The Treasury

Budget 2026 Information Release

September 2026

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Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

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Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

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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TE TAI ŌHANGA
THE TREASURY

Reference: T2026/657 DH-10-0-18-M136625

Date: 31 March 2026

To: Minister of Finance (Hon Nicola Willis)

Deadline: Before 11.45am, Wednesday 1 April 2026

Advice on Foreign Affairs initiative "Protecting a Resilient, Safe, and Secure Offshore Diplomatic Network for New Zealand"

This aide memoire provides you with information you requested regarding the Vote Foreign Affairs initiative "Protecting a Resilient, Safe, and Secure Offshore Diplomatic Network for New Zealand", following Fiscal Matters.

Clarification of requirement to find $21.7 million p.a of ongoing savings

The Minister of Foreign Affairs' office indicates that MFAT would need to identify "ongoing savings of $21.7 million by 2027/28 in order to maintain its current diplomatic network."

In the time available our best assessment of this figure is that is has been taken from a set of 27/28 year baseline cost pressures noted below, which were provided in the budget bid template:

$m	**2026/27**	**2027/28**	**2028/29**	**2029/30**
New Zealand staff 2% remuneration increase	3.80	7.68	11.63	15.66
Posted staff 3% remuneration increase	1.35	2.74	4.17	5.65
Non staffing costs	4.82	8.78	12.81	16.93
Software	-	2.50	7.00	7.00
Total	**9.97**	**21.69**	**25.61**	**45.24**

Our view is that these are unlikely to all be genuine cost pressures, specifically in line with your approach taken to funding remuneration in this budget. The 'software' and 'non-staffing costs' have not been explained by MFAT.

The original description of this initiative framed these costs as 'new spending', and therefore that Ministers had choices about whether to fund them or not. However this now appears to be framed as a cost pressure over which there is little discretion whether or not to fund.

We continue to recommend our original package of $24.08m total

We consider it is important to have in mind the context that MFAT has not been subject to baseline reduction or savings initiatives to date, and has received significant uplifts in recent years:

- 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.
- MFAT received a departmental uplift of $41m in 2023, and $150m in 2018.

Options for reprioritisation

MFAT states that finding $21.7m of savings would require the equivalent of closing 6 diplomatic posts and reducing its FTE by 40-48 people). Noting MFAT's significant departmental growth, we consider that there is likely sufficient room to find savings without needing to close posts. MFAT has a large multi-category appropriation ($594.4m in 27/28) that covers most of their spend and would enable relatively simple reprioritisation. If MFAT do need to meet these costs it would require a 3.6% reprioritisation within that appropriation. We don't have sight of specific examples [33]

We don't consider the post network needs to be the first place to look for savings. Nevertheless, we consider there is scope to reduce the size of the diplomatic network if required - targeting lower-value posts. Post closures should not necessarily be avoided in principle.

You have received advice on including MFAT in the upcoming baseline reduction and FTE reduction process, which would require significant larger savings than identified here.

Jack Kelleher, Graduate Analyst, Economic and External Strategy, [39]
Thomas Parry, Senior Manager, Economic and External Strategy,

BUDGET 2026: FOREIGN AFFAIRS AND INTERNATIONAL DEVELOPMENT COOPERATION							
Initiative ($m, 4-year total)	**Original bid**	**Possible final package**	**Difference (MFAT recommended from original bid)**	**MFAT Explanation**	**Treasury Comment**	**Treasury revised recommendation**	**Difference (TSY recommended from original bid)**
International Development Cooperation to Support the Resilience of the Indo-Pacific Region in a Changing Global Context	$740.35	$238.50	-68%	This is the cost of keeping the level of our International Development Cooperation, in nominal terms, the same for the current triennium as the previous one ($3.064 billion) – while keeping the departmental funding rate at the 9.75 percent, the level agreed by the Foreign and Finance Ministers in 2019. This initiative no longer seeks increased funding in order to keep our IDC at constant as a proportion of GNI. We have also re-cast the initiative, as requested by the Minister of Finance, as follows: **International Development Cooperation to Support the Resilience of the Indo-Pacific Region in a Changing Global Context:** This initiative purchases development cooperation and humanitarian assistance to countries in the Pacific and Indo-Pacific regions. In a changing global context, International Development Cooperation (IDC) bolsters the resilience of New Zealand's regional partners to economic, social, environmental, and security shocks. Investing in regional resilience benefits New Zealand's national security and foreign policy priorities. This initiative includes work in the Pacific to address trans-boundary security issues, strengthen the private sector, provide key infrastructure, and support democratic institutions and effective governance. It increases our influence in the region, supporting strategic goals.	**We recommend maintaining the current package, but are comfortable with MFAT's revised package.** 9.75% is the standard departmental funding lift given to some previous uplifts. We recommend providing 5%, as we consider that there is scope to manage departmental costs. We do not have record of a standard level agreed by the Foreign and Finance Ministers in 2019, so cannot verify MFAT's claim. We agree with the re-casting of the initiative.	$228.00 (**recommended**, the existing package) *or* $238.50 (MFAT recommended)	-69% *or* -68%
Protecting a Resilient, Safe, and Secure Offshore Diplomatic Network Advancing New Zealanders' Interests in An Uncertain World.	$175.44	$138.99	-21%	This is the cost of funding needed for: - protecting the existing the diplomatic network (i.e. preventing closures of Embassies/High Commissions); - protecting existing diplomatic capability (i.e. preventing redundancies of existing diplomats, either offshore or in Head Office); and - the three cyber/crisis sub-projects (24x7 Cybersecurity Operations Centre, ICT resilience safety and security, and Crisis Cadre) This initiative no longer seeks funding for increases in certain staffing provisions (e.g. increases in salaries for locally engaged staff or [33] or changes to travel policy. An absolute red line for Minister Peters is that our current diplomatic network – i.e. that he is not forced to oversee the closure of New Zealand Embassies or High Commissions, or the making redundant of current New Zealand diplomats. At the current time of heightened uncertainly and conflict, when the value of our diplomatic network is on full display, this position is more important to Minister Peters than ever. To underline the focus of this initiative, and its connection to the strategic environment, it has been recast as: "Protecting a Resilient, Safe, and Secure Offshore Diplomatic Network Advancing New Zealanders' Interests in An Uncertain World". Early in the current term, Minister Peters directed the Secretary of Foreign Affairs and Trade to undertake a review of the Ministry's diplomatic resourcing. As a result of this review, a package of reprioritisation was implemented to focus more diplomatic resource to support the Government's priorities: priority relationships with India and Southeast Asia, a greater focus on emerging challenges in the Pacific, and to meet the goal of doubling exports. Collectively, this represented a cost-neutral reprioritisation of $46 million of diplomatic resource over four years. Minister Peters has been advised that, in the current circumstances, MFAT would need to identify ongoing savings of $21.7 million by 2027/28 in	**We recommend providing the original package of $24.08m,** which funds key cybersecurity concerns. To provide significant additional funding for FTE in this fiscal environment goes against your wider goals for this Budget. MFAT is currently excluded from all steps of the baseline reduction. We note that MFAT received a departmental uplift of $41m in 2023, and $150m in 2018. **However, if you wish to provide additional funding for departmental costs, you could increase from $24.08m to $66.48m.** This provides the current package, and scaled funding of $10m p.a. This would be an uplift flatlined across the forecast period based on 2025/26 cost pressures (in line with your approach to cost pressures at Budget 2026), rather than continued annual uplifts.	$24.08m (**recommended,** the existing package) *or* $66.48 (the existing package, staff crisis training, and scaled funding of $40m to provide funding for the first-year costs of maintaining the network) *or* $113.28 (to provide the additional $21.7m p.a. that MFA's office indicates is needed to avoid post closures)	-86% *or* -62% *or* -35%

				order to maintain its current diplomatic network (the equivalent of closing 6 diplomatic posts and reducing its FTE by 40-48 people).			
Pacific Islands Forum 2027 – Hosting Costs	$30.00	$23.00	-23%	This initiative has been reduced in size, at the request of the Minister of Finance.	**We recommend providing $10m.** We understand that the Minister of Finance has requested that the figure more closely aligns with the inflation-adjusted cost of hosting the Forum in 2011 ($10m). **However, the Minister could also consider providing 50% more funding ($15m total), to reflect that the Forum has increased in scope and importance since 2011.** We do not recommend the requested $23m, noting that the original initiative included components that are either discretionary or could be scaled, including $6.4m for policy work, [38]	$10.00 (recommended) *or* $15.00	-67% *or* -50%
[1] and [12]	[33]			[1] and [12]		[33]	
TOTALS							