat, the Forum Fisheries Agency (FFA), the Secretariat of the Pacific Regional Environment Programme, the University of the South Pacific and the Pacific Community (SPC). These contributions supported the achievement of significant results. For example, New Zealand support helped SPC deliver improved access to water and sanitation for 26,000 people across the Pacific in 2019-20.

HIGHLIGHTS

Increasing revenue from fisheries

New Zealand's support to the FFA, SPC and other organisations has contributed to increased revenue from fisheries for Pacific countries. Over the four years to 2019, the share of the catch value taken by FFA Members' fleets across the Western and Central Pacific Fisheries Commission Convention Area increased by 23 percent and across FFA Members' national waters by 29 percent, while the value of exports rose 53 percent. In dollar terms, the value of tuna exports from FFA members to three main export markets (EU, US and Japan) increased to US\$358 million, compared to US\$290 million in 2016. These gains continued an ongoing trend of strengthening the Pacific fisheries sector.

Strengthening education outcomes in Solomon Islands

New Zealand, Australia and Solomon Islands government last year agreed on entering into the trilateral education partnership known as the Education Sector Support Programme 2020-2023 (ESSP), which aims to improve access to basic education for all Solomon Islands children. The ESSP builds on previous phases of New Zealand and Australia's support to the education sector and focuses on improving basic education participation; learning outcomes for children – including the most disadvantaged; and education sector management. For over 15 years New Zealand has provided more than \$100 million of budget support to education, making it one of the New Zealand Aid Programme's largest investments. New Zealand has built a positive reputation through its support to the sector – recognised for its material and measurable impact. Long-term investment by New Zealand (and other donors) has contributed to results including Solomon Islands student achievement at 14 percent above the regional average in numeracy and above average in literacy.

Empowering women, youth, and vulnerable groups to advance their own priorities in Fiji

New Zealand's investment in social housing and improving infrastructure in informal settlements in Fiji is helping meet basic needs of vulnerable groups. With New Zealand support, the Koroipita social housing organisation constructed 26 houses over the past year, which provided families with safe and healthy

The graduation of Cook Islands eligibility for ODA

The OECD's Development Assistance Committee (DAC) graduated Cook Islands to a high income country category on 1 January 2020, removing the Cook Islands from being eligible to receive ODA funding under OECD DAC rules. This was based on Cook Islands having exceeded the OECD's high income threshold for three consecutive years.

Cook Islands is the first Pacific Island Country or Territory to graduate since French Polynesia, New Caledonia, and Northern Mariana Islands in 2000. Graduation is a testament both to strong economic management by the Cook Islands Government, and to the success of the development cooperation that New Zealand (Cook Island's primary development cooperation partner) has provided Cook Islands. Nonetheless, Cook Islands continues to face development challenges, which have been further exacerbated by COVID-19. New Zealand's constitutional commitments to support the safety and wellbeing of the New Zealand citizens in Realm countries mean that New Zealand will continue to partner with and support Cook Islands from the Aid Programme.

homes. 279 residents housed by Koroipita received ongoing income generation support, with long term results showing that over time the average household income has increased from \$142 per month (2015) to \$380 per month.

In addition, New Zealand's long term support to the Fiji Women's Crisis Centre (FWCC) supports delivery of counselling and outreach advisory services to vulnerable women and communities. FWCC provided counselling services to a total of 7,063 clients during the year, including providing access to safe accommodation and support for pursuing access to justice, and reducing the harm caused to victims of domestic and family violence. These services are becoming more critical with increased severity of gender-based violence and increased referral rates as the economic impact of COVID-19 continues.

Supporting Tonga's transition to renewable energy and a more resilient electricity network

New Zealand support for the Nuku'alofa Network Upgrade Project is helping Tonga reach its goal of 50 percent renewable energy by 2020. As a result of the project, distribution losses and diesel consumption have reduced, which is contributing to more cost effective power for consumers, resilience to natural disasters and reduced carbon emissions. New Zealand's significant support for improving electricity networks in Tonga over recent years has helped ensure that the upgraded sections of the network have sustained less damage, and were much more quickly repaired than the sections not yet upgraded.



Cambodia Quality Horticulture Initiative Activity - Quality standards and post-harvest procedures implemented by Cambodia Quality Horticulture (CQH) partners provide confidence to retailers that the produce they sell will meet consumer expectations for food safety and quality. Natural Garden stores in Phnom Penh are collaborating with the CQH project - purchasing from GAP aligned farmers and applying safe food handling practices. Credit: Wara Bullôt, The New Zealand Institute for Plant and Food Research Limited.

Global (non-Pacific) Development Cooperation

\$129.03
MILLION

Beyond the Pacific, development cooperation boosts New Zealand's credibility as an international actor and secures a base for relationships in countries that we care about.

New Zealand's ODA outside the Pacific has a secondary geographic priority focus on South East Asia, including Timor-Leste. New Zealand provides targeted support in the areas of economic and climate resilience; governance; peace and security; and knowledge and skills, particularly to the region's Least Developed Countries while supporting the regional role of the Association of South East Asian Nations (ASEAN).

In addition, smaller regional programmes in Latin America, the Caribbean and Africa allow us to make an impact and engage on issues of importance, such as on Small Island Developing States and good governance. In the Middle East, New Zealand's Cabinet-mandated programmes focus on peace and security.

COVID-19 is also having a devastating impact in the global regions in which we operate. In South East Asia, New Zealand's efforts are focused on sanitation, basic hygiene awareness and practices, PPE, and helping ensure accurate testing of COVID-19 cases. In Timor-Leste, New Zealand is responding – through Civil Society Organisation partnerships – to food insecurity which emerged as a consequence of disrupted supply lines due to COVID-19.

HIGHLIGHTS

Leveraging New Zealand expertise to build resilience in Viet Nam

New Zealand expertise in dam safety and flood management has supported practices that enable evidence-based decision making for dam safety management, dam rehabilitation and improved community-based disaster risk management in Viet Nam. The project's Dam Rehabilitation Assessment and Prioritisation Tool has been rolled out across the 1,000km Ca River basin which has 978 hydro dams of various sizes, and has also been used to inspect 142 dams and prioritise them for upgrade by the Ministry of Agriculture and Rural Development. Flood inundation maps for 142 dams were completed in December 2019, and 11 user trainings have been delivered to over 300 stakeholders to improve dam safety management.

Strengthening sustainable agriculture in Cambodia

In Cambodia, New Zealand funding has supported the training of 165 farmers and trainers in sustainable Good Agricultural Practice (GAP) aligned production methods, and 85 postharvest actors in postharvest handling approaches. A further 1,757 farmers (against a target of 1000) were trained by agronomists, deepening the reach of the training far beyond expectations.

New Zealand also assisted the Ministry of Agriculture to become a fully functional Cambodia Good Agricultural Practices (CAMGAP) certification body, along with the development of a CAMGAP certification manual and checklist developed for farmer use. This has resulted in a 25 percent increase in farmers becoming aligned to the sustainable production required under CAMGAP.

Working in partnership for safer communities in Timor-Leste

New Zealand's 20 year investment in policing and defence in Timor-Leste has contributed to long-term stability, and improved professionalism in both areas – demonstrated through greater adherence to human rights, and improved responsiveness to family and gender-based violence by government agencies. A Community Police Perception Survey in Timor-Leste found that community concern about family violence had fallen from 75 percent to 61 percent over the previous three years. More people are willing to seek assistance on family violence from the Police. Over the past 10 years, the proportion of people reporting that police always treated them with respect and professionalism rose from 51 percent to 93 percent, and reports of physical violence dropped from 11 percent of encounters to 1 percent over the same time period.



Training on dam safety assessment for commune officials.
Credit: Dr Pham Hong Nga, Thuyloi University.

Supporting recovery from conflict in Colombia

Decades of insurgency in Colombia have resulted in heavy contamination by landmines and other explosive remnants of war, which threaten lives and livelihoods. Government statistics have recorded over 11,600 landmine and unexploded ordnance victims in Colombia since 1990. New Zealand's support for mine clearance by the HALO Trust has exceeded targets in many areas. Over the past year, 75 areas were surveyed, and 51 areas were released as 'clear of mines', exceeding the target by 165 percent. In addition, 64 mine risk education sessions were delivered, exceeding the target by 183 percent. New Zealand's support for this project has been extended by two years, demonstrating New Zealand's continued support for the Peace Agreement signed between the Revolutionary Armed Forces (FARC) and the Colombian Government after 50 years of conflict.

Supporting scholars from across the world

In partnership with tertiary education institutions and delivery partners, New Zealand offers tertiary and short-term vocational training scholarships to students from around the world. The Manaaki Development Scholarship programme increases the capability of scholars and alumni and contributes to a range of development and foreign policy outcomes. In 2019-20, 674 people (329 women and 318 men) completed tertiary or vocational scholarships funded by New Zealand ODA, which can help them further sustainable development outcomes in their home countries. In light of the changing international education context and COVID-19, New Zealand aims to improve the impact, cost and sustainability of scholarships.



Health advice being given out in Kiribati. Credit: Caritas.

Multilateral Agency and Partnerships

\$147.12
MILLION

Multilateral Agencies

New Zealand supports international agencies to tackle international challenges at scale. This includes helping developing countries achieve SDGs and address the consequences of disaster and conflict. New Zealand's contribution gives us a voice to advocate on policy positions that are a priority for New Zealand. Engagement in the governance and financing of United Nations (UN) organisations, the Commonwealth, and international financial institutions extends New Zealand's global development and humanitarian reach, demonstrates New Zealand's support for the global rules-based system and supports the interests of small countries and the Pacific. For instance, New Zealand advocacy in 2019-20 has helped ensure that the Pacific will receive a 39 percent increase in funding from the Asian Development Bank's concessional fund from 2021, compared with the previous four years.

In 2019-20, New Zealand contributed to multilateral efforts to prevent the spread of COVID-19 by making a \$7 million contribution to global efforts to ensure a vaccine will be available in the Pacific.

New Zealand is seeking more strategic ways to engage with key parts of the multilateral system on Pacific issues. In December 2019, the \$24.7 million New Zealand – United Nations Pacific Partnership (UNPP) pilot was approved. The UNPP will support four UN agencies to achieve development results in the areas of health, education, governance and gender equality, and is a significant development for New Zealand/UN relations in the Pacific.

New Zealand's core financial support to key multilateral agencies contributed to the delivery of the following global development results in 2019-20:

- 7.8 million people received essential health services (ADB)
- 252 million people received sexual and reproductive health services (IPPF)
- 13.5 million girls and 9 million boys were tested for HIV (UNICEF)
- 41.3 million children in emergency situations were vaccinated against measles (UNICEF)
- 7,500 and 1,000 HIV test kits were provided to health ministries in Solomon Islands and Kiribati respectively to ensure increased access to testing for mothers and adolescents (UNFPA)
- The urgent humanitarian needs of more than 29 million people across more than 49 countries and territories were addressed (OCHA CERF)
- 76,000 students were enrolled in improved education and training facilities (ADB)
- 46 national public service delivery systems were reformed/adopted better standards (ADB)
- 7.4 million children were provided with education in emergencies (UNICEF)
- 25 country disaster risk reduction and management plans implemented (ADB)
- 3 million displaced people in 13 countries benefited from improved political, legal and social conditions (UNDP)
- 652 health facilities in 8 countries running on solar energy (UNDP)
- 2.5 million girls who received child marriage-prevention or protection services (UNFPA)
- 90 electoral missions in 55 UN member states, 5 of them in Oceania (UNDP)
- 266 legislative reform initiatives were undertaken with about half addressing gender discriminatory laws and practices (UN Women)
- 150,000 women accessed legal aid (UN Women)
- More than 465 children were prevented from entering forced marriages through the Commonwealth of Learning's GIRLS Inspire project.

Partnerships

The New Zealand Aid Programme supports New Zealand NGOs to deliver a range of development outcomes. NGOs tend to have long-standing relationships with local authorities, civil society actors and local communities. These established networks enable New Zealand to expand and extend our reach to vulnerable and marginalised populations, including in remote and hard to reach places in the Pacific. The Ministry is implementing a new approach to engage with NGOs to strengthen the delivery of our priorities. This is called Partnering for Impact.

Within the Partnering for Impact approach are negotiated partnerships, multi-year, multi-country and multi-sector arrangements, which are agreed with New Zealand NGOs who have a strong record of delivery. MFAT's first three negotiated partnerships were signed in June 2020 with World Vision NZ, Save the Children NZ, and ChildFund NZ. These five-year co-investment partnerships focus on delivering improved outcomes for children and youth in the Pacific and South East Asia. More than half the population in the Pacific region is under 25, and face complex challenges that are being further exacerbated by COVID-19. Through these five-year partnerships, New Zealand will support initiatives that target an end to violence against children; an increase to family incomes so they are able to meet the basic health, education and nutrition needs of children; improve the wellbeing, skills and job prospects of youth; and reduce harm caused by climate change, natural disasters and COVID-19.

HIGHLIGHTS

Inclusive education within mainstream education for children with disabilities in Papua New Guinea

New Zealand has worked with the Christian Blind Mission International NZ (CBM) in Papua New Guinea to strengthen the effectiveness of existing health and special education services for children with disabilities from 2014 to 2020.

As a result of New Zealand's support, CBM reached 72,824 direct beneficiaries with disability specific services, and benefited an estimated 400,532 indirect beneficiaries towards building inclusive communities. Some highlights include:

- 717 children with disabilities supported to access education
- 491 people with disabilities received rehabilitation services
- 3,400 assistive devices distributed/repaired
- 2,548 glasses and low vision devices distributed
- 1,514 cataract and eye surgeries performed
- 58 people received orthopedic surgeries
- 468 individuals received training (with a minimum of 18 hours)
- 63,578 children and adults benefiting from ear and eye screening to treat and prevent long term impairments.

This project has supported individuals and benefited local communities, partners and institutions, including organisations of persons with disabilities, service providers and national government departments, to ensure New Zealand's investment returns long term impact.

Kiribati Health Champions

Working with Caritas Aotearoa NZ and its in-country partners, this four-year initiative aims to promote healthy lifestyles for i-Kiribati people.

Commencing in October 2017, Caritas has made significant progress in building the capacity of local partners and staff. In the first two years of implementation, training to 140 participants from youth groups, local NGOs and various government ministries has been provided. Following the completion of training, participants were each awarded a Certificate of Proficiency in Pacific Nutrition, becoming 'health champions'. Of these, 38 health champions continue to deliver health messages to the community as part of their role.

As needs continue to rise, there is increasing demand for further health champion training. A further 31 junior health champions have graduated from a six-week training programme in the past year, and joined the existing health champions to deliver COVID-19 messages to 8,468 households across Kiribati, and to provide information and skills to prepare 53,827 i-Kiribati for COVID-19, should it reach Kiribati.

The health champions' work has been instrumental in Kiribati's response to the COVID-19 pandemic. With minimal reallocation of funding, the initiative has been able to reach 50 percent of the Kiribati population with COVID-19 messaging.



New Zealand humanitarian relief supplies in Fiji following Cyclone Harold. Credit: MFAT.

Humanitarian

\$50.03
MILLION

New Zealand's humanitarian action saves lives and relieves suffering in natural disasters and protracted crises around the world. Our primary focus for humanitarian action is the Pacific, which is particularly vulnerable to natural disasters, and where New Zealand has the most capacity to respond. New Zealand's second priority is South East Asia, where the Rohingya crisis remains the most significant humanitarian situation in the region. 2019-20 saw unprecedented humanitarian need in the Pacific, and New Zealand was able to provide timely, effective and well targeted humanitarian responses.

Globally, the key drivers of humanitarian need, including conflict and climate change have persisted over the last year. Humanitarian needs have been exacerbated by the global COVID-19 pandemic, the impacts of which are most devastating to vulnerable people already living in humanitarian crises. New Zealand's 2019-20 contribution of \$19 million to emergency humanitarian responses outside the Pacific supported effective international humanitarian actors to respond to global crises and sustained New Zealand's status as a principled, responsive and flexible global humanitarian donor.

Overall in 2019-20, as a direct result of New Zealand support, 804,923 people were provided with essential humanitarian assistance following a natural or human induced disaster globally.

HIGHLIGHTS

Responding to Tropical Cyclone Harold in a challenging context

Severe TC Harold was a slow moving Category Five (highest level) cyclone that impacted Fiji, Solomon Islands, Tonga and Vanuatu in early April 2020, with the greatest impact in northern Vanuatu. New Zealand's response to Tropical Cyclone Harold totalled over \$5 million and saw the deployment of numerous New Zealand Defence Force assets for reconnaissance support and the transportation of relief supplies, and significant support to the Governments of Fiji, Tonga and Vanuatu and NGOs and civil society.

Our ability to respond to TC Harold through practical assistance was constrained by an overarching priority for all affected countries to minimise the risk of importing and spreading COVID-19. As a result, any 'boots on the ground' response options were not possible. Nonetheless, through our response to TC Harold New Zealand supported more than 89,000 Pacific people with essential and useful assistance in the wake of the cyclone.

Supporting Samoa through the measles crisis

The measles outbreak which devastated Samoa in November and December 2019 infected over 5,700 individuals and tragically resulted in the deaths of 83 people, largely children under five. Smaller outbreaks also occurred in Fiji and Tonga. New Zealand supported the Samoan Government's response to the measles outbreak by providing 14 medical teams, deploying 192 medical personnel, as well as funding essential medical equipment and supplies, MMR vaccines and MR vaccines through UNICEF.

Through the medical deployments, 44 New Zealand nurse vaccinators were deployed, supporting Samoa's nationwide mass vaccination campaign by delivering over 14,421 measles vaccinations. This contribution was singled out by the Samoan Prime Minister as being of particular importance in Samoa's success stemming the epidemic.



Pati and his son, from Aleipata, with their thank you sign for those working on the measles emergency – captured during day two of Samoa's national vaccination lockdown. Credit: MFAT.

International Development Cooperation

	2019-20		2018-19
ASSESSMENT OF PERFORMANCE	Budgeted Standard	Actual Standard	Actual Standard
Development results (long term outcomes that New Zealand contributes to alongside many other partners)			
Environment			
Proportion of key tuna fish stocks within biologically sustainable levels, in the Pacific	Maintain	100% (4 out of 4 key tuna stocks) (interim result, final report due 2021)	100% (4 out of 4 key tuna stocks)
Development Cooperation results in the Pacific (short to medium term outcomes more attributable to New Zealand support)			
Wellbeing			
People in the Pacific that have received essential medicines or services at primary health facilities	Standard dependent on need	24,558 people received essential medicines or services at primary health facilities. (2,566 male and 6,870 female where gender breakdown is available)	17,705 people received essential medicines or services (note Individual activity targets per the standard unavailable for 2018-19)
People that complete tertiary or vocational training scholarships	>90% of people who were awarded scholarships	Vocational Training: 263 or 99.6% of people completed their training (128 Female, 135 Male) Tertiary Scholarships: 347 or 89% of people completed their scholarship (178 Female, 169 Male)	Vocational Training: 556 or 95% of people completed their scholarships: (268 Female, 288 Male) Tertiary Scholarships: 387 or 95% of people completed their scholarships (194 Female, 193 Male)
Number of people provided with access to electricity	Standard dependent on need	104,547 people were provided with access to electricity through a number of projects in Papua New Guinea (7,075), Tokelau (1,400), Tonga (882) and Vanuatu (95,190)	New Measure
Environment			
Progress by Pacific Island countries in the degree of implementation of international instruments aiming to combat illegal, unreported and unregulated fishing	Maintain or increase number with improving trend	4/12 Pacific countries in the Western and Central Pacific Fisheries Commission (WCPFC) countries implementing the obligations of the FAO Port State Measure Agreement	4/12 Western and Central Pacific Fisheries Commission (WCPFC) countries implementing the obligations of the FAO Port State Measure Agreement
People receiving fisheries training or support (M/F)	Standard dependent on need	2,596 people received training and support. (incl 1,357 male and 435 female)	New Measure

	2019-20		2018-19
ASSESSMENT OF PERFORMANCE	Budgeted Standard	Actual Standard	Actual Standard
Economy and governance			
Number of Pacific Island countries that remain on track on their economic and public sector reform programme	Maintain or improve trend	8/9 countries assessed as "on track". (Cook Islands, Fiji, Kiribati, Nauru, Niue, Samoa, Tonga, Tuvalu)	7/7 countries assessed as "on track". (Cook Islands, Fiji, Kiribati, Niue, Solomon Islands, Tokelau, Tuvalu)
Pacific Island people who return home with improvements in skills or qualifications after participating in labour mobility programme (M/F)	Standard dependent on need	1,334 people (1,159 male, 175 female)	1,414 people from the RSE Worker Training Programme
Resilience and humanitarian response			
New Zealand responses to natural disasters in the Pacific are launched within mandated timeframes (%)	100% (timeframes: 24 hours in Polynesia and 48 hours for the wider Pacific)	100% launched within mandated timeframes (4/4) Tropical Cyclone Sarai - Fiji, Tropical Cyclone Tino, Fiji flooding, Tropical Cyclone Our most significant 2019-20 Pacific humanitarian response was to the measles outbreak in the Pacific; however, we do not classify this as a natural disaster	There were no significant responses required during 2018-19
People trained to strengthen resilience (disaster risk reduction and climate change adaptation) (No., M/F)	Standard dependent on need	1,211 people (592 male, 342 female where gender breakdown data available)	We trained 855 people across Asia, the Pacific and the Caribbean, including 111 females and 473 males in Indonesia
Number of affected people provided with essential and useful assistance following a natural or human induced disaster (No., M/F)	Standard dependent on need	814,923 people. This included Rohingya Crisis Response, Pacific Measles Outbreak Response, Tuvalu Dengue Outbreak response and others	We provided 225,759 people with useful and essential assistance following natural and human-induced disasters. This included responses to the Vanuatu volcanic eruption, the PNG earthquake, the Sulawesi (Indonesia) earthquake and tsunami, a typhoid outbreak in Tonga, and a storm surge event in Kiribati
Quality			
Percentage of Activities with effectiveness rated as good or better (based on MFAT Activity Completion Assessments)	Maintain or improve trend	67%	69%
Commitment to Development Index score	Improve trend	The CDI was not produced in 2019	2018 score: 5.09

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MFAT

MINISTRY OF FOREIGN AFFAIRS AND TRADE

New Zealand Government