

Section 01

Overviews



Overviews

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Secretary's review

The 2014–15 financial year has been one of organisational renewal and important successes in our implementation of the Government's foreign policy, trade and investment and development agenda. We continued to focus our efforts in the Indo-Pacific region, where our national interests are strongest.

Through the year, the department has made positive contributions to global prosperity and security. We have deepened our strategic relations with major powers and regional partners. We have supported Australia's major role in the US-led coalition against Daesh in Iraq. Furthering the pursuit of economic diplomacy, we promoted the economic opportunities arising from new trade agreements with Korea and Japan, concluded negotiations on a new trade agreement with China and supported Australia's presidency of the G20. The department extended people-to-people links with the expansion of the New Colombo Plan from its pilot phase. Our development assistance has promoted economic growth and stability in our region.

We are already beginning to see the benefits of our alignment of foreign, trade and development functions within the department. This is demonstrated most clearly in our effective response to regional crises. Our posts worked with consular, humanitarian, development policy and geographic teams in Canberra to respond, in difficult circumstances, to Tropical Cyclone Pam in Vanuatu, the earthquakes in Nepal, the downing of Malaysia Airlines flight MH17 and the Ebola outbreak in West Africa.



Secretary, Peter Varghese AO.

With the structural elements of integration in place, 2014–15 provided an opportunity for cultural renewal built on a new Strategic Framework and Values Statement that articulates our purpose and unifies our approach. As a stronger organisation we are well positioned to respond effectively to the strategic challenges that confront us, many of which are best addressed through coordinating the varied capabilities and talents of the integrated department.

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Strategic context

The department is, by necessity, responsive to the opportunities and risks posed by the complex and changing international environment.

The Indo-Pacific region presents increasing opportunities for economic interdependence and risks associated with growing strategic competition. The economic significance and dynamism of Asia—including China, India and Indonesia—continues to expand, providing opportunities for enhanced trade and investment. Economic growth in the region has lifted millions of people out of poverty, although significant development challenges remain. In virtually all major Asian economies, sustained economic growth will require states to address deep structural challenges and make potentially painful adjustments.

Economic growth is rearranging the strategic landscape of the Indo-Pacific. Countries such as Japan and China are increasing their strategic influence, including in areas of security policy and infrastructure investment. Geopolitical shifts are also giving rise to regional tensions, such as the disputed claims in the South China Sea, with potential implications for peace and stability.

More broadly, we are operating in an environment of deteriorating global security. Strained relations between the United States and Russia, ongoing conflict in the Middle East and the growing threat of Islamic terrorism and foreign terrorist fighters all contribute to global instability. Weak and fragile states are often ill-equipped to deal effectively with the challenges posed by militant non-state actors. Security challenges are also evolving, as demonstrated by the growing threat of cyber-attacks. No individual country is able to unilaterally counter these security risks.

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Our approach in this more complex environment is to take practical steps to safeguard and promote Australia's national interests. We are deepening our strategic ties, joining international efforts to fight terrorism, strengthening global institutions and norms, enhancing our economic engagement and assisting economic and human development in the region.

Overview of performance

Through our bilateral and regional partnerships and engagement with multilateral institutions, we have promoted **a stable and prosperous regional and global environment**.

Bilateral engagement

Our foreign policy, defence and trade and investment relationship with the **United States** continues to deepen. Growth in two-way trade and investment over the last 10 years demonstrates the enduring success of the Australia–US Free Trade Agreement. Our cooperation on global security challenges entered a new phase with the implementation of the new Australia–United States Force Posture Agreement.

The department worked to conclude negotiations on the historic **China**–Australia Free Trade Agreement that will lower barriers and further build upon our strong economic engagement. Bilateral relations with China also expanded through the inaugural meeting of the Australia–China State/Provincial Leaders Forum and Australia–China High Level Dialogue. We signalled our intention to join the Chinese-led Asia Infrastructure Investment Bank, which will address considerable regional infrastructure needs to drive further economic growth.

Our strong economic and strategic relationship with **Japan** was bolstered with the signing and entry into force of the Japan–Australia Economic Partnership Agreement. We strengthened our defence relationship through the Agreement Concerning the Transfer of Defence Equipment and Technology, providing for greater defence science, technology and material cooperation. The second leaders-level Trilateral Strategic Dialogue with the United States and Japan resulted in agreement to further enhance security cooperation.

Our economic ties with the **Republic of Korea** continued to prosper. The entry into force of the Korea–Australia Free Trade Agreement provided opportunities to strengthen our bilateral relationship. We explored options to build our security relationship in advance of ministerial-level talks in the second half of 2015.

The department pursued initiatives to progress our strategic, economic and institutional links with **India**. We progressed security cooperation through the annual Foreign Ministers' Framework Dialogue and worked across the Australian Government with India on counter-terrorism and cyber and transnational crime. We also supported the Prime Minister and the Minister for Trade and Investment in talks on the Australia–India Comprehensive Economic Cooperation Agreement (CECA) and gained support for an early conclusion of negotiations.

The department supported engagement with **Indonesia**, building our relationship with the Indonesian Government under new President Joko Widodo. While the execution of Andrew Chan and Myuran Sukumaran led to the temporary withdrawal of our ambassador for consultations, our ongoing collaboration in areas of mutual interest, such as combatting terrorist activity and development assistance, continued.

In the **Pacific**, the department worked with governments to build security, stability and prosperity. Our support was instrumental in securing regional agreement for a new *Framework for Pacific Regionalism* that will further strategic cooperation on economic, environmental and development challenges.

Our engagement with **Papua New Guinea** led to a strengthening of our defence and security cooperation and built upon our trade and investment links. Our aid investments contributed to economic and human development.

The department led a resetting of the bilateral relationship with **Fiji** and assisted Fiji's transition to democracy, including through co-leading the Multinational Observer Group for the election. We also supported successful national elections in **Solomon Islands** in October 2014 and **Tonga** in November 2014.

We continued to build our strategic cooperation with partners in **Europe**, including as an Enhanced Opportunity Partner with NATO. Our relationships with **Canada**, **Latin America** and **Africa** also advanced.

Regional and multilateral diplomacy

Changing global power balances and dynamics, a growing diversity of stakeholders and an expanding range of global issues have increased the complexity of traditional multilateral engagement. This has encouraged new, smaller groupings to emerge to progress issues of mutual interest. It has required us to engage across a range of forums to advocate Australia's interests.

Our two-year term as a non-permanent member of the **UN Security Council** concluded in December. The department supported Australia's leadership in responding to the downing of MH17 to ensure investigators' access to the crash site, enable repatriation of victims and support efforts towards accountability. We won support for access for humanitarian relief into Syria, focused the Security Council on countering terrorism and violent extremism and secured unanimous agreement to strengthen UN policing.

The department worked closely with Defence to facilitate Australia's military contribution to the international coalition countering the threat posed by Daesh. We also provided substantial humanitarian assistance in response to the conflicts in Iraq and Syria.

We elevated our cooperation with ASEAN in our 40th year of engagement, moving Australia–**ASEAN** relations to a Strategic Partnership.

The department worked with regional partners in pursuit of the political-security agenda of the **East Asia Summit** (EAS). At the 9th EAS, held in November, leaders addressed issues of tensions in the South China Sea, threats posed by foreign terrorist fighters and Ebola.

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We supported the Foreign Minister in three meetings of **MIKTA**, a unique grouping of middle-income countries: Mexico, Indonesia, the Republic of Korea, Turkey and Australia. In 2014–15, the forum continued to reinforce bilateral ties between members and promote a new perspective in multilateral discussions.

In collaboration with whole-of-government partners, the department played a critical role in the Government's successful advocacy through the World Heritage Committee to ensure that the Great Barrier Reef was not listed as World Heritage 'in danger'. We continued to support negotiations and policy formulation on post-2020 emission reduction targets in the lead-up to the 21st session of the Conference of the Parties to the UN Framework Convention on Climate Change in Paris in December 2015.

Through multilateral forums, we advocated in favour of human rights, democratic values, gender equality and progress in the development of international law.

Economic diplomacy, trade and investment

In support of the Government's economic diplomacy agenda, we worked to improve **market access** for Australian goods and services and promote foreign **investment** to Australia. Free Trade Agreements (FTAs) with Korea and Japan entered into force during the year and the department drove accelerated FTA negotiations with China and India, leading to the signing of China–Australia FTA in June. We worked closely with Austrade to promote the benefits of these agreements, completing a national series of information seminars for Australian businesses.

The department led negotiations on the **Regional Comprehensive Economic Partnership** (RCEP) and made significant progress in the **Trans-Pacific Partnership** (TPP) and **PACER Plus** negotiations.

Through our support for Australia's successful presidency of the G20, we contributed to the unanimous agreement to the Brisbane Action Plan which is estimated to create global economic growth of 2.1 per cent over the next five years.

We facilitated Australia's adoption of the **World Trade Organization** Agreement on Trade Facilitation which will streamline customs and border procedures and pursued Australia's interests in major plurilateral trade negotiations.

The aid program

The department continued to implement the Government's development policy in a changing landscape for aid. Rapid economic growth in some countries, an increase in other financial flows, and a growing number of non-traditional donors—including private sector actors and philanthropists—have changed the role of aid in our region.

In response, we have consolidated our focus in the Indo-Pacific, engaged more strongly with the private sector and strengthened our investments to promote gender equality and the empowerment of women and girls. We have adapted our aid to Southeast Asia towards economic partnerships where we can leverage countries' own resources and domestic capacity. In the Pacific, where we continue to be the major donor, we provided programs to build capacity, increase access to basic services and stimulate economic growth. Our aid program has continued to improve the lives of millions of people.

We provided **humanitarian assistance** in 21 countries, including major relief efforts in Vanuatu, after Tropical Cyclone Pam in March this year, and in Nepal, following the earthquakes in April and May. Demonstrating the benefits of integration in the field, our humanitarian and consular teams worked together to provide support across consular, search and rescue, humanitarian and recovery efforts.

Our response to the **Ebola outbreak** in West Africa was a substantial contribution to international efforts to help combat the epidemic. We supported UN response efforts and funded the management and operation of the Hastings Airfield Ebola Treatment Centre in Sierra Leone.

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In March, we launched the innovationXchange to increase innovation in our aid program. The **innovationXchange** is combining government support with private enterprise to drive new technologies and approaches for greater development impact.

Efficient, effective and responsive services

We maintained a high level of service to the Australian public through our consular and passport services. We provided consular assistance to 15,824 Australians in difficulty overseas and responded to 50,525 emergency calls. This included substantial assistance to the families of the victims of downed flight MH17 and those affected by the natural disasters in Vanuatu and Nepal.

We delivered a three-year Consular Strategy to better focus consular services on those who are most vulnerable or involved in more serious cases.

The department kept Australians informed through our travel advisories and other travel information on smartraveller.gov.au and increased to 171 the number of destinations for which we provide travel advice.

We provided a secure, efficient and responsive passport service that issued a record number of 1.83 million passports over the year. The majority of these were the new generation P-series document with enhanced security features. Client satisfaction with passport services remains high.

Building people-to-people and institutional links

We built on existing people-to-people and institutional links increasing the depth and breadth of Australia's international engagement, with a focus in the Indo-Pacific region. Through the New Colombo Plan we are supporting more than 3200 students to undertake study and work-based learning experiences in 32 locations in the 2015 round. We invested in future leaders in our region through 4322 Australia Awards to recipients from 80 eligible developing countries.

A positive and contemporary image of Australia

The department's public diplomacy activities helped cultivate positive attitudes towards Australia and broaden knowledge and understanding of the Government's policies. Our strategic communications highlighted Australia's G20 leadership, trade agreements and the work of the Great Barrier Reef Task Force. We organised, with the Department of Veterans' Affairs, events to commemorate the 100th anniversary of the Anzac landings at Gallipoli.

The department continued to expand our social media presence. In 2014–15, the department's global network reached 9.1 million users. We used social media to engage stakeholders, communicate government policies and provide accurate and timely travel advisories. We will continue to expand our use of digital channels to promote Australia and advocate for our interests.

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A secure presence overseas

We provided a high level of security for government communications, physical property and staff in Australia and overseas. We developed a stronger real-time security threat assessment and risk management capability to counter physical and cyber threats to our network. Our major project to modernise ICT services and infrastructure has begun implementation and will run until 2017–18.

Enhancing our organisational capability

Building on the early progress of integration, our management agenda has focused on further unifying and strengthening our organisation.

A number of corporate initiatives have helped to bring clear purpose to our activities and to build a flexible, innovative and capable workforce ready to meet our future challenges. We introduced the department's Strategic Framework and Values Statement in December, providing a clear exposition of our purpose and how we will achieve it.

Quality leadership is fundamental to achieving the department's purpose in a way that accords with our values. In April, I released the department's Leadership Strategy, setting out the key behaviours I expect from all staff, together with a number of initiatives to advance this culture of leadership. Among these, I have placed a particular emphasis on women's leadership to address concerns that too few of our women recruits are progressing to senior leadership positions, despite an equally strong performance record. This is fundamentally a question of maximising the talent and capability of our staff—men and women.

Work under the Capability Action Plan advanced in areas of business and workforce planning, policymaking and strategic thinking, risk management and innovation, and knowledge management. We have made progress in developing a departmental workforce plan that will ensure we have the right mix of skills and capabilities to meet our forward agenda. We have encouraged a culture of innovation, highlighted through the 392 entries to our Ideas Challenge. Our new risk management guidelines will help staff engage with risk and support innovation.

Financial performance

The department demonstrated strong financial performance in 2014–15. The financial statements reported an operating deficit of \$106.9 million, including depreciation and amortisation expenses of \$147.5 million. The department reported a strong net asset position of \$3,728.1 million, with liabilities equating to only 10 per cent of the total asset base. The department's administered revenues were \$897.3 million and administered expenses were \$4,807.2 million.

Outlook

In the coming year, we will continue to pursue opportunities to promote Australian interests in our region and globally. As the larger rearrangement of economic and strategic weight works its way through our region, it is important that we take a long view to maximise Australia's economic opportunities and minimise strategic risk. The department is well-positioned to take practical and meaningful steps in support of our security and prosperity.

Deepening our strategic relationships with alliance and regional partners will remain a core priority. In addition to more established relationships, we will expand our engagement with countries with which we share interests.

We will engage multilateral forums to build rules-based institutions and norms, advance Australia's objectives and promote our values. This will include pursuing justice for the victims of the downing of MH17.

The department is well-positioned to take practical and meaningful steps in support of our security and prosperity.

In support of Australia's economic interests, the department will manage the domestic treaty process for the China–Australia Free Trade Agreement and continue to drive accelerated negotiations with India on the CECA. The department will progress negotiations on the TPP and RCEP and lead Australia's engagement as a member of the G20 Troika.

The department will manage our development assistance in new ways to support economic growth. We are positioned to help implement the new Sustainable Development Goals. We will increase efforts to improve the lives of women and girls through the Gender Equality Fund. The department will finalise aid investment plans for our country and regional aid programs, reflecting the revised budget for 2015–16.

The implementation of the New Colombo Plan will continue to gain momentum, including through expanding the Mobility Partners program, further promotion with the private sector and finalising strategies to engage with alumni.

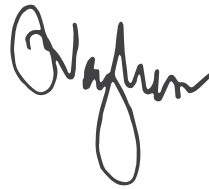
We will establish a number of new diplomatic posts in the single largest expansion of the diplomatic network in 40 years. This will provide new opportunities for our foreign, trade and investment, development and consular work overseas.

The Functional and Efficiency Review of the department will assess the role and the efficiency and effectiveness of the department in delivering the Government's strategic objectives. We are well-positioned for this review given the work already undertaken to integrate and improve the operations of the department.

Our focus on the long-term process of cultural integration and quality leadership will continue and will include responding to issues identified as barriers to women taking up leadership positions in the department. Our engagement across government and with other domestic stakeholders will remain a priority.

Through the work of innovationXchange, and implementation of ideas put forward in the Ideas Challenge, we will become more efficient and effective.

As always, our ability to achieve these results will be underpinned by the dedication and professionalism of our staff in Australia and overseas.



Peter Varghese AO
Secretary

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Departmental overview

The department helps make Australia stronger, safer and more prosperous by promoting and protecting our interests internationally and contributing to global stability and economic growth. We do this overseas through a network of 96 embassies, high commissions, consulates-general and multilateral missions.

The department's network of honorary consuls overseas provides consular assistance to Australians in locations where the Australian Government does not have other representation. (See App. 14, pp. 285–7.)

At home, we work through our state and territory offices, supporting Australian business and citizens working or travelling overseas. We depend on a highly skilled, flexible workforce capable of developing and implementing foreign, trade and

investment and development policy, negotiating international agreements, delivering an effective aid program, and providing high-quality consular and passports services. This business is often conducted in one of the 29 foreign languages in which the department's staff are proficient.

The Secretary and five deputy secretaries constitute the department's executive. Supported by the senior executive service, the executive provides management and leadership on foreign, trade and investment, and development policy in Australia and overseas, as well as on consular, passports and corporate issues. The executive is also responsible for the department's governance and the promotion of its priorities and values, guided by the *Strategic Framework 2015–2019* and the *Values Statement*. The department's organisational structure is outlined in Fig. 1.



Secretary and Deputy Secretaries of the Department of Foreign Affairs and Trade (as at 30 June 2015). L. to R.: (front) Secretary Peter Varghese AO, Deputy Secretary Jan Adams PSM; (back) Deputy Secretaries Ric Wells, Ewen McDonald, Jennifer Rawson, Gary Quinlan. [DFAT]

Figure 1: Executive structure (as at 30 June 2015)



Post integration management agenda

The adoption of a new integrated structure for the department on 1 July 2014 brought together the department's foreign, trade and investment and development policy and program responsibilities. The challenge has been to build a unified organisational framework and culture and to consolidate and enhance the capabilities of the integrated department. To this end, we launched our Strategic Framework and Values Statement in December 2014. (See *pp. viii; 246.*)

The *Strategic Framework 2015–2019* is a high-level statement of the department's purpose, what we do to achieve the outcomes expected of us by the Government and Australian community, and our key priorities over the next four years.

It also identifies the main assets we bring to bear in carrying out our work and how we will conduct ourselves in doing so—our core values, as set out in the *DFAT Values Statement*.

To deliver the objectives of the Strategic Framework, the department needs to strengthen organisational capabilities, including in business and workforce planning, policymaking and strategic thinking, risk management and innovation and knowledge management.

A renewed commitment to leadership is central to strengthening our capabilities and delivering our objectives to the highest standard. As part of this renewal, we launched the DFAT Leadership Strategy. Our employees at all levels are responsible for embodying strong leadership as they pursue their individual work priorities. We are also analysing barriers to women taking up leadership roles and will take further action to address barriers from 2015–16.

innovationXchange—new approaches to aid

innovationXchange is working with country programs and sectoral teams within the department to support innovative ideas and share 'next practice' in global development.

innovationXchange is testing new approaches to designing and delivering aid, including co-creation of solutions to known development problems, open calls for development innovations and creating a new model for bringing medium-large businesses into the Pacific to create sustainable business models with positive social outcomes.

innovationXchange will follow five key principles to embed innovation in the aid program:

1. **Openness**—We work in the open, sharing learnings broadly to support participation in innovation and drive new, better thinking.
2. **Leadership**—We demonstrate and influence change towards new ways of working.
3. **Collaboration**—We co-create with a range of partners.
4. **Agility**—We are problem solvers in the business of funding trials. A cycle of iteration, adaptation and learning will be the foundation for our progress.
5. **Engagement with Risk**—We look at risk differently. We recognise the upside of risk and that innovation offers the potential for reward and big impact. Taking risks is essential to pioneering new approaches. We strive to achieve transformational change, knowing that the path to that change is not always clear.

INNOVATION  CHANGE

The department is embracing innovation as part of the Strategic Framework. On 23 March 2015, the Foreign Minister launched the innovationXchange to promote and encourage the use of innovation across the aid program, followed by the release of the DFAT Innovation Strategy on 24 March 2015.

The strategy aims to develop a more innovative culture that encourages and promotes new ideas and better ways of doing things.

An Innovation Working Group has been established to implement the strategy.

The innovationXchange also has a role in facilitating innovation across the department and hosted the inaugural departmental Ideas Challenge.

Ideas Challenge—improving efficiencies

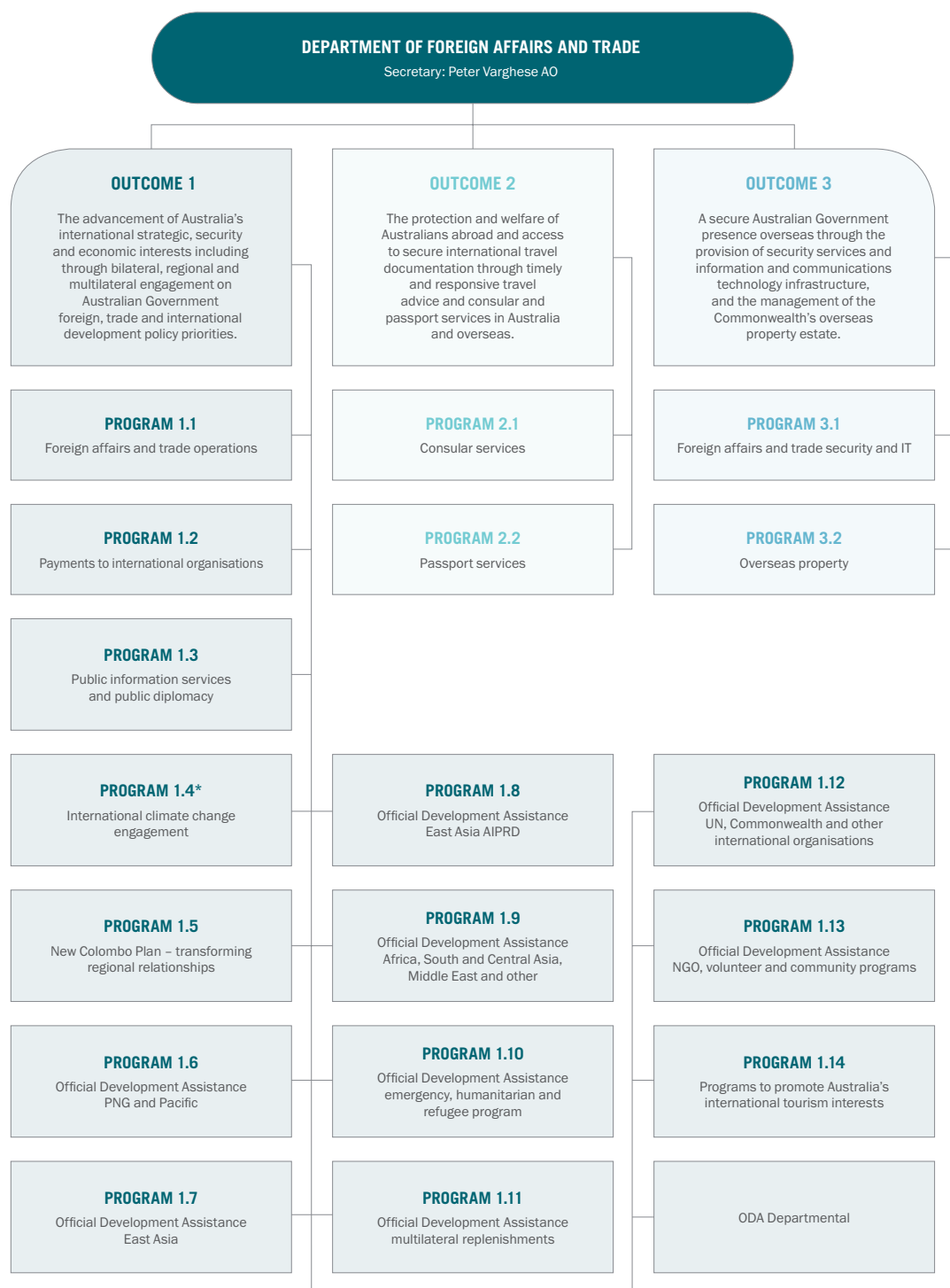
The inaugural Ideas Challenge was run from March to June 2015 to embed innovative and creative thinking to improve efficiency and impact across the department. This challenge was open to all staff, who were invited to submit innovative ideas, which had the potential to enhance the department's work, to an open, online platform. Exceeding expectations, over

50 per cent of staff participated in the challenge through lodging, providing comment or voting on ideas. Two of the 392 ideas lodged were selected as winning submissions and will be developed further and trialled if feasible. Approximately 20 additional ideas are currently being considered for implementation across the department.



Ideas Challenge—encouraging collaboration and creativity. Michael Lynch presenting his winning idea—the 'Cloud Passport'—to the judging panel, Canberra, 15 June 2015. [DFAT]

Figure 2: Outcomes and programs structure, 2014–15



*Portfolio Budget Statements 2015-16 amendments include one adjustment with implications for financial year 2014-15. Outcome 1 has been amended by including Program 1.4 International Climate Change Engagement in Program 1.1 Foreign Affairs and Trade Operations.

Structure of the Foreign Affairs and Trade Portfolio

The foreign affairs and trade portfolio supports the Minister for Foreign Affairs, the Minister for Trade and Investment and the Parliamentary Secretary to the Minister for Foreign Affairs and to the Minister for Trade and Investment to advance Australia's foreign, trade and investment, and development policy.

- Six agencies make up the portfolio:
- Department of Foreign Affairs and Trade
 - Australian Trade Commission (Austrade)
 - Tourism Australia
 - Australian Secret Intelligence Service (ASIS)
 - Australian Centre for International Agricultural Research (ACIAR)
 - Export Finance and Insurance Corporation (EFIC)

NB: EFIC is not subject to outcome reporting under the Portfolio Budget Statements 2014–15.

Figure 3: Foreign affairs and trade portfolio structure and outcomes

