The Treasury

Budget 2026 Information Release

September 2026

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Key to sections of the Act under which information has been withheld:

[1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(b)(i) - to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government

[4] 6(c) - to avoid prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[7] 6(e)(ii) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the regulation of banking or credit

[12] 7(a)(i) - to avoid prejudice to the security or defence of the self-governing State of the Cook Islands

[13] 7(a)(ii) - to avoid prejudice to the security or defence of the self-governing State of Niue

[14] 7(a)(iii) - to avoid prejudice to the security or defence of Tokelau

[15] 7(a)(iv) - to avoid prejudice to the security or defence of the Ross Dependency

[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

[27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;

[36] 9(2)(h) - to maintain legal professional privilege

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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Treasury Report: Budget 2026 Bilateral on Foreign Affairs portfolio

Date:	5 March 2026	**Report No:**	T2026/257
		File Number:	BM-2-4-2026-4

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Discuss** the contents of this report with the Minister of Foreign Affairs. **Indicate** initiatives you would like to include in the Budget Ministers 3 Package.	11.00am Thursday 12 March 2026 (the bilateral date)

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Jack Kelleher	Graduate Analyst, Economic and External Strategy	[39] [35]	✓
Jacinta Gould	Unit Manager, Economic and External Strategy		

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure: Yes (attached)

Treasury Report: Budget 2026 Bilateral on Foreign Affairs portfolio

Purpose

1. You are meeting with the Minister of Foreign Affairs, Rt Hon Winston Peters, at 11am on 12 March to discuss MFAT's Budget 2026 package.

    a. **Annex 1** provides you with a proposed agenda for the meeting and supporting Treasury advice and talking points. **This version will not be provided to Minister Peters ahead of the meeting.**

    b. **Annex 2** is the agenda that has – with your office's approval – also been sent to Minister Peters and MFAT. **It is provided for your visibility only. You do not need to review it – there is no additional material in Annex 2 that is not already in Annex 1.**

    c. **Annex 3** provides you with an annex of Treasury's assessment of each initiative. **This will not be provided to Minister Peters ahead of the meeting.**

2. Decisions taken at this meeting will be reflected in the next draft Budget Ministers material we are providing you on Friday 13 March.

Recommended Action

We recommend that you:

a **discuss** the contents of this report with Rt Hon Winston Peters (Minister of Foreign Affairs) on 12 March;

b **indicate** initiatives and funding you want to include in the Budget Ministers 3 Package noting that final decisions will not be confirmed until a later date;

Initiative title and no.	**Requested funding**	**Current package**	**Keep current package (Keep / Increase)**
International Development Cooperation to Support the Sustainable Development of Pacific Island and Developing Countries (17209)	$185m p.a. ($740.4m)	$57m p.a. ($228.0m)	
Protecting a Resilient, Safe, and Secure Offshore Diplomatic Network for New Zealand (17107)	$43.85m p.a. ($175.4m)	$6.02m p.a. ($24.1m)	
Pacific Islands Forum 2027 – Hosting Costs (17181)	$7.5m p.a. ($30.0m)	$0.0m	
[1] and [12]	$2.5m p.a. ($10.0m)	$0.0m	

Jacinta Gould
Unit Manager

Hon Nicola Willis
Minister of Finance

Agenda Item 1 – Exploring New Zealand's approach to Pacific relationships and strategic integration

Description of key issue	• To discuss the new spending initiative for the International Development Cooperation (IDC) programme, and its alignment with MFAT's broader leadership of work [1] .
Treasury recommended talking points	• **Inform** the Minister of your intention to fund a scaled version of the IDC initiative at $57m per annum ($228m over the forecast period). This is the level of funding required to maintain IDC at $1.021b, which is the average spend for the 2024/25 – 2026/27 triennium. • **Inform** the Minister that you do not agree with the OECD approach of maintaining spend on development assistance as a proportion of GNI, due to the substantial fiscal pressure this would create as GNI grows. • **Ask** the Minister about the [1] , and **indicate** that this is an area of policy work that you would like to understand further, as a potential future focus for expenditure in the Pacific.
Treasury advice	• The Package currently provides $57m p.a. for the IDC programme and $3m p.a. in departmental costs (5% of IDC), which is enough to maintain average spend for the 2024/25 – 2026/27 triennium. This totals $228m over the forecast period. • [34] • This initiative responds to calls from the OECD for New Zealand to increase its spend on development assistance as a proportion of GNI (0.26% for 2025/26), as part of a long-term strategy to grow Official Development Assistance to 0.7% of GNI. We note that from 2023 to 2026 forecasts (based on DonorTracker data), many **likeminded partners have decreased their spend on aid** to focus on defence spending, such as the USA (0.24% to 0.15%), UK (0.58% to 0.32%), and Canada (0.38% to 0.30%). • We disagree with the approach of providing spending uplifts in line with GNI, as this would create fiscal pressure [34] . We consider that spending should be justified in terms of its value-for-money, outputs, and outcomes. We also note that much of our existing aid spend does not meet the OECD definition, such as aid towards the Cook Islands (which is currently planned to be maintained at $29m p.a.). • There is also scope to reduce the departmental costs of development cooperation, in line with MFAT's review of the IDC

	programme which recommended less costly methods of administering aid, such as direct budget support. We have recommended funding departmental costs equal to 5% of IDC, which was the measure used at Budget 2025, rather than the standard measure of 9.75%. • [1] and [33] • • • •

Agenda Item 2 – Prioritisation of remaining Foreign Affairs initiatives

Description of key issue	• To discuss the Minister’s ambition for the Foreign Affairs portfolio, and options to manage remaining priorities for the Foreign Affairs portfolio.
Treasury recommended talking points	• **Inform** the Minister that meeting his level of ambition is not possible with new funding only. • **Note** the significant uplifts to Vote Foreign Affairs at recent Budgets, and MFAT’s exemption from savings requirements. • **Direct** the Minister to develop options to manage these other initiatives if funding is not made available, and defer or reprioritise to cover, any non-urgent cost pressures.

Treasury advice	• The Minister submitted four new spending initiatives, averaging $238.75m p.a. (totalling $955m over the forecast period, 40% of the operating allowance) and was not asked to submit options for reprioritisation or savings to return to the centre.
	• We recommended a limited amount of funding ($6.02m p.a.) for Foreign Affairs in the initial draft Budget 2026 package, focussed on sub-initiatives which are a priority for cyber security reasons.
	• We expect the Minister will seek maximal funding for Vote Foreign Affairs. We suggest you ask him to discuss options for how to manage these other initiatives through reprioritisation, as it will not be possible to fund all of them this Budget.
	• As Foreign Affairs is not a priority for you at Budget 2026, and allowances are constrained, you could note that:
	  o **Providing funding for Defence supports foreign affairs, and external sector priorities.** In line with the Budget Policy Statement 2026, Defence is a priority for the external sector at Budget 2026.
	  o **Expenditure in Vote Foreign Affairs has grown** 67% from $1.16b in 2017/18, to $1.94b planned for 2026/27. MFAT’s departmental baseline is forecast to grow 52% over the same period, from $387m to $590m. [34] .
	  o **Full funding would lift the Vote to $2.06b** in 2029/30, a 13% increase from the 2025/26 fiscal year. MFAT’s departmental baseline would increase to $672m, a 15% increase over the same period.
	  o The Minister **was not asked to submit options for savings or reprioritisation**, and was also exempt from these requirements at Budget 2025.
	• We do not recommend providing further funding for Foreign Affairs. If you did wish to increase the package for Foreign Affairs, we advise providing scaled funding in the following order of priority:
	  o ***Pacific Islands Forum 2027 – Hosting Costs (17181):*** seeks $7.5m p.a. ($30m total). New Zealand has publicly

committed to hosting the Forum, creating unavoidable costs. We consider that it is valuable to host the Forum, but that there is significant scope to manage down the cost in line with the obligations of hosting. **If you fund this initiative, we recommend providing scaled funding of $2.5m p.a**. ($10m total), which was the inflation-adjusted cost of hosting in 2011.

- ***Protecting a Resilient, Safe, and Secure Offshore Diplomatic Network for New Zealand (17107):*** seeks $43.85m p.a. ($174.5m total). We consider that MFAT should reprioritise to cover the costs of this initiative, if it is a priority. **If you wish to provide further funding for this initiative, we consider it would be most valuable to provide an additional $13.4m p.a.** for scaled remuneration increases, staff crisis training, [33] , bringing funding for this initiative to $19.6m p.a. in total. We do not recommend funding the remaining sub-initiatives or the full remuneration initiative, as these are non-priority costs.

Sub-initiative (ordered by priority)	Description	$m p.a.	Recommendation
24x7 Cybersecurity Operations Centre	Funding to continue the pilot	2.65	Support (already in package)
ICT resilience safety and security	Aggregation of ICT initiatives	3.37	Support (already in package)
Crisis cadre	Staff crisis training	0.6	Support
[33]		2.8	Support
Maintaining the current network	2-3% increases in remuneration OFP	28.12	Support (scale to first-year costs only - $10m)
[33]		2.38	Do not support
5% average uplift for SEP salaries	Additional remuneration increases for staff employed by post	2.19	Do not support
Travel policy	Allows more business-class flights	1.75	Do not support

- [1] and [12]

Annex 2 – Annotated Agenda that has been referred to the portfolio Minister

Agenda

The proposed agenda for this meeting is set out below. Further details on each agenda item are set out in the tables below.

1. **Agenda Item 1: *Exploring New Zealand's approach to Pacific relationships and***
[1]
2. **Agenda Item 2: Prioritisation of remaining Foreign Affairs initiatives**

Agenda Item 1 – Exploring New Zealand's approach to Pacific relationships and
[1]

Description of key issue	To discuss the new spending initiative for the International Development Cooperation (IDC) programme, and its alignment with MFAT's broader leadership of work [1] .

Agenda Item 2 – Prioritisation of remaining Foreign Affairs initiatives

Description of key issue	To discuss the Minister's ambition for the Foreign Affairs portfolio, and options to manage remaining priorities for the Foreign Affairs portfolio.

Annex 3 – Treasury recommendations on Foreign Affairs submissions

Attached as a separate document.

Budget 2026 - Package as at 3 March 2026 (Foreign Affairs)

Note

1. Some initiatives have significant out year components. This alters the way operating averages are calculated and may result in misalignment between Total Opex and Opex P.A. in the Treasury Package.
2. This annex aligns to the 'low' package set out in the Budget Ministers slides
3. Treasury's VAD framework quantifies the value (weighted through benefits and costs), alignment to Government Budget 2025 priorities, and delivery feasability of an initiative, rated from 1 (low) to 4 (high).

							Dept. Submissions $(m)			Current Package $(m)			Value for Money Values		
Vote	**ID**	**Budget Track**	**Title**	**Description**	**Current Status**	**Treasury Recommendation and Commentary**	**Total Opex**	**Opex P.A.**	**Total Capex**	**Total Opex**	**Opex P.A.**	**Total Capex**	**V**	**A**	**D**
Foreign Affairs	17107	New Service Or Policy	Protecting a Resilient, Safe, and Secure Offshore Diplomatic Network for New Zealand	This initiative provides funding for interventions that will protect New Zealand's frontline diplomatic and trade network. In particular, funding will avoid the need to reduce the size of New Zealand's modest offshore network, improve the security of information technology systems, improve the resilience of New Zealand's smallest diplomatic posts and those in the most challenging locations, increase the Ministry's preparedness for crisis response, and address known health and safety concerns.	Included	We recommend scaling this initiative. The interventions in this initiative provide funding for MFAT's diplomatic post network, to fund increases in remuneration, investment in cyber security/ICT systems, and travel and personnel policy changes to increase access to business class flights and [33] Of this group of sub-initiatives, we support a scaled option that would provide $24.08 million total operating for two ICT and cyber security-focussed investments. [33] . The other investments under this initiative are not sufficiently aligned with fiscal priorities or the Budget 2026 approach to remuneration, and could be funded by reprioritisation if priorities.	175.4	43.9	-	24.1	6.0	-	4	2	2
	[1] and [12]						10.0	2.5	-	-	-	-	3	3	2
	17181	New Service Or Policy	Pacific Islands Forum 2027 – Hosting Costs	This initiative provides funding for multi-agency costs associated with New Zealand's hosting of the Pacific Islands Forum Leaders' week in 2027. This will see New Zealand hosting 17 Pacific Leaders, up to 30 other high-level country and international organisation delegations, with approximately 1,500 delegates in total.	Excluded	We recommend not supporting this initiative. The bid seeks funding for the cost of New Zealand's hosting of the Pacific Islands Forum Leaders Week in 2027, and also an inter-agency Taskforce dedicated to organising the event. We note Cabinet approval was not sought before announcement of the hosting arrangement, which makes it more difficult to assess the strategic alignment of this initiative. The value for money of the bid is not clear, and we consider that there is significant scope to manage down the cost in line with the obligations of hosting. We understand that hosting the Forum in 2011 cost $10 million inflation-adjusted ($5 million for the Leaders Week and $2 million for the Forum Economic Ministers Meeting), funded by reprioritisation from the MFAT's baselines.	30.0	7.5	-	-	-	-	2	3	2
	17209	New Service Or Policy	International Development Cooperation to Support the Sustainable Development of Pacific Island and Developing Countries	This initiative purchases development cooperation and humanitarian assistance in Pacific island and developing countries at a level that maintains New Zealand's International Development Cooperation (IDC) as a share of Gross National Income at the projected average for 2024-27. This initiative supports New Zealand's foreign policy priorities, with a focus on prosperity, economic resilience, and peace and security in the Pacific and wider Indo-Pacific regions. It increases the scale of New Zealand's support for sustainable development of Pacific island and developing countries, and provides predictable funding to support partner countries' long-term development strategies.	Included	We recommend not supporting this initiative. Adopting an approach that IDC should be tied to GNI would require significant uplifts as GNI grows, creating continued fiscal pressure.[1] If investment in Pacific resilience is a high priority we would recommend funding is focused on more responsive and targeted initiatives (including where outside of IDC), or defence spending.	740.4	185.1	-	228.0	57.0	-	2	2	2